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TAXATION LATEST CASE LAW

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Summary: Goods and Services Tax Case Laws

1. **SC Stays Allahabad HC Ruling Holding That Mere Uploading of GST Notices and Orders on Common Portal Does Not Constitute Valid Communication U/S 169 of the GST Act**

- In State of Uttar Pradesh & Anr. v. M/s Bambino Agro Industries Ltd. & Anr. (SLP Diary No. 11683/2026, dated May 29, 2026), the Hon'ble Supreme Court has stayed the Allahabad High Court's ruling which held that simply uploading GST notices/orders on the Common Portal does not amount to valid "communication" under Section 169 of the GST Act for appeal limitation purposes.

- The HC had further ruled that constructive service under Section 169(2) & (3) is not available for notices served via e-mail or portal uploads under Section 169(1)(c) & (d).

- The Supreme Court has now kept the matter open for full hearing, issuing notice returnable in ten weeks and maintaining the status quo till then.

- The Hon'ble Supreme Court, while issuing notice returnable after ten weeks, granted stay of the impugned order till the next date of hearing.

2. **Can GST Writ Petition Be Maintained When An Efficacious Statutory Appeal Remedy is Available**?
   Case: **PEI Industries vs. Union of India**
   Court: **Delhi High Court**
   Writ/Appeal No.: **W.P. (C) No. 7725 of 2026 (CM Appl. No. 37364 of 2026)**
   Judgment Date: **29.05.2026**

- The Delhi High Court held that where an effective statutory remedy of appeal under Section 107 of the CGST Act is available, writ jurisdiction should ordinarily not be invoked merely on grounds relating to appreciation of evidence, adequacy of hearing, or the burden of statutory pre-deposit.

- In the present case, the petitioner challenged an Order-in-Original passed under Section 74 of the CGST Act, contending that earlier proceedings under Section 73 initiated by the State GST authorities had already been closed on the same set of documents and, therefore, fresh proceedings by Central GST authorities were barred under Section 6(2)(b). The petitioner also alleged denial of adequate opportunity of hearing and improper appreciation of evidence.

- The Court observed that Sections 73 and 74 operate in distinct fields and exoneration in proceedings under Section 73 does not automatically bar action under Section 74. It further held that the Appellate Authority is empowered to re-appreciate evidence and even permit additional evidence, making the appellate remedy fully efficacious.

- Accordingly, the High Court declined to exercise writ jurisdiction and dismissed the writ petition, holding that the petitioner must avail the statutory appellate remedy, and clarified that the appeal, if filed, shall be decided on its own merits in accordance with law.

3. **Can Repeated Deficiency Memos Defeat a GST Refund Claim on Limitation**?
   Case: **GHS Traders vs. Union of India**
   Court: **Karnataka High Court**
   Writ/Appeal No.: **Writ Petition No. 6657 of 2025 (T-RES)**
   Judgment Date: **14.11.2025**

- The Karnataka High Court held that where GST authorities repeatedly issue deficiency memos without adjudicating a refund claim on merits, the taxpayer cannot be deprived of the refund remedy on the ground of limitation.

- In the present case, the petitioner filed multiple refund applications on 08.10.2024, 29.10.2024, 18.11.2024 and 05.12.2024. However, instead of examining the refund claim, the authorities repeatedly issued deficiency memos and failed to decide the matter on merits.

- The Court observed that it would be unjust to penalize the assessee for delays caused by repeated deficiency memos. Accordingly, it permitted the petitioner to file a fresh refund application and directed that such application be treated as having been filed on 08.10.2024, being the date of the first refund application, with the entire intervening period excluded for the purpose of limitation under Section 54 of the CGST Act.

- Accordingly, the respondents were directed to issue acknowledgment in Form GST RFD-02, consider the fresh refund application along with the claim for interest under Sections 54 and 56 read with Rule 89, and pass a reasoned order within three months, while keeping all issues other than limitation open for adjudication.

4. **Can High Court Condone a 720-Day Delay in Filing GST Appeal Against Cancellation of Registration**?
   Case: **Vishwas Enterprises vs. Commissioner (Appeals) of Central Goods and Service Tax**
   Court: **Rajasthan High Court**
   Writ/Appeal No.: **D.B. Civil Writ Petition No. 7856 of 2025**
   Judgment Date: **13.04.2026**

- The Rajasthan High Court held that although the Appellate Authority under Section 107 of the CGST Act has no power to condone delay beyond the statutory limit, the

High Court can exercise its writ jurisdiction to condone such delay in appropriate cases to prevent grave injustice and denial of remedy.

- In the present case, the petitioner's GST registration was cancelled by an Order-in-Original dated 08.07.2022, and the appeal against such cancellation was filed with a delay of about 720 days. The petitioner attributed the delay to severe financial hardship, including non-recovery of substantial dues and pending proceedings before the MSME Facilitation Council.

- The Court observed that while the Appellate Authority was bound by the limitation prescribed under Section 107 and lacked jurisdiction to condone such delay, non-adjudication of the appeal on merits would cause grave prejudice, particularly when cancellation of GST registration adversely impacts business operations and livelihood.

- Accordingly, following its consistent judicial view, the High Court condoned the delay of 720 days (after granting the statutory relaxation available under Section 107), set aside the appellate order rejecting the appeal as time-barred, and directed the Appellate Authority to entertain and decide the appeal on merits in accordance with law.

5. **Can General Penalty u/s 125 Be Levied Along with Late Fee for Delayed Filing of GST Returns**?
   Case: **Caussa Tec Solutions** (**P**.) **Ltd**. **vs**. **Assistant Commissioner** (**ST**)
   Court: **Madras High Court**
   Writ/Appeal No.: **W**.**P**. **No**. **16991 of 2026** (**W**.**M**.**P**. **Nos**. **18303** & **18304 of 2026**)
   Judgment Date: **29**.**04**.**2026**

- The Madras High Court held that where late fee is specifically leviable for delayed filing of GST returns, the residual general penalty under Section 125 cannot be simultaneously imposed for the very same default.

- In the present case, a DRC-01 show cause notice proposed levy of both late fee and general penalty under the CGST and SGST Acts for delayed filing of returns. Since the assessee neither responded nor appeared for personal hearing, the department confirmed the proposal and levied a general penalty of ₹25,000 each under CGST and SGST in addition to late fee.

- The Court relied upon its earlier decision in Kandan Hardware Mart v. Assistant Commissioner (ST) and observed that Section 125 is a residual penal provision which can be invoked only where no specific penalty or statutory levy exists. Since Section 47 specifically provides for levy of late fee for delayed returns, imposition of general penalty under Section 125 was unsustainable.

- Accordingly, the writ petition was partly allowed and the levy of general penalty under Section 125 was set aside, while the assessee was directed to pay the applicable late fee within 30 days, if not already paid.

