E-Journal

Taxation Latest Case Law
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Summary: Goods and Services Tax Case Laws

1. **Can GST Demand Order Be Passed Without Granting Mandatory Personal Hearing?**
   Case: Komal Jayeshbhai Hemavat vs. State Tax Officer (4)
   Court: Gujarat High Court
   Writ/Appeal No.: R/Special Civil Application No. 6715 of 2024
   Judgment Date: 02.04.2026

- The Gujarat High Court held that passing an adverse GST demand order without granting mandatory personal hearing violates principles of natural justice and renders the adjudication unsustainable.

- In the present case, after search and seizure proceedings, SCNs were issued under Section 74 and the assessee filed reply in Form DRC-06 by selecting "No" for personal hearing, following which the authority passed demand order without granting any hearing.

- The Court observed that the statutory mandate under Section 75(4) requiring grant of personal hearing cannot be overridden merely because the assessee selected "No" in the reply form, and authorities were duty-bound to provide hearing opportunities before passing adverse order.

- Accordingly, the impugned order was quashed and the matter remanded for fresh adjudication after granting adequate opportunity of hearing in accordance with law.

2. **Can Best Judgment Assessment u/s 62 Survive After Filing Pending GSTR-3B Returns with Late Fee?**
   Case: Vijayalakshmi Housing vs. Assistant Commissioner (ST)(FAC), Vijayawada
   Court: Andhra Pradesh High Court
   Writ/Appeal No.: Writ Petition Nos. 3534, 3539 & 3540 of 2026
   Judgment Date: 16.03.2026

- The Andhra Pradesh High Court held that once a registered person files pending GSTR-3B returns along with prescribed late fee, best judgment assessment orders passed under Section 62 stand deemed withdrawn by operation of law.

- In the present case, assessment orders for November 2022, December 2022, and January 2023 were passed for non-filing of returns, and recovery proceedings including bank attachments were initiated by the department.

- The Court observed that Section 62(2) specifically provides that such assessment orders automatically cease to operate once the taxpayer furnishes pending returns within prescribed time along with applicable late fee.

- Accordingly, since the petitioner had filed all pending GSTR-3B returns with payment of late fee, the assessment orders were treated as deemed withdrawn and all consequential recovery proceedings including bank attachments were set aside.

3. **Can High Court Condone Delay in GST Appeal Beyond Statutory Limit to Avoid Grave Prejudice**?
   Case: **Rameshwari Narpatram Bishnoi vs. Union of India**
   Court: **Rajasthan High Court**
   Writ/Appeal No.: **D.B. Civil Writ Petition No. 8884 of 2026**
   Judgment Date: **29.04.2026**

- The Rajasthan High Court held that although the Appellate Authority under Section 107 cannot condone delay beyond the statutory limit, the High Court in exercise of writ jurisdiction can condone such delay to prevent grave prejudice and denial of remedy.

- In the present case, GST registration of the petitioner was cancelled retrospectively and the statutory appeal was filed with a delay of 301 days, which was rejected by the Appellate Authority as time-barred for want of power to condone the delay.

- The Court observed that the delay occurred due to circumstances beyond the petitioner's control, including lack of proper communication by the tax consultant, and emphasized that GST law is intended not only for revenue collection but also for facilitation of trade and protection of livelihood.

- Accordingly, the High Court condoned the delay of 301 days after granting statutory relaxation, set aside the appellate order rejecting the appeal on limitation, and directed the Appellate Authority to decide the appeal on merits.

4. **Can GST Registration Be Cancelled by a Non-Speaking Order Without Specifying Period of Default**?
   Case: **Sagar Enterprise vs. Union of India**
   Court: **Gauhati High Court**
   Writ/Appeal No.: **WP(C) No. 2357 of 2026**
   Judgment Date: **06.05.2026**

- The Gauhati High Court held that cancellation of GST registration through a cryptic and non-speaking order without specifying the period of default violates Rule 22 of the CGST Rules and principles of natural justice.

