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GST · INCOME TAX

Taxation

Latest Case Law

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A digest of significant rulings from the Supreme Court, High Courts and Appellate Tribunals.

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Summary: Goods and Services Tax Case Laws

1. **Delhi High Court: Later DRC-01 or DRC-07 Date Does Not Render GST SCN or Adjudication Order Time-Barred**
   Case: Aparna Collection v. Union of India
   Court: Delhi High Court
   Writ Petitions: W.P.(C) Nos. 3501 & 3449 of 2026
   Judgment Date: 05.10.2026

- The Delhi High Court held that limitation under Sections 74(2) and 74(10) of the CGST Act, 2017, must be determined with reference to the substantive show-cause notice (SCN) and adjudication order, respectively, and not merely the dates appearing on electronic summaries in Forms GST DRC-01 and DRC-07. The substantive SCNs in the two proceedings were dated 09.07.2024 and 11.07.2024, before the alleged limitation deadline of 04.08.2024, while the corresponding DRC-01 forms were dated 23.08.2024 and 28.08.2024. The Court ruled that the later dates of DRC-01 did not, by themselves, render the notices time-barred.

- The dispute concerned alleged wrongful availment of ITC from non-existent suppliers. In the first proceeding, ITC of ₹23,06,264 was disputed, while the second proceeding involved a proposed demand of ₹2,68,320, besides applicable interest and penalty. The substantive adjudication orders were dated 27.01.2025 and 29.01.2025, whereas the DRC-07 summary in the second proceeding was dated 21.02.2025. Since both substantive orders preceded the alleged limitation deadline of 04.02.2025, the Court rejected the contention that the subsequent DRC-07 date made the adjudication time-barred.

- The Court further held that DRC-01 is an electronic summary of the SCN and DRC-07 is a summary of the adjudication order under Rule 142 of the CGST Rules. The limitation provisions attach to the substantive statutory documents, and a later date on the electronic summary does not, by itself, invalidate proceedings initiated or orders passed within the prescribed period.

- Accordingly, the High Court dismissed the writ petitions, holding that the limitation challenge based solely on the dates of DRC-01 and DRC-07 was unsustainable. The assessee was granted liberty to raise all remaining grounds, including the applicability of Section 74, admissibility of ITC, sufficiency of evidence, computation of liability and validity of penalty, before the appellate authority under Section 107 of the CGST Act.

2. **Delhi High Court: Section 122(1A) GST Penalty Can Apply to Unregistered Persons, But Not Retrospectively**
   Case: Parag Garg v. Commissioner, Adjudication, CGST Delhi West
   Court: Delhi High Court
   Case Nos.: W.P.(C) Nos. 13883, 1964, 53, 573 of 2026 and connected petitions
   Judgment Date: 29.09.2026

- The Delhi High Court considered whether personal penalties under Section 122(1A) of the CGST Act, 2017, could be imposed on former directors of a company allegedly involved in circular trading and wrongful availment of ITC through invoices issued without actual supply of goods. The adjudicating authority had confirmed a demand of ₹24,99,88,069 against the company and imposed an equal personal penalty on each of three directors, along with an additional penalty of ₹25,000 each under Section 125. The Court held that Section 122(1A) covers any person, including an unregistered person, provided two essential conditions are cumulatively satisfied: the person must have retained the benefit of the specified transaction and the transaction must have been conducted at that person's instance. Mere directorship does not, by itself, establish these conditions.

- On the second issue, the Court held that Section 122(1A), inserted with effect from 1 January 2021, cannot be applied retrospectively to transactions occurring before that date. Although the penalty is civil in form, it is penal in consequence, and its applicability must be determined by the date of the underlying transaction rather than the date of issuance of the show-cause notice. Applying Article 20(1) of the Constitution, the Court ruled that only acts or transactions occurring on or after 1 January 2021 can attract the penalty, subject to fulfilment of the statutory conditions.

3. **Punjab & Haryana High Court: Section 16(2)(c) GST ITC Condition Upheld, But Buyers Cannot Be Denied Credit Mechanically For Supplier Default**
   Case: Shaurya Alloys (P.) Ltd. v. State of Punjab
   Court: Punjab and Haryana High Court
   Judgment Date: 01.10.2026

- The Punjab and Haryana High Court upheld the constitutional validity of Section 16(2)(c) of the CGST Act, 2017, which makes actual payment of tax to the Government a condition for claiming input tax credit (ITC). However, the Court clarified that this provision cannot be applied mechanically or in isolation from the overall GST framework. Where a purchasing dealer has invoices and evidence of receipt of goods or services, denial of ITC cannot be based merely on the supplier's default or retrospective cancellation of registration without examining the purchaser's bona fides and the relevant facts.

- The Court observed that the GST law originally envisaged an automated system for matching supplier and purchaser returns, but this mechanism was not fully implemented and was subsequently replaced by a self-assessment framework.

Consequently, authorities must consider the statutory provisions applicable during the relevant tax period. Later-introduced mechanisms, including Rule 37A requiring reversal of ITC when suppliers fail to furnish returns and permitting re-availment upon subsequent compliance, cannot be applied retrospectively. The Court also held that proceedings alleging fraud or collusion must disclose the relevant material and provide the purchaser an effective opportunity of hearing.

- Accordingly, the Court rejected the constitutional challenge to Section 16(2)(c) but issued guidelines requiring proper verification, disclosure of material, consideration of the purchaser's explanation and reasoned findings before denying or reversing ITC. Mere retrospective cancellation of a supplier's GST registration or non-payment of tax by the supplier cannot, by itself, justify adverse action against the purchaser. The batch of writ petitions was disposed of with directions for reconsideration by the proper officers in accordance with the applicable legal framework. The decision balances the statutory conditions for ITC with safeguards against arbitrary recovery from bona fide purchasers.