6. **Can Service Tax Demand Be Raised Solely on the Basis of Form 26AS Without Independent Verification?**
   Case: Debojit Deb vs. Union of India
   Court: Gauhati High Court
   Writ No.: WP(C) No. 1653 of 2026
   Judgment Date: 12.06.2026

- The Gauhati High Court held that a service tax demand raised solely on the basis of information reflected in Form 26AS, without any independent examination of the nature and taxability of services rendered, is unsustainable in law. Further, invocation of the extended period of limitation without recording findings regarding fraud, suppression, wilful misstatement, or intent to evade tax is without jurisdiction.

- The petitioner, a works contractor engaged in construction of roads, bridges and allied infrastructure for Government departments, claimed exemption under Entries 12 and 13 of Notification No. 25/2012-ST. The Department initiated service tax proceedings solely on the basis of Form 26AS data and confirmed demand of service tax along with interest and penalties under the Finance Act, 1994.

- The High Court observed that Form 26AS merely reflects payments received after deduction of TDS and cannot, by itself, establish service tax liability. The adjudicating authority failed to independently verify whether the services were exempt and also failed to record satisfaction regarding the statutory conditions necessary for invoking the extended limitation period under Section 73(1) of the Finance Act, 1994.

- Relying upon its earlier decision in Technocom v. Union of India (2026) (Gauhati), the Court held that assumption of jurisdiction based solely on Form 26AS data is unauthorized and contrary to law. Consequently, the Order-in-Original, Order-in-Appeal, and the consequential demand of service tax, interest and penalties were quashed.

7. **Can A GST Order Passed u/s 73 Be Challenged in Writ Jurisdiction After More Than Two Years of Its Passing?**
   Case: Prashanth Kumar Poddaturi vs. State of Telangana
   Court: Supreme Court of India
   Appeal No.: SLP (C) No. 12247 of 2026
   Judgment Date: 04.05.2026

- The Supreme Court dismissed the assessee's SLP and upheld the High Court's view that a writ petition challenging an order passed under Section 73 of the GST Act

cannot ordinarily be entertained when it is filed more than two years after the passing of the order and the statutory appellate remedy was not availed within time.

- In the present case, the assessee challenged an unsigned order dated 10.07.2023 passed under Section 73 and consequential recovery proceedings, contending that bankers were threatening attachment of bank accounts. The assessee sought liberty to approach the appellate authority despite the substantial delay in challenging the order.

- The Telangana High Court declined to entertain the writ petition, holding that it had been filed more than two years after the impugned order and was barred by the principles laid down by the Supreme Court in Asstt. Commissioner (CT) LTU v. Glaxo Smith Kline Consumer Health Care Ltd. The High Court, however, observed that the assessee could approach the statutory authority if otherwise permissible in law.

- Affirming the High Court's decision, the Supreme Court held that no ground existed for interference under Article 136 of the Constitution and dismissed the SLP, thereby reiterating that belated writ petitions cannot be used to bypass the statutory appellate framework under the GST law.

8. **Can ITC Be Denied to a Bona Fide Purchaser Merely Because the Supplier Failed to Deposit GST with the Government**?
Case: **Narayan Enterprise vs**. **Union of India**
Court: **Gauhati High Court**
Writ No.: **WP(C) No**. **2933 of 2026**
Judgment Date: **04**.**06**.**2026**

- The Gauhati High Court held that a bona fide purchaser cannot be denied Input Tax Credit (ITC) merely because the supplier failed to deposit the GST collected from the purchaser with the Government. The remedy of the Department lies against the defaulting supplier and not against a genuine purchasing dealer.

- In the present case, the petitioner, a trader in scrap and waste batteries, purchased goods from registered suppliers, paid the value of goods along with GST through banking channels, received proper tax invoices, filed GSTR-1 and GSTR-3B returns within time, and availed ITC in accordance with Section 16 of the CGST Act. However, the Department denied ITC of ₹22.22 lakh and imposed equal penalty under Section 74 on the allegation that the suppliers had not discharged their GST liability.

- The Court relied upon its earlier Division Bench judgment in National Plasto Moulding v. State of Assam and the Delhi High Court decision in On Quest Merchandising India Pvt. Ltd., observing that a purchaser who has acted bona fide, dealt with registered suppliers, received goods, obtained valid tax invoices, and made payment through

banking channels cannot be expected to ensure that the supplier deposits the tax with the Government.

- Accordingly, the Order-in-Original dated 19.02.2024 and the Order-in-Appeal dated 07.01.2025 were quashed. However, liberty was granted to the Department to proceed in accordance with law if any material surfaces indicating collusion, fraud, or lack of bona fides in the transactions.

9. **Can ITC Be Denied Merely Because the Supplier's GST Registration Was Cancelled Retrospectively**?
   Case: **Barun Kumar Biswas vs. Union of India**
   Court: **Calcutta High Court**
   Writ No.: **WPA No. 4699 of 2026**
   Judgment Date: **18.05.2026**

- The Calcutta High Court held that denial of Input Tax Credit (ITC) solely on the ground that the supplier's GST registration was cancelled retrospectively is unsustainable, particularly when the demand is raised under Section 73 and the recipient claims to have complied with all conditions prescribed under Section 16 of the CGST Act.

- In the present case, the petitioner had availed ITC on purchases made during April 2021 to July 2021 from a registered supplier. Subsequently, the supplier's GST registration was cancelled retrospectively with effect from 28.11.2019, and the department treated all invoices issued during the relevant period as invalid, resulting in denial of ITC amounting to ₹1.24 crore under Section 73 of the CGST Act.

- The petitioner contended that it had fulfilled all statutory conditions under Section 16(2), possessed valid tax invoices, and that retrospective cancellation of the supplier's registration could not automatically invalidate genuine transactions. The Court took note of earlier Division Bench decisions in Shyamalmay Paul and Jyoti Tar Products Pvt. Ltd., which emphasized examination of the genuineness of transactions, payment of tax, and compliance by the purchasing dealer before denying ITC.

- Holding that the petitioner had made out a prima facie case, the High Court quashed the order dated 03.12.2025 and remanded the matter to the authorities for fresh consideration in light of the earlier judicial precedents, directing a reasoned order to be passed after proper examination of the relevant facts and documents.

10. **Can Demand u/s 73 Be Sustained for Cross-Utilisation of Eligible IGST Input Tax Credit?**
Case: Moothaveettil Elvana Ramesh Kumar vs. Union of India
Court: Kerala High Court
Writ No.: WP(C) No. 30190 of 2025
Judgment Date: 19.05.2026

- The Kerala High Court held that an adverse order under Section 73 cannot be sustained merely because a taxpayer mistakenly utilized eligible IGST Input Tax Credit (ITC) towards payment of output tax liability under the CGST and SGST heads, when the issue already stands settled in favour of taxpayers by binding judicial precedent.