- In the present case, the department issued a show cause notice alleging non-filing of returns for a continuous period of six months but failed to mention the specific default period, and thereafter cancelled the registration by merely referring to the SCN without assigning any reasons.

- The Court observed that cancellation of GST registration carries serious civil consequences and therefore the Proper Officer is duty-bound to pass a reasoned

speaking order in Form GST REG-19 demonstrating conscious application of mind, even where the assessee fails to file reply or appear.

- Accordingly, the impugned cancellation order was quashed and the matter was restored to the stage of show cause notice, granting liberty to the assessee either to file reply or furnish pending returns with tax, interest and late fee for restoration of registration.

5. **Can General Penalty u/s 125 Be Levied Along with Late Fee u/s 47 for Delayed Filing of Annual Return?**
   Case: SVR Developers vs. Assistant Commissioner (FAC), Chennai
   Court: Madras High Court
   Writ/Appeal No.: W.P. No. 13983 of 2026 (W.M.P. Nos. 15245 & 15249 of 2026)
   Judgment Date: 15.04.2026

- The Madras High Court held that once late fee under Section 47 is leviable for delayed filing of annual return, general penalty under Section 125 cannot be simultaneously imposed for the same default, as Section 125 applies only where no specific penalty or late fee is prescribed.

- In the present case, the petitioner, engaged in renting of immovable property with turnover below ₹5 crore, had filed GSTR-9 for FY 2018-19 belatedly after discharging GST liability. The department imposed both late fee under Section 47 and general penalty under Section 125 through DRC-07 order.

- The Court relied upon its earlier decision in Kandan Hardware Mart and observed that where annual returns were filed before 01.04.2023, the benefit of the amnesty notifications would apply and late fee could not exceed ₹10,000 each under the CGST and SGST Acts.

- Accordingly, the impugned order was set aside, the levy of general penalty under Section 125 was quashed, and the Court held that the petitioner could be subjected only to the prescribed late fee, subject to the statutory ceiling applicable under the amnesty scheme.

6. **Can Penalty u/s 74 Be Confirmed When Form DRC-01 Shows Proposed Penalty as '0'?**
   Case: Comfort Battery vs. Additional Commissioner, Central GST
   Court: Allahabad High Court
   Writ/Appeal No.: Writ Tax No. 2097 of 2026
   Judgment Date: 22.04.2026

- The Allahabad High Court held that where the statutory Form GST DRC-01 mentioned the proposed penalty as "0", penalty under Section 74 could not subsequently be confirmed merely on the basis of an annexure to the show cause notice proposing penalty equal to the tax demand.

- In the present case, the department alleged wrongful availment of ITC of about ₹4.36 crore and issued a show cause notice under Section 74. While the annexed notice proposed penalty equivalent to the alleged ineligible ITC, the statutory Form DRC-01 specifically reflected the proposed penalty amount as "0".

- The Court observed that Form DRC-01 is a statutory form requiring clear disclosure of proposed tax, interest, penalty and other dues. Failure to specify the proposed penalty in the form created a fatal ambiguity and deprived the assessee of the valuable statutory right under Section 74(8) to settle the matter by paying tax, interest and 25% of the proposed penalty within the prescribed period.

- Accordingly, the adjudication order confirming tax, interest and equal penalty was set aside, and liberty was granted to the department to rectify the show cause notice, issue a fresh DRC-01 specifying the exact demand, and proceed with adjudication in accordance with law after granting due opportunity of hearing.

7. **Can High Court Condone Delay in GST Appeal Beyond Statutory Limit When Registration Cancellation Affects Livelihood?**
   Case: Thar Solar Irrigation vs. State of Rajasthan
   Court: Rajasthan High Court
   Writ/Appeal No.: D.B. Civil Writ Petition No. 9329 of 2026
   Judgment Date: 04.05.2026

- The Rajasthan High Court held that although the Appellate Authority under Section 107 has no power to condone delay beyond the statutory limit, the High Court in exercise of its writ jurisdiction can condone such delay to prevent denial of justice and livelihood-related hardship.