4. **Punjab & Haryana HC: Refund of Unutilized ITC Cannot Be Denied Under Circular No. 135/05/2020 Where Inverted Tax Structure Arises From Higher Rates on Inputs**

Case: Padmavati Ferrous Ltd. v. Union of India
Court: High Court of Punjab & Haryana
Case No.: CWP-25775-2024 (O & M)
Date of Order: 11.09.2026

- The petitioner challenged the Ministry of Finance Circular dated 31.03.2020, contending that the restrictions imposed on refund of accumulated Input Tax Credit (ITC) were inconsistent with Section 54(3) of the CGST Act, 2017. The dispute concerned whether the circular could restrict refund where ITC accumulated because certain inputs attracted a higher GST rate than the output supply, rather than because tax rates on the same input and output changed at different points of time.

- Following the **Delhi High Court's decision in Indian Oil Corporation Ltd. v. Commissioner of Central GST**, the High Court held that the circular addressed cases where ITC accumulated due to different tax rates applicable at different points of time. It did not apply where accumulation arose because certain inputs attracted a higher tax rate than the output supply, even if a principal input and the output were taxable at the same rate. Accordingly, the petitioner's refund claim was required to be examined under Section 54(3) without being influenced by the circular.

- The High Court allowed the writ petition and directed the authorities to consider and decide the petitioner's refund claim in accordance with Section 54(3) of the CGST Act and the principles laid down in Indian Oil Corporation Ltd., within two months from the filing of an appropriate application. The Court further clarified that the period spent pursuing the writ petition would be excluded while computing the limitation period for filing the refund application. Accordingly, the matter was decided in favour of the assessee.

5. **GSTAT Delhi: Retrospective Cancellation of Supplier's GST Registration Alone Cannot Justify Denial of ITC**
   Case: Ram Manohar Meena v. SRH Technologies, Proprietor
   Court: Goods and Services Tax Appellate Tribunal (GSTAT), Delhi
   Appeal No.: APL/59/DEL/2026
   Date of Order: 09.10.2026

- The assessee, Ms SRH Technologies, availed Input Tax Credit (ITC) of ₹37,184 on five invoices issued in September and October 2018 by a supplier dealing in laptop computers. The supplier's GST registration was subsequently cancelled retrospectively with effect from 01.07.2017. The Department disallowed the ITC under Section 16(2)(a) of the CGST Act, 2017 and raised a demand of ₹37,184 along with interest and a penalty of ₹10,000 under Section 73. The First Appellate Authority deleted the demand, noting that the supplier was registered when the invoices were issued, the invoices appeared in GSTR-2A, the supplier had filed GSTR-1 and GSTR-3B returns, and the assessee had furnished invoices, ledger accounts and bank statements.

- The GSTAT held that Section 16(2)(a) requires the supplier to be registered on the date the invoice is issued. Subsequent retrospective cancellation under Section 29 does not automatically invalidate invoices already issued or withdraw the recipient's ITC, as the law contains no such provision. The Tribunal further observed that CBIC Instruction No. 022022-GST is only a guideline for scrutiny and cannot introduce a disqualification not provided under Section 16. In the present case, the Department neither alleged in the show-cause notice that the goods were not received nor established that the supplier had failed to pay the tax. The Tribunal also noted the Department's admission that the supplier had deposited the tax in its credit ledger.

- The Tribunal held that retrospective cancellation may justify further investigation where there is evidence that goods were not received, tax was not paid, or the recipient participated in fraud; however, cancellation alone cannot be the basis for denying ITC to a genuine purchaser. Accordingly, the Department's appeal was dismissed, and the First Appellate Authority's order was upheld. The assessee was held not liable to pay the disputed ITC of ₹37,184, interest or penalty of ₹10,000, and any amount deposited against the demand, including pre-deposit, was directed to be refunded in accordance with law.

6. **Supreme Court: GST Exemption on Road Construction Annuities Challenged; Notice Issued in SLP and No Coercive Steps Ordered**
Case: Nagaur Mukundgarh Highways (P.) Ltd. v. Central Board of Indirect Taxes and Customs
Court: Supreme Court of India
SLP No.: SLP (Civil) No. 33242 of 2026
Date of Order: 21.09.2026

- The assessee entered into a concession agreement with the National Highways Authority of India (NHAI) for the design, construction, operation and maintenance of a road, with part of the project cost funded by the concessionaire and the balance paid by NHAI through annuities. The dispute concerned whether annuity payments were exempt from GST under Entry 23A of Notification No. 12/2017, which covers services by way of access to a road or bridge on payment of annuity. The Rajasthan High Court held that the concession agreement constituted a works contract service under Heading 9954 and that the exemption applicable to road-access services under Heading 9967 did not extend to construction services merely because the consideration was paid through annuities.

- The High Court had upheld the GST levy on annuity payments for construction services, relying on Circular No. 150/06/2021-GST, which clarified that deferred annuity payments for construction services were not covered by Entry 23A. It also held that the CBIC could issue clarificatory circulars under Section 168 of the CGST Act to correct misinterpretations and that an earlier advance ruling granting exemption could not override the statutory provisions and the true nature of the services. The assessee challenged the High Court's decision before the Supreme Court.

- The Supreme Court, after hearing the petitioner's senior counsel, issued notice in the Special Leave Petition, returnable on 01.12.2026. It further directed that no coercive steps shall be taken against the petitioner in the meantime. The order is an interim procedural development and does not constitute a final ruling on the merits of the GST exemption dispute; the High Court's decision has not been finally reversed or set aside by this order.

7. **Calcutta HC: Nearly Two-Year Delay in GST Appeal Condoned to Promote Substantial Justice**
Case: Meghnath Kapri v. State of West Bengal
Court: Calcutta High Court
Case No.: WPA No. 6010 of 2026
Date of Order: 06.10.2026

- The petitioner approached the Calcutta High Court after a delay of nearly two years in filing a statutory appeal before the Appellate Authority under Section 107 of the CGST/WBGST Act, 2017. The petitioner did not press the writ petition on merits and sought liberty to pursue the statutory appellate remedy, along with condonation of

delay. The petitioner relied on the explanation provided in paragraphs 48 to 50 of the writ petition to establish sufficient cause for the delay.