- In the present case, the petitioner, a registered taxpayer, had inadvertently set off eligible IGST credit against CGST and SGST output tax liabilities for the period April 2018 to March 2019. Based on such cross-utilisation, the department passed an order under Section 73 of the KSGST Act creating tax demand against the petitioner.

- The Court observed that the controversy was squarely covered by the Division Bench judgment in Rejimon Padikapparambil Alex v. Union of India, wherein it was held that taxpayers cannot be subjected to adverse consequences merely on account of such cross-utilisation of eligible credit. Since the legal issue had already been settled, the impugned order could not be sustained.

- Accordingly, the High Court quashed the impugned order passed under Section 73 and clarified that the State Government may approach the GST Council for resolving any inter-departmental settlement issues arising out of such adjustment of tax credits between different tax heads.

11. **Can ITC Be Denied to a Bona Fide Purchaser On Allegations that the Supplier Did Not Deposit GST?**
Case: Gurucharan Kangsa Banik vs. Union of India
Court: Gauhati High Court
Writ No.: WP(C) No. 2881 of 2026
Judgment Date: 03.06.2026

- The Gauhati High Court held that Input Tax Credit (ITC) cannot be denied to a bona fide purchasing dealer merely because the supplier failed to deposit GST with the Government. Where the purchaser has complied with statutory requirements and acted in good faith, the remedy of the Department lies against the defaulting supplier and not against the purchaser.

- In the present case, the petitioner, a scrap battery trader, purchased goods from registered suppliers in Kolkata, paid the value of goods along with GST through banking channels, received proper tax invoices, filed GSTR-1 and GSTR-3B returns,

and availed ITC for the period July 2017 to March 2019. Despite a search yielding no incriminating material, the Department issued a show cause notice and passed an Order-in-Original confirming tax, interest, and penalty on the allegation of wrongful availment of ITC.

- The Court noted that the issue was squarely covered by the Division Bench judgment in National Plasto Moulding v. State of Assam, which, following the Delhi High Court's decision in On Quest Merchandising India Pvt. Ltd., held that a purchasing dealer cannot be expected to ensure that the supplier deposits the tax collected from it. Denial of ITC solely due to supplier default would impose an impossible burden on a bona fide purchaser.

- Accordingly, the High Court quashed Order-in-Original No. 37/GST/AC/SIL/2023-24 dated 28.03.2024 and granted liberty to the Department to proceed afresh only if there is material indicating collusion, lack of bona fides, or non-genuine transactions between the purchaser and supplier.

12. **Can High Court Waive the Mandatory 10% Pre-Deposit for Filing a GST Appeal?**
Case: Anukul Bindal vs. Union of India
Court: Allahabad High Court
Writ No.: Writ Tax No. 2096 of 2026
Judgment Date: 06.05.2026

- The Allahabad High Court held that its writ jurisdiction to grant waiver of statutory pre-deposit continues to exist in appropriate cases and, as an interim measure, directed that the petitioner's GST appeal be entertained without insisting upon the mandatory 10% pre-deposit.

- In the present case, a show cause notice was issued to the petitioner on 31.03.2023 and an adjudication order was subsequently passed on 01.10.2025. The petitioner contended that the right of appeal had vested on the date of issuance of the show cause notice and could not be curtailed by a later amendment introducing the requirement of 10% pre-deposit for filing an appeal under Section 107 of the CGST Act.

- The Court noted the petitioner's reliance on the Supreme Court judgment in Hoosein Kasam Dada (India) Ltd. v. State of Madhya Pradesh and observed that the issue required consideration. It further held that, in view of the decision in Ganesh Yadav v. Union of India, the High Court retains jurisdiction under Article 226 to grant waiver of statutory pre-deposit in deserving cases.

- Accordingly, the Court directed that if the petitioner files the appeal within two weeks, the same shall be entertained without insisting on the 10% pre-deposit

requirement, while keeping the larger legal issue regarding the vested right of appeal and applicability of the amended provision open for adjudication.

13. **Can Input Tax Credit Be Denied Merely Because Lorry Receipts and Weighment Slips Were Not Produced?**
Case: Akal Trade Links vs. Assistant Commissioner (ST)
Court: Madras High Court
Writ No.: WP No. 20601 of 2023 (WMP Nos. 19985 & 19986 of 2023)
Judgment Date: 05.06.2026

- The Madras High Court held that Input Tax Credit (ITC) cannot be denied solely on the ground that the purchasing dealer failed to produce lorry receipts and weighment slips, particularly where the supplier was a registered dealer during the relevant period, had filed GST returns, paid the tax, and the invoices contained details of the vehicles used for transportation.

- In the present case, the petitioner had purchased goods from Ecofriendly Coco Products under eight tax invoices issued between January 2018 and August 2018. The supplier was duly registered under the GST law at the time of supply, although its registration was cancelled subsequently. The invoices contained vehicle numbers, and the petitioner contended that transportation had been arranged by the supplier. Despite these facts, the department denied ITC solely because the petitioner could not furnish lorry receipts and weighment slips.

- The High Court observed that the authorities were required to examine the genuineness of the underlying transactions, especially when the supplier had filed the requisite GST returns and discharged the corresponding tax liability. Mere absence of transport documents could not, by itself, justify denial of ITC without conducting an enquiry into the authenticity of the supplies.

- Accordingly, the Court set aside the impugned order dated 28.04.2023 and remanded the matter for fresh consideration. The petitioner was permitted to file additional evidence within 15 days, and the adjudicating authority was directed to pass a fresh speaking order within three months after granting a reasonable opportunity of hearing.

14. **Can GST Notifications Go Beyond the Recommendations of the GST Council**?
Case: **Guru and Co. vs. Union of India**
Court: **Madras High Court**
Writ Nos.: **W.P.(MD) Nos. 14115, 14116, 14117, 14118, 14119, 14120, 14208, 18602 & 26403 of 2022 (along with connected WMPs)**
Judgment Date: **15.06.2026**

- The Madras High Court held that notifications issued by the Government under Sections 9 and 11 of the CGST Act must strictly conform to the recommendations of the GST Council. The Government cannot enlarge the scope of taxation by inserting conditions that were never recommended by the GST Council.

- The petitioners were traders dealing in pulses sold under unregistered brand names. Initially, such goods were exempt from GST. Subsequently, the Central and State Governments amended the notifications to levy GST not only on goods bearing a registered brand name but also on goods bearing a brand name over which an "actionable claim or enforceable right in a court of law" existed. The petitioners challenged these amendments contending that the phrase "enforceable right in a court of law" had never been recommended by the GST Council in its 21st meeting.