- In the present case, the petitioner's GST registration was cancelled and the appeal against such cancellation was filed with a delay of 216 days beyond the prescribed period. The Appellate Authority dismissed the appeal as time-barred for want of jurisdiction to condone the delay.

- The Court observed that the delay was caused due to prolonged illness and financial difficulties beyond the petitioner's control. It further emphasized that GST is not merely a revenue collection statute but also a facilitative framework intended to support business continuity, and cancellation of registration directly impacts a taxpayer's livelihood.

- Accordingly, following its consistent view in similar matters, the High Court condoned the delay of 216 days (after granting statutory relaxation available under Section 107), set aside the appellate order, and directed the Appellate Authority to entertain and decide the appeal on merits.

8. **Can A Second GST Refund Application Be Rejected Merely Because An Earlier Refund Claim Covered the Same Period?**
Case: Valmet Flow Control (P.) Ltd. vs. Union of India
Court: Bombay High Court
Writ/Appeal No.: Writ Petition No. 14685 of 2025
Judgment Date: 22.04.2026

- The Bombay High Court held that the GST law does not prohibit filing of more than one refund application, and a second refund claim cannot be rejected merely because an earlier refund application covered an overlapping tax period.

- In the present case, the petitioner had obtained refund for the period July 2022 to September 2022. However, one invoice pertaining to August 2022 was inadvertently omitted from the earlier claim, and a separate refund application for that invoice was subsequently filed within the statutory limitation period of two years.

- The Court observed that Section 54(1) of the CGST Act contains no bar against multiple refund applications. In the absence of any specific statutory prohibition, technical objections based on overlap of periods, res judicata, or similar principles cannot defeat a legitimate refund claim filed within limitation.

- Accordingly, the High Court quashed the order rejecting the second refund application and restored the matter to the Assistant Commissioner for fresh consideration on merits after granting an opportunity of hearing to the assessee.

Summary: Income Tax Case Laws

1. **Can Foreign Remittances for Membership and Software Used in India Be Treated as Application of Income Outside India?**
   Case: Advertising Standards Council of India vs. Commissioner of Income-tax (Exempions)
   Court: ITAT Mumbai Bench 'A'
   Writ/Appeal No.: IT Appeal No. 7915 (MUM) of 2025
   Judgment Date: 20.04.2026

- The ITAT Mumbai held that payments made to foreign entities towards international memberships, affiliation fees, and software services used for charitable activities within India do not amount to application of income outside India and therefore do not violate Section 11(1)(c).

- In the present case, the assessee, a self-regulatory body engaged in consumer protection in advertising, made foreign remittances towards ICAS membership and software subscriptions, which the CIT(E) treated as violation of Section 11(1)(c) while rejecting its Section 80G application.

- The Tribunal observed that the assessee's core charitable activities were entirely carried out in India and the foreign payments were merely incidental subscriptions and software services facilitating such activities in India.

- Accordingly, the Tribunal held that such remittances cannot be treated as application of income outside India and set aside the adverse observations of the CIT(E), while also remanding the issue relating to delay in Section 80G revalidation application for fresh adjudication after considering additional evidence.

2. **Can 100% Addition Be Made for Alleged Bogus Purchases?**
   Case: Principal Commissioner of Income-tax vs. Sunilkumar Parasmal Jain
   Court: Supreme Court of India
   Writ/Appeal No.: SLP (Civil) Diary No. 18902 of 2026
   Judgment Date: 17.04.2026

- The Supreme Court dismissed the SLP filed by the Revenue and upheld restriction of addition on alleged bogus purchases to 6% instead of sustaining 100% disallowance.

- In the present case, the Assessing Officer treated purchases made from the Bhanwarlal Jain Group as bogus accommodation entries and added the entire purchase amount to the assessee's income.

- The CIT(A) restricted the addition to 6% of such purchases, which was affirmed by the Tribunal and later upheld by the Gujarat High Court following earlier similar matters involving the same group.