- The High Court observed that the petitioner had raised substantial and arguable issues on merits requiring detailed consideration by the Appellate Authority. It held that the delay had been satisfactorily explained and that the petitioner should not be denied an opportunity to pursue the statutory remedy merely on the ground of limitation, particularly when failure to consider the appeal could cause serious prejudice. Accordingly, the Court condoned the delay subject to payment of costs of ₹5,000 to the West Bengal State Legal Services Authority within one week from communication of the order.

- The Court directed that, upon payment of costs and submission of proof of compliance, the Appellate Authority shall entertain the appeal and pass a reasoned order on merits within eight weeks from the filing of the compliance report. The petitioner must also be granted an opportunity of personal hearing, and the decision must be communicated within one week thereafter. Accordingly, the writ petition was disposed of, enabling the assessee to pursue the statutory appeal despite the substantial delay.

8. **Allahabad HC: Non-Disclosure of Reasons to Believe Before Arrest Renders Arrest Illegal Under Health Security Cess Act**
   Case: Nikhil Aggarwal v. Union of India
   Court: Allahabad High Court
   Case No.: Habeas Corpus Writ Petition No. 1114 of 2026
   Date of Order: 05.10.2026

- The petitioners challenged their arrest by the DGGI under Section 26 of the Health Security se National Security Cess Act, 2025, alleging that the statutory procedure had not been followed. The principal grievance was that the reasons to believe recorded by the authorising officer were never supplied to the petitioners before their arrest and were only placed before the Magistrate at the time of remand.

- The High Court held that the principles laid down by the **Supreme Court in Union of India v. Sunil Biyani** applied retrospectively, since constitutional court judgments ordinarily declare the existing law unless expressly made prospective. As Section 26 of the Cess Act is pari materia with the GST arrest provisions, the recorded reasons to believe must be communicated to the accused before arrest to enable them to exercise their right to seek anticipatory bail. Merely placing the reasons before the Magistrate at the remand stage does not satisfy this requirement.

- The Court held that non-supply of the reasons to believe violated the statutory mandate and the petitioners' fundamental rights under Articles 21 and 22 of the Constitution. Accordingly, the arrests were declared illegal and quashed, with directions to release the petitioners forthwith, unless they were required in any other case.

9. **Delhi HC: GST Show Cause Notice Uploaded After Statutory Deadline Is Barred by Limitation**
Case: M/s Sikka Motors Pvt. Ltd. v. Union of India & Anr.
Court: Delhi High Court
Case No.: W.P.(C) 5076/2025
Financial Year: 2019-20
Date of Judgment: 27.10.2026

- The petitioner, a Hyundai car dealer, challenged a GST show cause notice dated 08.08.2024 and the consequential Order-in-Original dated 23.08.2024 concerning alleged ineligible ITC, delayed filing of GSTR-1 and non-payment of interest for FY 2019-20. The petitioner contended that the notice was issued beyond the statutory deadline prescribed under Section 73(2) of the CGST Act, 2017, read with Notification No. 56/2023-Central Tax dated 28.12.2023.

- The Delhi High Court observed that Notification No. 56/2023 extended the time limit for passing the adjudication order under Section 73(10) up to 31.08.2024; consequently, the show cause notice was required to be issued by 31.05.2024. The Court rejected the department's argument that the notice had been generated on its internal AIO system within time, holding that an internally generated notice without GSTN confirmation, a CRN or communication to the taxpayer cannot be treated as validly issued. A subsequent upload on 08.08.2024 could not retrospectively cure the delay, particularly when alternative modes of service under Section 169 were not attempted.

- The Court further held that preliminary scrutiny proceedings under Section 61, issuance of Form ASMT-10 and opportunities of personal hearing cannot substitute the mandatory issuance of a show cause notice within the prescribed limitation period. The petitioner's failure to respond to preliminary communications could not waive or cure the jurisdictional defect. Accordingly, the High Court quashed the show cause notice and the consequential Order-in-Original, allowing the writ petition in favour of the taxpayer.

Summary: Income Tax Case Laws

1. **ITAT Chennai: Cash Commission Receipts and Capital Introductions Cannot Be Treated as Unexplained Cash Credits Without Evidence of an Undisclosed Source**
   Case: Sivakumar v. Income-tax Officer
   Court: Income Tax Appellate Tribunal, Chennai Bench 'C'
   Appeal No.: IT Appeal No. 1891 (CHNY) of 2026
   Assessment Year: 2020-21
   Date of Order: 17.09.2026

- **Facts of the Case:** The assessee, an individual engaged in the purchase and sale of spices and condiments and earning commission through his proprietary concern, M/s SML Fibrex, filed his return for AY 2020–21 declaring income of ₹4,46,700. During reassessment proceedings, the Assessing Officer (AO) made three additions: ₹10,25,550 representing commission receipts received in cash, treated as unexplained cash credit under Section 68 read with Section 115BBE; ₹5,96,524 representing cash introduced into the capital/current account of the proprietary concern, also treated as unexplained cash credit under Section 68 read with Section 115BBE; and ₹1,52,717 towards unexplained personal expenditure under Section 69C read with Section 115BBE. The CIT(A) confirmed the additions, following which the assessee appealed before the Tribunal.

- **Commission Receipts of ₹10,25,550 Addition Deleted:** The Tribunal observed that the AO himself had accepted that the amount represented commission earned in the course of the assessee's business. Once the nature of the receipt was identified as business commission, the same amount could not simultaneously be treated as unexplained cash credit under Section 68 merely because it was received in cash. The mode of receipt could not alter the character of an otherwise identified business receipt. The Tribunal further held that the gross business receipt could not automatically be treated as unexplained income merely because the assessee had not maintained supporting records in the manner expected by the AO. In the absence of any finding or independent material establishing that the amount came from an undisclosed source unrelated to the business, the addition of ₹10,25,550 was directed to be deleted. Consequently, Section 115BBE was also held inapplicable to this amount.