- The High Court compared the GST Council's recommendations with the impugned notifications and found that while the Council had recommended inclusion of brands having an "actionable claim", the Government had additionally inserted the wider expression "enforceable right in a court of law", thereby expanding the tax net beyond the Council's recommendation. Such an addition was held to be beyond the authority conferred under Sections 9 and 11 of the CGST Act and contrary to the constitutional scheme of cooperative federalism under Article 279A.

- The Court further held that the GST Council has only the constitutional power to make recommendations under Article 279A and possesses no express or implied power to ratify notifications already issued by the Government. Therefore, the Council's subsequent attempt in its 22nd meeting to ratify the impugned notifications could not validate an act that was void from its inception. Consequently, the Court declared the notifications ultra vires to the extent they incorporated the expression "enforceable right in a court of law", quashed the consequential show cause notices, and granted liberty to the department to issue fresh notices only in accordance with the notifications as upheld by the Court.

15. **Can Delay in Filing a GST Appeal Be Condoned When the Adjudication Order Was Not Communicated to the Taxpayer**?
Case: GSPR Developers (P.) Ltd. vs. State of West Bengal
Court: Calcutta High Court
Writ Petition: WPA No. 263 of 2026
Judgment Date: 11.06.2026

- The Calcutta High Court held that delay in filing an appeal under Section 107 of the CGST/WBGST Act deserves to be condoned where the adjudication order was communicated only to the taxpayer's Chartered Accountant, who failed to inform the taxpayer, resulting in delayed knowledge of the order. The statutory right of appeal cannot be defeated by adopting a hyper-technical approach where sufficient cause is established.

- In the present case, the adjudication order dated 27.02.2025 was uploaded only to the registered email ID and mobile number of the petitioner's Chartered Accountant, who exclusively managed the GST portal credentials. Owing to the Chartered Accountant's failure to communicate the order, the petitioner became aware of the proceedings only after recovery was initiated through garnishee proceedings, under which approximately ₹74 lakh was recovered from its bank accounts. The petitioner thereafter paid the mandatory pre-deposit of ₹14.58 lakh and filed the statutory appeal, which was rejected as time-barred by the First Appellate Authority.

- The High Court observed that the petitioner had demonstrated sufficient cause for the delay and had already complied with the mandatory pre-deposit requirement under Section 107(6). Once substantial statutory compliance had been made, dismissal of the appeal solely on the ground of limitation rendered the statutory appellate remedy illusory and was contrary to the principles of justice. The Court further observed that recovery proceedings should not continue once the statutory appeal is entertained after payment of the prescribed pre-deposit.

- Accordingly, the Court set aside the order dismissing the appeal, condoned the delay, and directed the First Appellate Authority to admit and decide the appeal on merits within three weeks after granting an opportunity of hearing. However, to balance the equities, the Court directed that the garnishee proceedings and freezing of the bank accounts shall continue until disposal of the appeal by the First Appellate Authority.

16. **Can a Taxpayer Be Denied the Right to Appeal Merely Because the Assessment Order Was Uploaded Only on the GST Portal**?
Case: Tvl. Kodeeswaran Jewellers vs. Commissioner of Commercial Taxes
Court: Madras High Court
Writ Appeal No.: W.A.(MD) No. 774 of 2026
Judgment Date: 01.06.2026

- The Madras High Court held that although uploading an assessment order on the GST portal constitutes valid service under Section 169 of the CGST Act, a small businessman cannot reasonably be expected to continuously monitor the portal through multiple navigation windows. Where no other mode of communication is adopted, the taxpayer deserves an extended opportunity to file the statutory appeal.

- In the present case, the appellant challenged an assessment order raising demand towards blocked Input Tax Credit along with interest and penalty. The order was communicated only by uploading it on the GST portal. The appellant claimed that, due to practical difficulty in accessing the portal, the order came to his knowledge only when recovery proceedings were initiated. Consequently, the writ petition was filed after about six months and was dismissed by the Single Judge on the ground of delay and non-submission of reply to the show cause notice.

- The High Court observed that while Section 169 recognises portal upload as a valid mode of service, the statute also provides several alternative modes of communication such as registered post, speed post and e-mail. Considering the practical difficulties faced by small business persons in regularly accessing the GST portal, the authorities ought to have adopted one or more additional modes of communication so that the limitation period for filing an appeal could be fairly reckoned.

- Accordingly, the Court granted the appellant one further opportunity to file the statutory appeal within fifteen days before the Appellate Commissioner. It directed that, upon filing, the appeal shall be decided on merits in accordance with law, notwithstanding the delay, particularly since the disputed issue related only to interest and penalty and the recovery had already been effected.

17. **Can a Summary of Show Cause Notice (DRC-01) Replace the Mandatory Show Cause Notice u/s 73(1)**?
Case: M/s Sarada Refrigeration and Air Condition vs. State of Assam
Court: Gauhati High Court
Writ Petition: WP(C) No. 2345 of 2026
Judgment Date: 17.06.2026

- The Gauhati High Court held that a Summary of Show Cause Notice in Form GST DRC-01 cannot substitute the mandatory Show Cause Notice required under Section 73(1)

of the CGST/Assam GST Act. Before determining any tax liability under Section 73(9), the Proper Officer must issue a detailed Show Cause Notice clearly setting out the cause of action and the basis of the proposed demand.

- In the present case, the petitioner challenged the Summary of Show Cause Notice dated 18.12.2023 and the Order-in-Original dated 08.03.2024, contending that no substantive Show Cause Notice under Section 73(1) had ever been served. It was argued that Rule 142(1)(a) only contemplates issuance of a summary in Form DRC-01 and does not dispense with the statutory requirement of issuing a proper Show Cause Notice.

- The High Court observed that the controversy was squarely covered by its earlier decision in Construction Catalysers (P.) Ltd. v. State of Assam, wherein it had categorically held that a Summary of Show Cause Notice is merely a summary and cannot replace the Show Cause Notice contemplated under Section 73(1). Consequently, any adjudication order passed without issuance of the statutory Show Cause Notice is legally unsustainable.

- Accordingly, the Court set aside and quashed the Order-in-Original, while permitting the department to proceed afresh by issuing a proper Show Cause Notice under Section 73(1) detailing the cause of action. The Court further directed that the fresh Show Cause Notice shall relate back to the date of issuance of the Summary of Show Cause Notice, and the period from 18.12.2023 until service of the Court's order shall be excluded while computing the limitation prescribed under Section 73(10). The petitioner was granted liberty to file a reply to the fresh Show Cause Notice in accordance with law.