- Accordingly, the Supreme Court found no ground to interfere, especially since connected SLP in Pr. CIT v. Surya Impex had already been dismissed earlier, thereby affirming that only profit element embedded in alleged bogus purchases could be taxed.

3. **Can Exemption u/s 11 Be Denied Merely for Belated Filing of Form 10B?**
   Case: T.K. Raja Educational Charitable Trust vs. Income-tax Officer
   Court: ITAT Chennai Bench 'D'
   Writ/Appeal No.: IT Appeal Nos. 518 & 519 (CHNY) of 2026
   Judgment Date: 29.04.2026

- The ITAT Chennai held that exemption under Section 11 cannot be denied merely because Audit Report in Form 10B was filed after filing of return, when such report was available with CPC before processing of return and no prejudice was caused to the Revenue.

- In the present case, the assessee-trust filed its return claiming exemption under Section 11 on 01.10.2018 and subsequently filed Form 10B on 08.10.2018, but CPC denied exemption while processing return under Section 143(1).

- The Tribunal observed that filing of Form 10B is directory in nature and since the audit report was already available on record at the time of processing, denial of exemption solely on account of belated filing was unjustified.

- Accordingly, the Tribunal directed the AO/CPC to amend the intimation by considering Form 10B filed by the assessee and allow exemption under Section 11 in accordance with law.

4. **Can Orders Passed to Give Effect to ITAT Directions Be Quashed as Time-Barred u/s 153?**
   Case: Vivimed Labs Ltd. vs. ACIT
   Court: ITAT Hyderabad Bench 'B'
   Writ/Appeal No.: IT Appeal Nos. 181, 182 & 183 (HYD.) of 2025
   Judgment Date: 30.04.2026

- The ITAT Hyderabad held that where orders are required to be passed merely by following principles already laid down by the Tribunal, limitation under Section 153(5) applies, whereas matters requiring verification of records fall under Section 153(3).

- In the present case, the Tribunal had earlier remanded certain transfer pricing issues relating to advances to AEs for verification, while conclusively determining corporate guarantee commission at 0.5%, but the AO passed consequential orders only on 06.12.2024.

- The Tribunal observed that the remanded issues requiring verification were governed by limitation under Section 153(3), whereas issues conclusively decided by the

Tribunal were governed by Section 153(5), and in both situations the impugned orders were passed beyond prescribed limitation period.

- Accordingly, the consequential assessment orders passed by the AO for AYs 2014-15, 2015-16 and 2018-19 were quashed as barred by limitation, and all other grounds raised by the assessee were treated as infructuous.

5. **Can Addition be Made Solely on the Basis of Statement Recorded u/s 132(4) Without Corroborative Evidence?**
   Case: Principal Commissioner of Income-tax vs. M. Kiran Kumar
   Court: Madras High Court
   Writ/Appeal No.: TCA No. 248 of 2021 & CMP No. 6957 of 2021
   Judgment Date: 30.04.2026

- The Madras High Court held that no addition can be sustained merely on the basis of a statement recorded under Section 132(4) in absence of corroborative evidence, especially when the statement was not made by the assessee in his individual capacity.

- In the present case, the AO made additions of Rs.20 crore as undisclosed income, Rs.76.19 crore as deemed dividend under Section 2(22)(e), and disallowed LTCG exemption under Section 10(38), primarily relying upon search statements, alleged circuitous transactions and suspicion regarding penny stock gains.

- The High Court upheld the Tribunal's findings that the alleged confession during search lacked corroborative material, the deemed dividend transactions were genuine commercial running account transactions without any personal benefit to the assessee, and the LTCG transactions were supported by banking channels, demat accounts and STT payment.

- Accordingly, the Court dismissed the Revenue's appeal and held that additions based merely on conjectures, human probabilities or uncorroborated statements could not survive in law.