- **Cash Introduced in Capital/Current Account of ₹5,96,524 Addition Deleted:** The Tribunal held that the cash introduced into the proprietary concern had to be examined in conjunction with the cash generated and available from the assessee's disclosed business activities during the same financial year. Significantly, the AO had himself recorded that the assessee received commission of ₹10,25,550 in cash during the relevant year. The Tribunal observed that a proprietary concern has no legal identity independent of its proprietor and that transferring the proprietor's own cash into the business does not, by itself, establish the generation of independent income. Since the Revenue had not produced any independent material showing that the

cash introduced represented an undisclosed source or exceeded the cash otherwise available with the assessee, the addition of ₹5,96,524 under Section 68 was deleted. Section 115BBE was consequently held inapplicable to this amount as well.

- **Unexplained Personal Expenditure of ₹1,52,717 Addition Confirmed:** The assessee had stated before the Investigation Wing that his annual personal expenditure was approximately ₹2,25,000, excluding educational expenditure. However, his capital account reflected withdrawals towards personal expenses of only ₹72,283. The AO treated the difference of ₹1,52,717 as unexplained expenditure under Section 69C. The Tribunal upheld the addition because the estimate of personal expenditure was based on the assessee's own statement, and no satisfactory explanation or supporting evidence was produced to reconcile the difference or establish the source from which the balance expenditure had been met. The Tribunal clarified that the addition was not based merely on an arbitrary estimate by the AO but on the assessee's own admission and the discrepancy in the recorded withdrawals. Accordingly, the addition of ₹1,52,717 under Section 69C was confirmed.

2. **Calcutta High Court**: **Bogus Purchases Cannot Be Disallowed In Full When Sales Are Accepted and Books Of Account Are Not Rejected**
Case: **Principal Commissioner of Income-tax-18 v. Pravesh Kumar Jaiswal**
Court: **Calcutta High Court**
Appeal No.: ITAT No. 147 of 2026; GA Nos. 1 & 2 of 2026
Judgment Date: 22.09.2026

- The Calcutta High Court upheld the ITAT's deletion of an addition of ₹12,73,85,064 made under Section 69C read with Section 115BBE towards alleged bogus purchases for AY 2021–22. The Court observed that the assessee had furnished books of account, purchase invoices, banking payment details and supporting documents. Since the sales were accepted and the books of account had not been rejected under Section 145(3), the corresponding purchases could not be disallowed in their entirety merely on the basis of suspicion.

- The Assessing Officer treated purchases of approximately ₹12.74 crore as sham transactions because suppliers did not respond to notices issued under Section 133(6), certain suppliers had allegedly cancelled or suspended GST registrations, and the Department could not verify the transactions. The AO made the addition under Section 69C read with Section 115BBE, which was initially upheld by the CIT(A). However, the ITAT deleted the addition after considering the documentary evidence and noting that the AO's conclusion was based primarily on supplier non-response and other circumstances beyond the assessee's control.

- The High Court reiterated the principle laid down in Principal Commissioner of Income-tax v. Nitin Ramdeoji Lohia (Bombay High Court), that where sales are accepted, the corresponding purchases cannot ordinarily be treated as entirely bogus without questioning the sales themselves.

3. **ITAT Hyderabad: Reassessment Notice Is Time-Barred Where Assessee's Share in Property Sale Is Below ₹50 Lakhs**
   Case: Akula Dhatthamma v. ITO
   Court: ITAT Hyderabad Bench 'SMC'
   Appeal: IT Appeal No. 1328 (Hyd.) of 2026
   Assessment Year: 2017–18
   Judgment Date: 09.09.2026

- The Hyderabad ITAT held that a notice under Section 148 of the Income-tax Act, 1961, issued beyond three years from the end of the relevant assessment year is barred by limitation where the income allegedly escaping assessment in the assessee's hands is below ₹50 lakh. The Assessing Officer had relied on information from the Insight Portal regarding the sale of immovable property for ₹98 lakh by ten vendors, including the assessee, and treated the entire transaction value as the basis for reopening the assessment. However, the assessee's actual share, as established by the sale deeds, was only ₹9.80 lakh.

- The Tribunal observed that the sale deeds themselves clearly established the assessee's 1/10th share in the total consideration. The Assessing Officer had also accepted this position in the reassessment order while making an addition of ₹9.80 lakh as long-term capital gains. The Tribunal held that incorrect facts could not be relied upon to bring a reassessment notice within the extended limitation period under Section 149(1)(b). Since the notice dated 28.03.2024 was issued after three years from the end of AY 2017–18 and the amount allegedly escaping assessment in the assessee's hands was below ₹50 lakh, the notice was invalid and time-barred.

- Accordingly, the Tribunal quashed the notice issued under Section 148, holding that the invalid notice also vitiated the consequential reassessment order. The appeal was allowed in favour of the assessee, and the other grounds of appeal were not adjudicated as they had become infructuous. The decision reinforces the principle that the limitation period for reopening an assessment must be determined on the basis of the correct facts relating to the individual assessee and cannot be extended by relying on an aggregate transaction involving multiple parties.

4. **Gujarat High Court: Reassessment Notice Issued by Non-Jurisdictional AO After Transfer of Case is Invalid**
   Case: Omkareshwar Mines and Minerals (P.) Ltd. v. Income-tax Officer
   Court: Gujarat High Court
   Judgment Date: 16.09.2026

- The assessee-company, originally incorporated in Kolkata, shifted its registered office to Gujarat, and its case was transferred from ITO, Ward 3(3), Kolkata, to ITO, Ward 3(1)(4), Ahmedabad, by an order dated 07.12.2015 under Section 127 of the Income-tax Act, 1961. Despite this transfer, the Kolkata Assessing Officer issued a notice under Section 148 on 31.03.2019 to reopen the assessment for AY 2012-13. The assessee challenged the notice on the ground that the Kolkata officer had ceased to have jurisdiction over its case.

- The Gujarat High Court held that once a case is transferred under Section 127, the transferee Assessing Officer alone has jurisdiction over all proceedings relating to the assessee, whether pending, completed or initiated subsequently, for any assessment year. The Court rejected the Revenue's argument that jurisdiction could be exercised because the assessee's PAN remained mapped to the Kolkata officer in the departmental database. It clarified that jurisdiction flows from statutory provisions and valid orders, not administrative database entries. A valid notice under Section 148 issued by the Assessing Officer having jurisdiction is a prerequisite for initiating reassessment under Section 147.