18. **Can Input Tax Credit Be Denied Even When Returns Were Filed Within the Special Cut-Off Date Under Section 16(5)?**
Case: Deepam Palm Dish vs. State Tax Officer
Court: Kerala High Court
Writ Petition: WP(C) No. 20408 of 2026
Judgment Date: 16.06.2026

- The Kerala High Court held that Input Tax Credit cannot be denied merely by applying the general time limit under Section 16(4) where the taxpayer had filed the returns within the special cut-off period prescribed under Section 16(5). Since Section 16(5) begins with a non-obstante clause, it overrides the general limitation contained in Section 16(4).

- In the present case, the petitioner claimed Input Tax Credit pertaining to April 2018 and March 2019. The adjudicating authority rejected the claim under Section 73 on the ground that the returns had not been filed within the time prescribed under Section 16(4). The petitioner, however, contended that the returns had been filed on

15.02.2021 and 27.02.2021, well before the special cut-off date of 30.11.2021 prescribed under Section 16(5).

- The High Court observed that the impugned order itself recorded that the returns had been filed within the period contemplated under Section 16(5). Once the returns are filed within the special timeline provided under the non-obstante provision, the restriction contained in Section 16(4) loses its significance. Therefore, denial of ITC solely on the basis of the general limitation period was legally unsustainable.

- Accordingly, the Court quashed the impugned order and remanded the matter to the adjudicating authority for fresh consideration with a direction to extend the benefit of Section 16(5) to the petitioner, if otherwise eligible, in accordance with law.

19. **Can the GST Department Attach a Partner's Bank Account to Recover the Firm's Tax Dues**?
Case: VRAA and Co. vs. Assistant Commissioner of GST and Central Excise
Court: Madras High Court
Writ Petition: WP No. 22458 of 2026 (W.M.P. Nos. 24381 & 24382 of 2026)
Judgment Date: 23.06.2026

- The Madras High Court held that once the tax liability of a partnership firm has crystallised and remains unchallenged, the GST Department is empowered under Section 79(1)(c)(i) of the CGST Act to initiate garnishee proceedings against the bank account of a partner for recovery of the firm's dues. Such action cannot be challenged by treating it as a provisional attachment under Section 83.

- In the present case, the petitioner partnership firm challenged a communication issued to ICICI Bank under Section 79(1)(c)(i), contending that the individual bank account of an erstwhile partner had been attached without prior notice. It was also argued that only the Commissioner could exercise such power under Section 83, whereas the notice had been issued by the Assistant Commissioner.

- The High Court observed that the petitioner had proceeded on a misconception by treating the impugned communication as a provisional attachment under Section 83. In reality, the communication was a garnishee notice issued under Section 79(1)(c)(i) after the firm's tax liability had already crystallised through an unchallenged adjudication order. The Court further noted that the concerned individual was a partner during the relevant financial year 2019-20, and partners are personally liable for the dues of the partnership firm.

- Accordingly, the Court held that the Assistant Commissioner was competent to issue the recovery notice under Section 79(1)(c)(i) read with Section 5(3) and found no infirmity in proceeding against the partner's bank account for recovery of the firm's outstanding tax dues. The writ petition was, therefore, dismissed.

20. **Can an Appeal Be Dismissed as Time-Barred When the Taxpayer Had First Pursued Rectification of the Original Order?**
Case: One E Store (P.) Ltd. vs. Assistant Commissioner (State Taxes)
Court: Telangana High Court
Writ Petition: W.P. No. 17308 of 2026
Judgment Date: 10.06.2026

- The Telangana High Court held that where a taxpayer diligently pursues the statutory remedy of rectification under Section 161 and thereafter files an appeal within three months of rejection of the rectification application, the appeal should not be dismissed as time-barred merely because of a technical defect in the appeal memo. A pragmatic approach must prevail over hyper-technical objections.

- In the present case, the original assessment order for FY 2019-20 was passed on 29.08.2024. The petitioner filed a rectification application on 22.11.2024 within the prescribed time, which came to be rejected on 24.11.2025. Thereafter, the petitioner filed an appeal on 19.02.2026, i.e., within three months from the rejection of the rectification application. However, the Appellate Authority dismissed the appeal as barred by limitation by computing the limitation period from the date of the original assessment order, observing that the appeal challenged the original order instead of the rectification order.

- The High Court observed that the petitioner had continuously and bona fide pursued the statutory remedies available under the CGST Act and had not remained inactive. If the Appellate Authority found that the appeal ought to have challenged the rectification order, it should have permitted the petitioner to amend the appeal memo instead of rejecting the appeal on a mere technicality. The Court held that the Appellate Authority ought to have adopted a pragmatic approach in the peculiar facts of the case.

- Accordingly, the Court set aside the order dismissing the appeal on the ground of limitation and remanded the matter to the Appellate Joint Commissioner for fresh adjudication on merits in accordance with law, without expressing any opinion on the merits of the dispute.

21. **Can the GST Authorities Issue a Second Show Cause Notice After the High Court Has Remanded the Matter for Adjudication of the Original SCN?**
Case: B.K. Steels vs. Assistant Commissioner (State Tax)
Court: Telangana High Court
Writ Petition: W.P. No. 17499 of 2026
Judgment Date: 15.06.2026

- The Telangana High Court held that where an earlier writ order had remanded the assessment with a specific direction to adjudicate the original Show Cause Notice after granting personal hearing and considering the taxpayer's reply, the Assessing Officer could not issue a second Show Cause Notice for the same financial year. Such action travels beyond the scope of the remand and amounts to overreaching the Court's earlier order.

- In the present case, the petitioner's assessment for FY 2022-23 had earlier been set aside by the High Court on 25.07.2024 for violation of the mandatory requirement of personal hearing under Section 75(4). The Court had directed the Assessing Officer to adjudicate the original Show Cause Notice, grant a personal hearing, and consider the petitioner's reply. However, instead of complying with these directions, the Assessing Officer issued a fresh Show Cause Notice and passed a new adjudication order dated 11.03.2026 under Section 74 for the same assessment year.

- The High Court observed that the earlier remand order had confined the Assessing Officer's jurisdiction to adjudication of the first Show Cause Notice after complying with the principles of natural justice. Issuing a second Show Cause Notice without first adjudicating the original notice was impermissible and effectively amounted to overreaching the earlier judicial order. The Court further noted that an identical issue involving the same petitioner for another assessment year had already been decided on similar lines.

- Accordingly, the Court set aside the impugned adjudication order and remanded the matter to the Assessing Officer with a direction to adjudicate only the original Show Cause Notice, after granting a proper personal hearing and duly considering the petitioner's reply, in accordance with law.