6. **Can LTCG Exemption u/s 10(38) Be Denied Merely on Allegation of Penny Stock Transaction?**
   Case: Principal Commissioner of Income-tax vs. Sanjaykumar Damjibhai Gangani
   Court: Supreme Court of India
   Writ/Appeal No.: SLP (Civil) Diary No. 23191 of 2026
   Judgment Date: 08.05.2026

- The Supreme Court dismissed the Revenue's SLP and upheld that exemption under Section 10(38) cannot be denied merely on allegation that the assessee was beneficiary of a penny stock transaction, when complete documentary evidence supporting the transaction was furnished.

- In the present case, the assessee claimed LTCG exemption arising from sale of shares, and the AO made addition under Section 68 based on Investigation Wing information alleging that the scrip was used for providing bogus accommodation entries.

- The Tribunal found that the assessee had produced complete evidence including contract notes, demat statements and details of bonus shares, and no adverse material was brought on record to discredit such evidence or implicate the broker in price manipulation.

- Accordingly, the Supreme Court held that no interference was warranted with the High Court order affirming deletion of addition, thereby sustaining the assessee's LTCG exemption claim under Section 10(38).

7. **Can Prosecution u/s 276CC Be Launched Without Jurisdiction, Regular Assessment or Penalty Proceedings?**
   Case: B. Mohammad Iqbal vs. Assistant Commissioner of Income-tax
   Court: Madras High Court
   Writ/Appeal No.: CRL.OP. No. 19461 of 2023 & CRL.MP. No. 13139 of 2023
   Judgment Date: 30.04.2026

- The Madras High Court held that prosecution under Section 276CC is unsustainable where it is initiated by an officer having no jurisdiction, without transfer order under Section 127 or intimation under Section 129, and without proper application of mind while granting sanction.

- In the present case, the assessee had sold immovable property for Rs.75 lakh, tax was already deducted at source, and after receiving notice from the ITO, the assessee filed return and paid tax with interest, yet prosecution was launched by the ACIT without jurisdictional transfer.

- The Court further observed that no regular assessment was conducted to determine whether tax liability exceeded the statutory threshold under Section 276CC, and no penalty proceedings under Section 271F were initiated before launching prosecution.

- Accordingly, holding that continuation of prosecution would amount to abuse of process of law, the High Court quashed the criminal proceedings initiated against the assessee.

8. **Can Net Profit of 15% Be Estimated in Best Judgment Assessment When Contract Receipts Are Through Banking Channels?**
   Case: Kempaiah Kemparaju vs. Deputy Commissioner of Income-tax
   Court: ITAT Bangalore Bench 'A'
   Writ/Appeal No.: ITA Nos. 160 & 161/Bang/2026
   Judgment Date: 19.05.2026

- The ITAT Bangalore held that estimation of net profit at 15% in a best judgment assessment was arbitrary and unjustified where the assessee was a civil contractor,

all contract receipts were received through banking channels from Government departments, and the declared net profit rate of 6.06% was already higher than the presumptive rate of 6% under Section 44AD.

- In the present case, the Assessing Officer completed assessment ex parte under Sections 147/144 and estimated profit at 15% of turnover of about ₹17.27 crore, despite the assessee having disclosed a turnover of ₹17.40 crore and net profit of ₹1.05 crore (6.06%) in response to the draft assessment order.

- The Tribunal observed that a best judgment assessment must be based on material available on record and cannot be founded on mere suspicion, arbitrary guesswork or unsupported assumptions. Since all receipts were duly reflected through banking channels and subjected to TDS, estimation of profit at 15% lacked any reasonable basis.

- Accordingly, the Tribunal directed the AO to recompute business income by applying a net profit rate of 7% on the declared turnover and further remanded the issues relating to deductions under Sections 80C and 80TTA and grant of TDS/self-assessment tax credit for fresh verification.