- Accordingly, the Court held that the Kolkata Assessing Officer lacked jurisdiction to issue the impugned notice after the transfer of the case to Ahmedabad. The writ petition was allowed, and the notice dated 31.03.2019 for AY 2012-13, along with all consequential proceedings, was quashed and set aside. The decision reinforces that reassessment proceedings initiated by an officer who has been divested of jurisdiction under a valid transfer order are without authority of law and cannot be sustained.

5. **Andhra Pradesh High Court**: **Reassessment Notices Issued After 01.04.2021 for AY 2015–16 Are Invalid in Law**
   Case: **Satya Narayanamurthy Kaki v. National Faceless Assessment Center, ITD**
   Court: **High Court of Andhra Pradesh**
   Writ Petitions: **W.P. Nos. 8274, 11241, 13324, 16130 and 23385 of 2024; W.P. Nos. 185 and 3527 of 2026**
   Judgment Date: **16.09.2026**

- The Andhra Pradesh High Court held that reassessment notices issued under Section 148 of the Income-tax Act, 1961, on or after 01.04.2021 for Assessment Year 2015–16 are unsustainable in law in view of the Supreme Court's ruling in Union of India v. Rajeev Bansal. The petitioners challenged reassessment orders founded on such notices, contending that the proceedings were invalid under the limitation framework applicable following the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (TOLA).

- The Court noted that the Department itself accepted that the issue was covered by the Supreme Court's decisions. Relying on the Supreme Court's order dated 04.05.2026, which reiterated that notices issued on or after 01.04.2021 for AY 2015–16 were liable to be struck down, the High Court held that assessment proceedings initiated pursuant to such notices could not be sustained. The ruling followed the principles laid down in Rajeev Bansal and the subsequent Supreme Court decisions concerning the validity of reassessment notices issued during the transition to the new reassessment regime.

- Accordingly, the High Court allowed the writ petitions and set aside the impugned reassessment orders. All pending miscellaneous applications were also closed, with

no order as to costs. The decision is in favour of the assessees and reinforces that reassessment proceedings for AY 2015–16 initiated through notices issued on or after 01.04.2021 cannot be sustained where they fall within the Supreme Court's ruling in Rajeev Bansal.

6. **Delhi High Court**: **Mere Filing of Appeal Does Not Stay Tax Demand**; **Stay Application Is Necessary to Challenge Recovery**
Case: **Intugine Technologies (P.) Ltd. v. Income-tax Officer**
Court: **Delhi High Court**
Writ Petition: **W.P.(C) No. 13661 of 2026**
Judgment Date: **17.09.2026**

- The Delhi High Court held that merely filing an appeal against an assessment order does not automatically stay recovery of the disputed tax demand. The assessee had been assessed for AY 2022–23 with a demand of ₹1.21 crore and had filed an appeal against the assessment order. During the pendency of the appeal, the Department adjusted the assessee's refund under Section 245 of the Income-tax Act, 1961, recovering approximately ₹72.76 lakh. Since the assessee had not filed any stay application before the Assessing Officer or the appellate authority, the Court held that the recovery was not unlawful merely because the appeal remained pending.

- Relying on the CBDT Office Memorandum dated 29.02.2016, as modified on 31.07.2017, the Court observed that an assessee must specifically seek a stay of demand by filing an appropriate application. The Assessing Officer is required to dispose of such an application within two weeks. In the absence of a stay application, the assessee could not claim automatic protection against recovery or demand release of the refund adjusted in excess of 20% of the disputed demand. Accordingly, the Court declined to direct the refund of the amount already recovered.

- However, considering that a substantial amount had already been recovered against the total demand of ₹1.21 crore, the High Court directed the Department not to make any further recovery from the assessee until disposal of the pending appeal by the Commissioner of Income-tax (Appeals). The writ petition was disposed of accordingly. The judgment highlights the importance of filing a timely stay application during the pendency of a tax appeal, while also recognising the Court's power to protect an assessee against further recovery in the circumstances of an individual case.

7. **Delhi High Court**: **TDS Credit Cannot Be Denied to Salaried Employee Simply Because Employer Failed to Deposit Tax**
Case: **Avni Dogra v. Assistant Commissioner of Income-tax**
Court: **Delhi High Court**
Writ Petition: **W.P.(C) No. 5630 of 2026**
Judgment Date: **16.09.2026**

- The Delhi High Court held that a salaried employee cannot be denied legitimate credit for tax deducted at source (TDS) merely because the employer failed to

deposit the deducted tax with the Government. In the present case, approximately ₹14.66 lakh had been deducted from the petitioner's salary by her former employer, Kingfisher Airlines, for Assessment Year 2011–12. However, the Department raised a demand by refusing to grant TDS credit on the ground that the employer had not deposited the amount.

- The Court observed that although the Department could question the non-deposit of TDS by the employer, the employee could not be held responsible for the employer's default or deprived of the legitimate tax credit. Relying on its earlier decision in Satwant Singh Sanghera v. Assistant Commissioner of Income-tax, the Court reiterated that an employee who has suffered TDS deduction from salary should not be penalised for the deductor's failure to remit the tax to the Government.

- Accordingly, the High Court allowed the writ petition and quashed the intimation dated 15.02.2013 under Section 143(1) of the Income-tax Act, 1961, to the extent that it denied credit for TDS deducted by Kingfisher Airlines. The Court clarified that its order was restricted to the TDS amount deducted by the employer and would not affect any other demand raised by the Assessing Officer. The judgment reinforces the principle that an employee's legitimate TDS credit cannot be denied solely due to the employer's failure to deposit the deducted tax.

8. **ITAT Jaipur**: **Unsecured Loans Cannot Be Added U/s 68 Merely Due to Non-Response of Creditors**
   Case: **Pinkcity Infracon (P.) Ltd. v. ACIT**
   Appeal No.: IT Appeal No. 1581 (JPR) of 2025
   Assessment Year: 2017–18
   Judgment Date: 16.09.2026

- The ITAT Jaipur deleted an addition of ₹2,69,99,000 made under Section 68 of the Income-tax Act, 1961, towards unsecured loans received by a real estate company from Akshit Impex Pvt. Ltd. and Dome Bell Electronics India Pvt. Ltd. The assessee had furnished loan confirmations, financial statements, income-tax returns, banking records and evidence of interest payments after deduction of TDS.