Summary: Income Tax Case Laws

1. **Can Section 54 Deduction Be Denied Merely Because the New Property is Purchased Jointly with Spouse?**
   Case: Jugesh Saluja vs. Deputy Commissioner of Income-tax
   Court: ITAT Chandigarh Bench 'A'
   Writ/Appeal No.: IT Appeal No. 1217 (CHD) of 2024
   Judgment Date: 20.05.2026

- The ITAT Chandigarh held that deduction under Section 54 cannot be denied or proportionately restricted merely because the new residential property is purchased jointly with the assessee's spouse, where the entire investment has been made exclusively from the assessee's own funds.

- In the present case, the assessee sold a residential property and invested the sale proceeds in acquiring leasehold rights in a residential unit at Pune. Although the agreement to lease was executed jointly in the names of the assessee and her husband, the entire consideration of ₹2.12 crore was paid from the assessee's bank account out of the sale proceeds of the original asset.

- The Tribunal observed that the source of investment and the substance of the transaction are the determining factors for claiming exemption under Section 54. Since the Revenue could not establish any contribution by the husband towards acquisition of the new property, inclusion of his name as a joint holder could not justify denial or restriction of the deduction.

- Accordingly, the Tribunal allowed full deduction under Section 54 in respect of the eligible investment made by the assessee, while also holding that one-time premium, GST, stamp duty, registration and infrastructure-related charges form part of the cost of acquisition, though optional club membership charges and related taxes are not eligible for deduction.

2. **Can Income-Tax Refund Be Adjusted u/s 245 When Stay Application and Appeal Are Pending Against the Disputed Demand?**
   Case: Bothra Shipping Services (P.) Ltd. vs. Union of India
   Court: Calcutta High Court
   Writ/Appeal No.: WPO No. 139 of 2026
   Judgment Date: 12.05.2026

- The Calcutta High Court held that where a stay application under Section 220(6) and an appeal before the CIT(A) are pending against a disputed tax demand, the Department cannot adjust refunds due for another assessment year under Section 245 against such disputed demand.

- In the present case, the assessee was entitled to a refund for AY 2021-22, while a demand for AY 2023-24 was under challenge through a pending stay application and appellate proceedings. Despite this, the Department adjusted the refund against the disputed demand.

- The Court relied upon its earlier decisions in Danieli India Ltd. and Gaurav Enterprises and observed that adjustment of refunds during the pendency of stay and appeal proceedings defeats statutory safeguards and causes undue prejudice to the taxpayer.

- Accordingly, the adjustment of refund was quashed, the Department was directed to release the refund for AY 2021-22 along with interest under Section 244A within six weeks, and the Assessing Officer was restrained from taking coercive recovery measures until disposal of the pending stay application.

3. **Can Advance Receipts from Sale of Room Nights Be Taxed as Revenue Income in the Year of Receipt**?
   Case: **Principal Commissioner of Income-tax vs. Pancard Clubs Ltd.**
   Court: **Supreme Court of India**
   Writ/Appeal No.: SLP (CIVIL) DIARY NO.(S) 21551 of 2026
   Judgment Date: **15.05.2026**

- The Supreme Court dismissed the Revenue's SLP and upheld the view that amounts received by the assessee towards advance sale of room nights are not taxable as revenue receipts in the year of receipt.

- In the present case, the Revenue challenged the Bombay High Court's decision which had held that receipts from advance sale of room nights could not be treated as taxable revenue income for AY 2011-12 merely because the amounts were received in advance.

- The Supreme Court observed that the issue was already covered by its earlier judgment in Commissioner of Income Tax-7 v. Pancard Clubs Ltd. (Civil Appeal No. 9161 of 2015 and connected matters), wherein similar receipts were held not to be taxable as revenue receipts at the stage of advance collection.

- Accordingly, following its earlier decision, the Supreme Court dismissed the SLP filed by the Revenue and affirmed that advance receipts from sale of room nights could not be brought to tax as revenue income in the relevant assessment year.

4. **Can Prosecution u/s 276B Continue When Delayed TDS Has Been Deposited With Interest**?
   Case: **Darsh Digital Network (P.) Ltd. vs. State of Bihar**
   Court: **Patna High Court**
   Writ/Appeal No.: Criminal Miscellaneous No. 8516 of 2019
   Judgment Date: **27.04.2026**

- The Patna High Court held that where the assessee had deducted TDS, subsequently deposited the entire TDS amount along with statutory interest under Section 201(1A), continuation of prosecution under Sections 276B and 278B was unwarranted and amounted to an unnecessary continuation of criminal proceedings.

- In the present case, the assessee-company, engaged in the cable TV business, failed to deposit TDS within the prescribed time due to temporary paucity of funds arising from mandatory digitization requirements. However, the entire TDS along with applicable interest was later deposited with the Central Government.

- Despite such compliance, a criminal complaint was filed and cognizance was taken by the Special Judge, Economic Offences, Patna under Sections 276B and 278B. The High Court observed that once the tax and statutory interest had been fully paid and the law itself contemplated relief from prosecution in appropriate cases, continuation of criminal proceedings served no useful purpose.

- Accordingly, in the interest of justice and judicial economy, the High Court quashed the cognizance order dated 30.11.2017 passed in Complaint Case No. 129(c)/2017/44(c)/2017 and allowed the assessee's petition.

5. **Can TDS Be Deducted from Compensation Payable on Compulsory Acquisition of Land Settled through Court-Referred Mediation**?
   Case: **Karnataka Neeravari Nigama Ltd. vs. Shakuntalabai**
   Court: **Karnataka High Court**
   Writ/Appeal No.: **Writ Petition No. 202449 of 2021** (**LA-RES**)
   Judgment Date: **27.04.2026**

- The Karnataka High Court held that compensation payable on compulsory acquisition of land pursuant to a court-referred mediation settlement is not subject to deduction of tax at source (TDS), and all payments under the settlement must be released without any TDS deduction.

- In the present case, a long-pending land acquisition dispute was referred to mediation under Section 89 of the CPC. The State Government, Karnataka Neeravari Nigama Ltd. (KNNL), and the land losers entered into a comprehensive mediation agreement settling compensation, statutory benefits, interest components, timelines for payment, and withdrawal of pending proceedings.

- The Court observed that the mediation agreement constituted a lawful settlement within the meaning of Section 89 read with Order XXIII Rule 3 CPC. It further noted that the issue of TDS on compensation for compulsory acquisition was no longer res integra and had already been settled in an earlier decision holding that such compensation is not liable to TDS under the Income-tax Act.

- Accordingly, the High Court directed that all payments made pursuant to the mediation agreement, whether to joint accounts or individual accounts, shall be effected without deduction of TDS. The mediation agreement was ordered to form part of the judgment and operate in substitution of the award, judgment, or decree passed by the Reference Court and Appellate Court.