9. **Can 100% Addition Be Made for Bogus Purchases Obtained from Bhanwarlal Jain Group?**
   Case: Principal Commissioner of Income-tax vs. Prathana Gems
   Court: Gujarat High Court
   Writ/Appeal No.: R/Tax Appeal No. 1059 of 2024
   Judgment Date: 11.11.2025

- The Gujarat High Court held that where purchases were found to be non-genuine and obtained from the Bhanwarlal Jain Group, 100% addition of the purchase amount was not justified and restriction of disallowance to 6% of such purchases was proper.

- In the present case, the Assessing Officer treated purchases aggregating to ₹1.31 crore as bogus accommodation entries and made addition of the entire amount, which was subsequently confirmed by the CIT(A).

- The ITAT restricted the addition to 6% of the disputed purchases by following its earlier decisions, and the High Court noted that in several similar matters involving the same Bhanwarlal Jain Group, departmental appeals against such restriction had already been dismissed.

- Accordingly, the High Court held that no substantial question of law arose for consideration and dismissed the Revenue's appeal, thereby affirming the Tribunal's order restricting the disallowance to 6% of the alleged bogus purchases.

10. **Can AO Make Further Disallowance u/s 14A When Assessee's Suo Motu Disallowance Was Accepted in Earlier Years**?
Case: **Deputy Commissioner of Income-tax vs. Trent Ltd.**
Court: **ITAT Mumbai Bench 'E'**
Writ/Appeal No.: **ITA Nos. 5167 & 5243/Mum/2025**
Judgment Date: **12.05.2026**

- The ITAT Mumbai held that no further disallowance under Section 14A read with Rule 8D could be made where the assessee had already made a suo motu disallowance and similar disallowance had been accepted in its own case for earlier assessment years.

- In the present case, the Assessing Officer computed an additional disallowance of about ₹8.12 crore under Section 14A despite the assessee having voluntarily disallowed expenditure relating to exempt income and despite favourable decisions in earlier years on identical facts.

- The Tribunal observed that the Revenue failed to bring any contrary facts or legal position to depart from the consistent view taken in the assessee's own cases. It further held that disallowance under Section 14A cannot be added back while computing book profit under Section 115JB.

- Accordingly, the Revenue's appeal was dismissed, the assessee's suo motu disallowance was accepted, and relief granted by the CIT(A) was upheld. The Tribunal also upheld deduction of brand equity fees paid to Tata Sons as revenue expenditure and allowed deduction of discounts on gift cards/vouchers in the year of sale.

11. **Can Income-tax Demand Be Enforced or Refund Adjusted u/s 245 Without Service of Assessment Order and Demand Notice**?
Case: **Somic ZF Components (P.) Ltd. vs. National Faceless Assessment Centre, Income-tax Department**
Court: **Delhi High Court**
Writ/Appeal No.: **W.P.(C) No. 8445 of 2024 (CM Appl. No. 34851 of 2024)**
Judgment Date: **11.05.2026**

- The Delhi High Court held that in the absence of an assessment order and demand notice, no legally enforceable tax demand can exist, and consequently, refund adjustments made under Section 245 on the basis of such demand are illegal.

- In the present case, although a demand of about ₹37.75 lakh for AY 2017-18 was reflected on the ITBA portal, the Revenue could neither produce nor establish service of any final assessment order pursuant to the DRP directions. Despite this, refunds due to the assessee were adjusted against the alleged demand.

- The Court observed that even the jurisdictional AO admitted that no assessment order was available either in physical or electronic form. Therefore, mere reflection of demand on the ITBA portal could not create a valid and enforceable tax liability.

- Accordingly, the intimations issued under Section 245 were quashed, the outstanding demand entry was directed to be deleted, and the Revenue was ordered to refund the amount adjusted from the assessee's refunds along with applicable interest. Liberty was, however, granted to the department to serve the assessment order, if traceable, in accordance with law.