- The Tribunal held that the identity and creditworthiness of the creditors and genuineness of the transactions were established and that merely because the creditors did not respond to notices under Section 133(6), the loans could not be treated as unexplained cash credits.

- The Tribunal further held that, for AY 2017–18, the assessee was not required to explain the source of the funds in the hands of the creditors, since the requirement to establish the "source of source" for loans was extended by the Finance Act, 2022, only with effect from 01.04.2023.

9. **ITAT Kolkata**: **Unsecured Loans**, **Ad-Hoc Expense Disallowances and Third-Party Search Additions Cannot Sustain Without Sufficient Evidence**
   Case: **Deputy Commissioner of Income-tax v. Laser Power & Infra (P.) Ltd.**

Court: **Income Tax Appellate Tribunal**, **Kolkata Bench 'B'**
Appeal Nos.: **IT Appeal Nos**. **2790 to 2795** & **2926** (**Kol**.) **of 2025**; **CO Nos**. **24 to 29** (**Kol**.) **of 2026**
Assessment Years: **2017–18 to 2022–23**
Date of Order: **01.10.2026**

- The assessee, engaged in cable manufacturing and EPC contracts, faced additions under Section 68 for unsecured loans and disallowances of contractual and labour expenses. The Tribunal upheld the deletion of loan additions after noting that the assessee had furnished lenders' PAN details, audited financial statements, confirmations, bank statements and repayment evidence, while the lenders' net worth exceeded the amounts advanced and loans had been repaid with interest after TDS. It held that the assessee had discharged its initial burden under Section 68 and that the Revenue had failed to establish any defect in the supporting evidence. The Tribunal also confirmed deletion of ad-hoc disallowances of 6% of contractual payments, observing that the books had not been rejected under Section 145(3), the audited results remained undisturbed, and the payments were supported by documents and made through banking channels after TDS deduction.

- The Tribunal upheld deletion of additions under Section 69D for alleged cash loans based on receipts seized during a search on a third party, where the assessee's name did not appear in the statements, no specific evidence linked it to the alleged transactions, and no opportunity for cross-examination was provided. It further held that, for searches conducted before 1 April 2021, additions based exclusively on third-party seized material could not be made through reassessment under Section 147 without following the special procedure under Section 153C.

- The Tribunal upheld deletion of an addition under Section 69 where ₹18 lakh seized from the assessee's employees was recorded in the assessee's books, including the cash book seized by the Department, and ₹2,100 belonged to an employee. No reliable link was established between the seized cash and WhatsApp messages allegedly relating to scrap sales. It also upheld deletion of the ₹4 crore penalty imposed under Section 271D for alleged violation of Section 269SS. The underlying cash-loan transactions had not been established, the corresponding Section 69D additions had been deleted, and the penalty calculation was unexplained because receipts aggregating ₹2 lakh were used to allege four transactions of ₹1 crore each. The initiating notice was also defective as it failed to specify the alleged transactions, amounts and counterparties. Accordingly, the Tribunal rejected the Revenue's challenges and upheld the relief granted to the assessee.

10. **Andhra Pradesh HC**: **Section 147A Held Unconstitutional**; **Jurisdictional AOs Cannot Initiate Reassessments in Violation of the Faceless Scheme**
Case: **Bala Sreenivas Rao Somisetty v**. **Income-tax Officer**
Court: **Andhra Pradesh High Court**
Case No.: **WP No**. **28520 of 2023 and others**
Date of Order: **12.10.2026**

- **Section 147A Declared Unconstitutional**: The petitioners challenged the constitutional validity of Section 147A of the Income-tax Act, 1961, inserted by the Finance Act, 2026 with retrospective effect from 1 April 2021. The provision sought to clarify that notices under Sections 148 and 148A could be issued by Jurisdictional Assessing Officers (JAOs), notwithstanding the faceless assessment framework under Section 151A and the e-Assessment of Income Escaping Assessment Scheme, 2022. The Andhra Pradesh High Court held that the legislature could not override earlier judicial decisions without removing the underlying legal defect. Since the scheme under Section 151A remained unamended, the retrospective insertion of Section 147A violated the doctrine of separation of powers. The Court also held that the provision could not validly be inserted into the repealed Income-tax Act, 1961 after the new Income-tax Act, 2025 came into force.

- **Reassessment Notices Must Follow the Faceless Scheme**: The Court held that the e-Assessment Scheme, 2022 mandates automated allocation of cases for issuing notices under Section 148 and requires proceedings to be conducted in a faceless manner. The JAOs had identified cases and issued notices under Sections 148A and 148, contrary to the prescribed scheme. The subsequent transfer of cases to the National Faceless Assessment Centre (NFAC) without following the procedure under Section 127 was also held impermissible. The Court rejected the Revenue's contention that departmental notifications conferring concurrent jurisdiction could authorise JAOs to bypass the statutory faceless framework under Sections 151A and 130.

- **Reassessment Proceedings and Orders Quashed**: The High Court struck down Section 147A as unconstitutional and held that proceedings initiated by JAOs under Sections 148A and 148 were without jurisdiction. Accordingly, the impugned notices and reassessment orders, including orders passed under Section 147 read with Sections 144/144B, were set aside, and the writ petitions were allowed in favour of the assessees. The decision reinforces that reassessment proceedings must comply with the prescribed statutory faceless scheme and that retrospective legislation cannot merely nullify judicial decisions without curing the legal defect identified by the courts.