6. **Can Penalty u/s 270A be Levied When Return is Filed for the First Time in Response to Section 148 Notice and No Addition is Made**?
   Case: **ACIT vs. Nawazuddin Nawabuddin Siddiqui**
   Court: **ITAT, Mumbai Bench 'B'**
   Appeal No.: **ITA No. 8640 (MUM) of 2025**
   AY: **2019-20**
   Judgment Date: **18.05.2026**

- The Mumbai Tribunal held that where an assessee files a return of income for the first time in response to a notice under Section 148 and the Assessing Officer accepts such return without any addition, disallowance, or variation, penalty under Section 270A cannot be sustained merely because the return was not originally filed under Section 139.

- In the present case, the assessee had not filed a return for AY 2019-20. Pursuant to a notice under Section 148, he filed a return declaring income of about ₹12.92 crore. The Assessing Officer accepted the returned income in reassessment proceedings but subsequently levied penalty under Section 270A at 200% of the tax sought to be evaded, alleging under-reporting and misreporting of income.

- The Tribunal observed that mere filing of a return for the first time in response to Section 148 does not automatically attract penalty under Section 270A unless there is a clear case of under-reporting of income. It further held that the Assessing Officer must specifically identify whether the alleged default falls under under-reporting or misreporting and clearly indicate the applicable limb of Section 270A.

- Since the Assessing Officer accepted the returned income without making any addition and issued an omnibus penalty notice without specifying the exact charge, the Tribunal upheld the deletion of penalty by the CIT(A) and dismissed the Revenue's appeal.

7. **Can Income-Tax Refunds Be Adjusted Against Disputed Demands When More Than 20% of the Demand Has Already Been Paid and Appeal is Pending**?
   Case: **Asa International India Microfinance Ltd. vs. Deputy Commissioner of Income-tax**
   Court: **Calcutta High Court**
   Writ No.: **WPO No. 1249 of 2023**
   Judgment Date: **19.05.2026**

- The Calcutta High Court held that where an assessee has already complied with the CBDT Office Memoranda by paying more than 20% of the disputed demand and has sought stay of recovery during pendency of appeal, adjustment of subsequent years' refunds against such disputed demand is contrary to law.

- In the present case, the assessee had paid more than 20% of the disputed demand relating to AYs 2011-12 and 2012-13 and had also filed appeals before

the CIT(A). Despite this, the Department adjusted refunds aggregating to ₹8.98 crore pertaining to AYs 2018-19 to 2022-23 against the disputed demands.

- The High Court observed that there was no order of the Principal Commissioner directing payment of an amount higher than 20% of the disputed demand. Further, adjustment of refunds amounting to ₹8.98 crore, including ₹8.19 crore adjusted without prior intimation under Section 245, was unsustainable and violated settled legal principles laid down in earlier decisions of the Court.

- Accordingly, the Court directed the Department to release the refunds of ₹8.98 crore along with interest under Section 244A within six weeks, directed expeditious disposal of the pending appeals, and restrained the Revenue from taking coercive recovery steps until disposal of the appeals.

8. **Can TDS on Common Area Maintenance (CAM) Charges Be Deducted u/s 194C Instead of Section 194I?**
   Case: Deputy Commissioner of Income-tax vs. Air France
   Court: ITAT, Delhi Bench 'G'
   Appeal No.: ITA No. 8415 (Delhi) of 2025
   AY: 2017-18
   Judgment Date: 29.05.2026

- The Delhi ITAT held that Common Area Maintenance (CAM) charges paid by a tenant in a commercial complex are in the nature of payments for maintenance and allied services and not rent. Therefore, TDS on such payments is deductible under Section 194C and not under Section 194I.

- In the present case, Air France had deducted TDS at 2% under Section 194C on CAM charges paid for maintenance of common areas. The Assessing Officer treated such charges as part of rent under the same lease agreement, applied Section 194I requiring TDS at 10%, and raised a demand under Sections 201 and 201(1A) by treating the assessee as an assessee-in-default.

- The Tribunal observed that CAM charges relate to services such as maintenance of lifts, security services, water and electricity consumption in common areas, landscaping, parking maintenance and other facility-management services. Such charges constitute consideration for "work" within the meaning of Section 194C and remain separately identifiable from rent, even if paid under a single agreement or to the same party.

- Accordingly, the Tribunal upheld the order of the CIT(A), held that rent is subject to TDS under Section 194I while CAM charges are subject to TDS under Section 194C, and dismissed the Revenue's appeal. Consequently, the assessee could not be treated as an assessee-in-default under Section 201 for deducting TDS at 2% on CAM charges.

9. **Can an Addition u/s 68 Be Made When the Assessee Establishes the Identity, Genuineness and Creditworthiness of the Lender and Even the "Source of Source"?**
   Case: Nivaya Resources (P.) Ltd. vs. Deputy Commissioner of Income-tax
   Court: ITAT, Delhi Bench 'I'
   Appeal No.: ITA Nos. 4341 & 6052 (Delhi) of 2024
   Assessment Years: 2020-21 & 2021-22
   Judgment Date: 29.05.2026

- The Delhi ITAT held that where an assessee furnishes complete documentary evidence establishing the identity, genuineness and creditworthiness of the lender, along with the source and source of source of the funds, and no adverse findings exist in the assessments of such persons, no addition can be made under Section 68 merely on the basis of suspicion.

- In the present case, the assessee-company received an unsecured loan of ₹25.50 crore from its director. The Assessing Officer treated the loan as unexplained cash credit under Section 68 on the ground that the funds had been routed through multiple persons and were actually received in the subsequent year. The assessee, however, produced confirmations, income-tax returns, bank statements, and assessment orders of the lender as well as the persons constituting the source and source of source of the funds.

- The Tribunal observed that the Assessing Officer neither disputed the documentary evidence nor conducted any enquiry regarding the genuineness or creditworthiness of the lender or the source of funds. It further noted that assessments of the lender and the source entities had already been completed under Section 143(3) without any adverse findings concerning the impugned transactions.

- Accordingly, the Tribunal held that the assessee had successfully discharged the onus cast upon it under Section 68 by proving the identity, genuineness and creditworthiness of the lender as well as the source of funds. The addition of ₹25.50 crore under Section 68 was therefore deleted. The Tribunal also remanded the transfer pricing issues relating to determination of Arm's Length Price and adjustment on interest receivables for fresh adjudication in accordance with its directions.

10. **Can Reassessment Be Initiated Solely on the Basis of a Loose Paper Seized from a Third Party With No Link to the Assessee?**
    Case: Naveenchandra Prahladbhai Patel vs. Income Tax Officer
    Court: Gujarat High Court
    Writ No.: R/Special Civil Application No. 7431 of 2026
    Judgment Date: 08.06.2026

- The Gujarat High Court held that reassessment proceedings initiated solely on the basis of a *loose paper recovered from a non-related third party*, without any material establishing a nexus with the assessee, are unsustainable in law.