12. **Can Cash Deposits During Demonetization Be Treated as Unexplained When They Are Supported by Prior Cash Withdrawals**?
Case: **Empower India Ltd**. **vs**. **ACIT**, **Central**
Court: **ITAT Mumbai Bench 'E'**
Writ/Appeal No.: **IT Appeal No**. **5404** (**MUM**.) **of 2025**
Judgment Date: **18**.**05**.**2026**

- The ITAT Mumbai held that cash deposits made during the demonetization period cannot be treated as unexplained money under Section 69A where the assessee satisfactorily explains the source through earlier cash withdrawals duly supported by bank statements and books of account.

- In the present case, the Assessing Officer made an addition of ₹29.45 lakh under Section 69A on account of cash deposits during demonetization, alleging that the assessee had failed to establish correlation between cash withdrawals and subsequent deposits.

- The Tribunal observed that the assessee had furnished date-wise details of cash withdrawals aggregating to ₹32.60 lakh made between 27.04.2016 and 08.11.2016 and demonstrated that ₹29.45 lakh out of such cash remained available and was deposited during demonetization. In the absence of any adverse material on record, the explanation was found to be reasonable and acceptable.

- Accordingly, the addition under Section 69A was deleted. The Tribunal also directed recomputation of commission income on the correct turnover while allowing telescoping against net income already offered in the return and further directed grant of self-assessment tax credit reflected in Form 26AS after due verification.

13. **Can Capital Gains Be Taxed Before Execution of Registered Sale Deed When Full Consideration and Possession Were Already Transferred**?
Case: **Sat Paul Bansal vs**. **Deputy Commissioner of Income-tax**
Court: **ITAT Chandigarh Bench 'B'**
Writ/Appeal No.: **IT Appeal No**. **1545** (**CHANDI**) **of 2025**
Judgment Date: **07**.**05**.**2026**

- The ITAT Chandigarh held that where the assessee had received the entire sale consideration and effectively transferred rights in the property before execution of the registered sale deed, the transfer was deemed to have taken place in that year under Section 2(47)(ii), making capital gains taxable in the same year.

- In the present case, the assessee entered into an agreement to sell on 21.10.2017, received the entire sale consideration by 31.10.2017, and the purchaser was already in possession of the property. However, execution of the registered sale deed was delayed until 06.04.2018 due to a red-entry/lien in the revenue records.

- The Tribunal observed that both the seller and purchaser had fully complied with the terms of the agreement during AY 2018-19 itself and the delay in registration occurred due to circumstances beyond the assessee's control. Consequently, the assessee's rights in the property stood extinguished by 31.10.2017, bringing the transaction within the ambit of "transfer" under Section 2(47)(ii).

- Accordingly, the Tribunal held that the capital gains were taxable in AY 2018-19 and the assessee was entitled to deduction under Section 54 in respect of the residential property purchased on 03.11.2016, since the investment fell within the prescribed period reckoned from the effective date of transfer.

14. **Can 100% Addition Be Sustained for Alleged Bogus Purchases from Bhanwarlal Jain Group?**
Case: Principal Commissioner of Income-tax 1 vs. Prathana Gems
Court: Supreme Court of India
Writ/Appeal No.: SLP (CIVIL) DIARY NO.(S). 21181 of 2026
Judgment Date: 15.05.2026

- The Supreme Court dismissed the Revenue's SLP and upheld restriction of disallowance to 6% in respect of alleged bogus purchases obtained from the Bhanwarlal Jain Group, holding that no case for interference with the High Court's order was made out.

- In the present case, the assessee was alleged to have obtained non-genuine purchase bills aggregating to about ₹1.31 crore from entities belonging to the Bhanwarlal Jain Group engaged in providing accommodation entries, and the Assessing Officer made 100% addition treating the purchases as bogus.

- The Tribunal restricted the addition to 6% of the disputed purchases, and the Gujarat High Court upheld the same noting that in several similar matters arising from transactions with the Bhanwarlal Jain Group, departmental appeals challenging restriction of disallowance to 6% had already been dismissed.

- Accordingly, the Supreme Court found no substantial question warranting interference under Article 136 of the Constitution and dismissed the SLP filed by the Revenue, thereby affirming that only the profit element embedded in such alleged bogus purchases could be brought to tax.