11. **Supreme Court**: **Failure to Complete Assessment Within Statutory Time Limit Bars Further Tax Demand**
Case: **Assistant/Deputy Commissioner of Income-tax v. Laqshya Media Ltd.**
Court: **Supreme Court of India**
Appeal No.: SLP (Civil) Diary No. 52315 of 2026
Assessment Year: **2014–15**
Date of Order: **30.09.2026**

- The assessee's assessment for AY 2014–15 involved transfer pricing adjustments and other disallowances. On appeal, the ITAT restricted the adjustment relating to corporate guarantee fees, deleted certain disallowances and remanded issues concerning interest on loans to an associated enterprise and differences between Form 26AS receipts and the books of account for fresh consideration. Although the

Transfer Pricing Officer (TPO) subsequently passed an order proposing an adjustment on interest, the Assessing Officer (AO) failed to pass the consequential assessment order within the statutory limitation period.

- The Bombay High Court held that the AO had not passed an assessment order pursuant to the ITAT's remand by 31 March 2023, the applicable deadline under Sections 153(3) and 153(4) of the Income-tax Act, 1961. The Court ruled that once the statutory limitation expired without a valid assessment order, no further demand could be raised against the assessee on the basis of the remanded proceedings. Consequently, the assessee's returned income was required to be accepted as filed.

- The Revenue challenged the Bombay High Court's decision before the Supreme Court. After condoning the delay in filing the petition, the Supreme Court declined to interfere with the High Court's judgment and dismissed the Special Leave Petition. Accordingly, the relief granted to the assessee remained intact, reinforcing the importance of complying with statutory time limits for completing assessments pursuant to an ITAT remand.

12. **Delhi HC: Reassessment Notice for AY 2015–16 Is Time-Barred Under Section 149 In View of Supreme Court Ruling**
Case: Avinash Kumar v. Assistant Commissioner of Income-tax
Court: Delhi High Court
Case No.: W.P. (C) No. 1039 of 2025
Assessment Year: 2015–16
Date of Order: 28.09.2026

- **Facts of the Case**: The assessee challenged the reassessment proceedings initiated for AY 2015–16 by filing a writ petition before the Delhi High Court. The challenge was against the order passed under Section 148A(d) dated 31.03.2024 and the consequential notice issued under Section 148 dated 02.04.2024. The assessee contended that both proceedings were time-barred in view of the Supreme Court's ruling in Union of India v. Rajeev Bansal (2024), particularly paragraph 19(f) of the judgment.

- **Reassessment Proceedings Held Time-Barred**: The High Court considered the applicable limitation provisions under Section 149 of the Income-tax Act, 1961, along with the Supreme Court's decision in Union of India v. Rajeev Bansal. The Revenue's counsel was unable to dispute the factual and legal position raised by the assessee. Accordingly, the Court accepted that the reassessment proceedings for AY 2015–16 had been initiated beyond the permissible limitation period and were therefore unsustainable in law.

- **Notice under Section 148 and Order under Section 148A(d) Quashed**: The Delhi High Court allowed the writ petition and quashed both the order dated 31.03.2024 passed under Section 148A(d) and the consequential notice dated 02.04.2024 issued under Section 148. The decision reinforces that reassessment proceedings must strictly comply with the statutory limitation prescribed under

Section 149 and the principles laid down by the Supreme Court in Rajeev Bansal. Accordingly, the matter was decided in favour of the assessee.

13. **ITAT Delhi**: **Cash Payments Relating to Separate Orders Cannot Be Clubbed to Invoke Extended Reassessment Limitation**
Case: **Deputy Commissioner of Income-tax v. Maharashtra Seamless Ltd.**
Court: **Income Tax Appellate Tribunal, Delhi Bench 'G'**
Appeal Nos.: **ITA Nos. 3102 & 3103 (Del.) of 2026; C.O. Nos. 272 & 273 (Del.) of 2026**
Assessment Years: **2013–14 & 2014–15**
Date of Order: **18.09.2026**

- **Facts of the Case**: The assessee-company's reassessment proceedings were initiated based on an Excel workbook seized during a search conducted on a third party, M/s Perform Interiors Pvt. Ltd., on 09.02.2022. The workbook allegedly contained details of cash payments made by the assessee against three different furniture and interior work orders. The Assessing Officer treated these separate transactions as a single event and invoked Sections 149(1)(b) read with 149(1A) to issue a notice under Section 148 dated 31.03.2023. The reassessment resulted in various additions, including an addition under Section 69C. The CIT(A) quashed the reassessment proceedings as time-barred, following which the Revenue appealed before the Tribunal.

- **Separate Transactions Cannot Be Aggregated to Invoke Extended Limitation**: The Tribunal observed that the three quotations related to distinct orders and cash payments were made on different dates, making them three separate events or occasions. Section 149(1A), which permits aggregation of expenditure across multiple assessment years, could not be invoked by clubbing unrelated transactions. Further, the approval memo quantified the alleged escaped income at only ₹13 lakh, which was below the statutory threshold of ₹50 lakh prescribed under Section 149(1)(b). The Tribunal also observed that, since the reassessment was based on material seized during a third-party search, proceedings under Section 153C should have been initiated under the pre-amended provisions, and AY 2013–14 fell beyond the applicable ten-year block period.

- **Reassessment Notices Quashed**; **Revenue's Appeals Dismissed**: The Tribunal held that the Assessing Officer had incorrectly aggregated three distinct transactions to cross the ₹50 lakh threshold and invoke the extended limitation period under Section 149(1A). Accordingly, the notice issued under Section 148 was quashed as time-barred, and the Revenue's appeals for AY 2013–14 and AY 2014–15 were dismissed. The Tribunal clarified that the CIT(A)'s reasoning on limitation was not entirely correct but upheld the deletion on the grounds discussed above. The assessee's cross-objections were not adjudicated as they had become academic.