Accordingly, the notice issued under Section 148 and the consequential reassessment order were quashed.

- In the present case, the reopening was based on an unsigned and largely illegible loose paper referring to Revenue Survey No. 581 as non-agricultural land with a notional rate of ₹17,000 per square yard. The only name appearing on the document was of a person who was neither the co-owner nor the purchaser and had no connection with the assessee. Further, the satisfaction note failed to establish any link between the assessee and the entities from whom the document was allegedly seized.

- The Court further observed that the registered sale deed conclusively established that the land sold by the assessee was agricultural land, whereas the loose paper referred to non-agricultural (NA) land. Thus, the alleged escapement of income was based merely on assumptions and conjectures without any corroborative material. The Court also followed its earlier decision in Deepak Chinubhai Shah v. Dy. CIT on identical facts.

- Holding that there was no live nexus between the seized material and the assessee, the High Court quashed the notice issued under Section 148 as well as the consequential reassessment order passed under Sections 147 read with 143(3), reiterating that reassessment cannot be sustained on vague third-party information lacking any credible evidentiary link with the assessee.

11. **Can Addition for Alleged Bogus Purchases Be Made Merely on Suspicion When the Assessee Maintains Complete Documentary Evidence**?
Case: **Diach Chemicals and Pigments** (**P**.) **Ltd**. **vs**. **Deputy Commissioner of Income-tax**
Court: **ITAT**, **Kolkata Bench 'A'**
Appeal No.: **ITA Nos**. **1469** & **1470** (**Kol**.) **of 2025 and 1979** (**Kol**.) **of 2024**
Assessment Years: **2018-19 to 2020-21**
Judgment Date: **21.05.2026**

- The Kolkata ITAT held that no addition on account of alleged bogus purchases can be sustained merely on suspicion where the assessee substantiates the purchases through audited books of account, third-party confirmations, GST records, banking transactions and other contemporaneous documentary evidence, and the Assessing Officer fails to point out any defect in the books of account.

- In the present case, the assessee, engaged in the manufacture and supply of lead products, was subjected to search proceedings. The Assessing Officer treated purchases of approximately ₹40.06 crore from seven suppliers as non-genuine based primarily on a search statement alleging accommodation billing, rejected the books under Section 145(3), and estimated gross profit at 6% on the impugned purchases. The CIT(A) reduced the addition by estimating net profit at 2%, but still sustained a part of the addition.

- The Tribunal observed that the assessee had produced exhaustive documentary evidence including audited books of account, purchase and stock registers, tax invoices, e-way bills, lorry receipts, weighment slips, photographs of delivery vehicles, GST registrations, GSTR-1 and GSTR-3B returns, confirmations received directly from suppliers under Section 133(6), and proof of payment through banking channels. The manufacturing records, production yield and GP/NP ratios were also consistent with earlier years, and no discrepancy whatsoever was found by the Assessing Officer in the books of account.

- Holding that the addition was based purely on estimation, suspicion and surmises, without any substantive evidence to disprove the genuineness of the purchases, the Tribunal set aside the order of the CIT(A) and directed deletion of the entire addition. The Tribunal reiterated that once purchases are duly recorded, supported by contemporaneous evidence and reflected in the production and sale of finished goods, no addition can be sustained merely on the basis of uncorroborated statements recorded during search proceedings.

12. **Can Penalty u/s 271(1)(c) Be Levied When Bogus Purchases Are Added Only on Estimation Basis**?
Case: Principal Commissioner of Income-tax vs. Elcon Pipe and Fittings (P.) Ltd.
Court: Bombay High Court
IT Appeal No.: 77 of 2020
Judgment Date: 17.06.2026

- The Bombay High Court held that penalty under Section 271(1)(c) of the Income-tax Act cannot be imposed where the addition towards bogus purchases is ultimately sustained only on an estimated basis. An estimated addition does not, by itself, establish concealment of income or furnishing of inaccurate particulars.

- In the present case, the assessment was reopened on the basis of information received from the Maharashtra Sales Tax Department alleging that the assessee had obtained bogus purchase bills. The Assessing Officer treated the purchases as non-genuine, made an addition of the entire amount, and levied 100% penalty under Section 271(1)(c). However, in quantum proceedings, the Commissioner (Appeals) restricted the addition to 12.5% of the alleged bogus purchases, and the ITAT as well as the High Court upheld the estimation.

- In the penalty proceedings, although the Commissioner (Appeals) restricted the penalty proportionately to the sustained addition, the ITAT deleted the entire penalty, holding that when the quantum addition itself is based merely on estimation, penalty for concealment is not sustainable.

- Upholding the ITAT's order, the Bombay High Court relied upon its earlier decision in Pr. CIT v. Colo Colour Pvt. Ltd. and reiterated that penalty under Section 271(1)(c) cannot be levied where the addition is sustained purely on an estimate or guesswork. Since the addition of 12.5% represented only an estimated profit element embedded in the purchases, no substantial question of law arose, and the Revenue's appeal was accordingly dismissed.

13. **Can Entire Alleged Bogus Purchases Be Added When Corresponding Sales Are Accepted**?
Case: Pruthvi Singh Solanki vs. Income-tax Officer
Court: ITAT Ahmedabad Bench 'B'
IT Appeal No.: ITA No. 299 (Ahd.) of 2026 (A.Y. 2018-19)
Judgment Date: 23.06.2026

- The ITAT Ahmedabad held that where a trader's corresponding sales are accepted and no discrepancy is found in stock records, the entire amount of alleged bogus purchases cannot be added to income. In such cases, only the profit element embedded in the alleged bogus purchases is liable to be brought to tax.

- In the present case, the assessee, engaged in the business of trading in ferrous and non-ferrous metals, was subjected to reassessment based on information received through the Insight Portal alleging purchases from accommodation entry providers. The Assessing Officer treated purchases of ₹50.34 lakh from five entities as bogus and added the entire amount to the assessee's income. The CIT(A) affirmed the addition.

- The Tribunal observed that the assessee was only a trader and not a manufacturer, the corresponding sales had never been disputed by the Revenue, and there was no allegation of any shortage of stock or adverse stock verification. The purchases had also been made through banking channels and duly recorded in the books of account. At the highest, the Revenue's case suggested that the assessee might have procured goods from the grey market at a lower price while obtaining accommodation bills to suppress profits. In such circumstances, settled judicial principles require that only the profit element embedded in such transactions can be taxed and not the entire purchase value.

- Accordingly, considering the facts of the case and the consensus of both parties during the hearing, the Tribunal restricted the addition to 8% of the alleged bogus purchases representing the estimated suppressed profit and partly allowed the assessee's appeal.