14. **ITAT Delhi**: **Consolidated and Delayed Satisfaction Note Under Section 153C Invalid**; **Search Assessments Declared Void Ab Initio**
Case: **Shikhar Kailash Infratech Ltd. v. Deputy Commissioner of Income-tax**
Court: **Income Tax Appellate Tribunal, Delhi Bench 'B'**
Appeal Nos.: **ITA Nos. 6943, 6944 & 6945 (Del.) of 2025**
Assessment Years: **2019–20, 2020–21 & 2021–22**
Date of Order: **15.10.2026**

- **Consolidated Satisfaction Note Under Section 153C Held Invalid**: The assessee challenged the validity of assessments initiated under Section 153C based on WhatsApp chats seized during a search conducted in the case of a third party, Shri Praveen Jain, on 06.01.2021. The Assessing Officer having jurisdiction over the assessee recorded a single consolidated satisfaction note on 01.09.2023 covering AYs 2015–16 to 2021–22 instead of recording separate satisfaction notes for each assessment year. The Tribunal held that individual year-wise satisfaction was mandatory under Section 153C, as the incriminating material must be specifically identified with the assessment year to which it relates. Accordingly, the consolidated satisfaction note vitiated the assumption of jurisdiction and the consequential assessment proceedings.

- **Satisfaction Recorded After 17 Months and Section 153C(3) Inapplicable**: The Tribunal further observed that the assessee's jurisdictional AO recorded satisfaction on 01.09.2023, approximately 17 months after completion of assessment proceedings in the case of the searched person on 31.03.2022. Following the Supreme Court's ruling in **CIT v. Calcutta Knitwears and CBDT Circular No. 24/2015**, the Tribunal held that satisfaction for initiating proceedings against a third party must be recorded at the time of, during, or immediately after completion of the searched person's assessment. Such a delay of 17 months could not be considered immediate and therefore invalidated the assumption of jurisdiction. Further, since the satisfaction in the case of the other person was recorded after 01.04.2021, Section 153C(3) barred its applicability, as the provision does not apply to searches initiated on or after that date. The relevant date for the other person was the date of handing over the seized material and recording satisfaction.

- **Entire Search Assessments Declared Void Ab Initio**: The Tribunal held that the Assessing Officer had invalidly assumed jurisdiction under Section 153C on multiple independent grounds, including the consolidated satisfaction note, delay in recording satisfaction and non-applicability of Section 153C(3). Consequently, the entire search assessment proceedings for AYs 2019–20, 2020–21 and 2021–22 were declared illegal and void ab initio and quashed. The Revenue's appeals were dismissed, and the assessee's cross-objections were also dismissed, having become academic in view of the Tribunal's decision on the jurisdictional issues.

15. **ITAT Mumbai**: **Search-Based Assessment Cannot Be Completed Under Section 143(3) Without Notice Under Section 148 and Prior Approval Under Section 148B**
Case: **L N Enterprises v. Deputy Commissioner of Income-tax**
Court: **Income Tax Appellate Tribunal, Mumbai Bench 'A'**
Appeal Nos.: **ITA Nos. 8052 & 8233 (Mum.) of 2025**
Assessment Year: **2023–24**
Date of Order: **22.09.2026**

- **Facts of the Case**: The assessee, engaged in trading electrical wires and cables as a distributor of Polycab India Ltd., was subjected to a search under Section 132 on 22.12.2023, during which digital tally data maintained under the name 'Ka' allegedly containing details of unaccounted cash transactions was seized. Relying on the seized material, the Assessing Officer completed the assessment for AY 2023–24 under Section 143(3), making an addition of ₹2.19 crore towards alleged unaccounted cash sales, which was subsequently restricted by the CIT(A) to ₹1.63 crore. Before the Tribunal, the assessee challenged the jurisdiction of the AO, contending that since AY 2023–24 preceded the year of search, the reassessment procedure under Sections 147 and 148, along with mandatory prior approval under Section 148B, was required to be followed.

- **Notice under Section 148 Mandatory for Preceding Assessment Years**: The Tribunal held that where a search is initiated on or after 01.04.2021, Explanation 2 to Section 148 deems the AO to possess information suggesting escapement of income for the specified preceding assessment years. Accordingly, once the statutory conditions are satisfied, the AO cannot bypass the special reassessment mechanism under Sections 147 and 148 by resorting to ordinary scrutiny under Section 143(3), even if the return was selected for compulsory scrutiny and the limitation for issuing notice under Section 143(2) had not expired. The Tribunal further clarified that participation by the assessee in scrutiny proceedings cannot cure a fundamental jurisdictional defect or substitute the mandatory notice under Section 148.

- **Mandatory Approval under Section 148B**; **Assessment Quashed**: The Tribunal also held that Section 148B requires prior approval of the specified authority after independent application of mind to the seized material, and an administrative approval obtained under a general CBDT instruction cannot substitute the statutory approval. In the present case, no notice under Section 148 was issued and no approval satisfying Section 148B was obtained before passing the assessment order. Accordingly, the Tribunal quashed the assessment order dated 30.01.2025 for AY 2023–24 as being without jurisdiction. The assessee's appeal was allowed and the Revenue's appeal was dismissed, while the grounds concerning the merits of the alleged unaccounted cash sales were left undecided as academic.

16. **Gujarat HC: Reassessment Notice Barred Where Escaped Income Is Below ₹50 Lakhs After Three Years**
Case: Ramilaben Balubhai Ahir v. Income-tax Officer
Court: Gujarat High Court
Case No.: R/Special Civil Application No. 1575 of 2024
Assessment Year: 2016-17
Date of Order: 07.10.2026

- The assessee, along with seven family members, sold an immovable property for ₹6.27 crore, in which she held a 6.25% share amounting to approximately ₹39.19 lakh. The Assessing Officer initially treated the entire sale consideration as escaped income and issued a notice under Section 148. However, after considering the assessee's explanation and supporting documents, the AO accepted her share and computed long-term capital gains of ₹37.55 lakh.

- The Gujarat High Court held that under Section 149(1)(b) of the Income-tax Act, 1961, reassessment beyond three years is not permissible where the alleged escaped income is below ₹50 lakh. Since the AO had himself determined the assessee's alleged escaped income at ₹37.55 lakh, the statutory threshold for reopening beyond three years was not satisfied. The Court further observed that the assessee's failure to respond to the initial notices under Section 148A did not absolve the AO of his obligation to comply with the statutory limitation provisions.

Accordingly, the High Court set aside the notice issued under Section 148 and the order passed under Section 148A(d), holding the reassessment proceedings to be barred by limitation. The writ petition was allowed in favour of the assessee, with no order as to costs.