

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

CHENGALPATTU DISTRICT BRANCH (SIRC)

(Formerly Known as Kanchipuram District Branch)

E-Newsletter - August 2025



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ARTICLES INVITED FROM MEMBERS

Note: Articles are invited from members for publishing in Newsletter. The articles shall be either on the specific subject or a general article. Members can send their articles with Name, Membership Number, Mobile Number, Residential Address, Office Address & Photo to our E-mail id mentioned below:

E-mail id: chengalpattu@icai.org

Note: The views expressed in the articles published, are their own views and Chengalpattu District Branch (SIRC) does not endorse or take responsibility.

From the Chairman's Desk

Dear Esteemed Members,

Warm greetings from the Chengalpattu District Branch of SIRC of ICAI. As we move forward in August 2025, I take this opportunity to reflect on a month filled with impactful events, meaningful interactions, and continuous professional development. Our July calendar was vibrant and diverse ranging from residential learning to youth engagement, automation tools, regulatory updates, and the celebration of the profession itself.



CA. SHIVACHANDRA REDDY K

Completed programs in July 2025

77th Chartered Accountants Day – 1st July 2025

The CA Day celebration on 1st July 2025 was a memorable occasion that brought together senior members, young professionals, and students in the spirit of professional pride and unity. With the theme “VISHWASNIYA – Trustworthy”, we reaffirmed our commitment to excellence, transparency, and integrity in our profession.

Chief Guest: CA. Kumar A P

Special Session: A motivating talk on Work-Life Balance by Dr. CA. Vengadamani S

Highlights included:

- Felicitations of senior CA members (aged 75 and above)
- Prize distribution for Wellness Outreach participants and for
- Student achievers in the National Talent Search & Indoor Games
- Health initiatives including Blood donation, Eye, Dental & Diabetic screening
- Road safety awareness program in collaboration with local authorities

Our heartfelt thanks to all participants for making this celebration a fitting tribute to the legacy of the profession.

5th & 6th July – Residential Refresher Course (RRC)

Held at Mamalla Beach Resort, this 2-day program focused on Decoding the Direct Tax Code 2025. Esteemed speakers: CA. Sankar V, CA. Sashank Srivatsan S, CA. Krishnan S, CA. Chaitanya E, CA. Muthu Palaniappan C, and CA. Suresh T G delivered in-depth sessions, providing 12 CPE hours in a serene learning environment.

12th July – Excel Automation for Financials

CA. Vishal G Mulchandani led a practical session on automation of financial statements for both non-corporate and corporate entities. The demo-based format helped members adopt Excel-based tools for compliance and reporting efficiency.

15th July – World Youth Skills Day

The program focused on youth empowerment, with sessions by Mrs. Anita Sivasubramanian and Mr. Balaji G on soft skills, emotional intelligence, and career resilience—key aspects in today's professional landscape.

19th July – Peer Reviewers' Training Programme

This one-day session, hosted in collaboration with the Peer Review Board of ICAI, was led by CA. Balaji R S and CA. Ramesh S, equipping participants with the tools and framework for effective peer reviews under ICAI standards.

26th July – V3 Annual Filing & RBI Compliance

A well-attended session by CS. Jaihari S, providing clarity on the MCA V3 portal, company annual filing updates, and recent RBI compliance requirements for reporting entities.

9th Annual General Meeting – 26th July 2025

We successfully conducted the 9th Annual General Meeting of our branch on 26th July 2025 at the branch premises. Members received the Annual Report and Audited Accounts for FY 2024-25, along with the Audit Report. We thank all members who attended and contributed to the discussions.

Upcoming Programs – August 2025

2nd August – Case Studies on GST ITC

Speaker: CA. Srinivasan V

An analysis-driven session covering practical scenarios in input tax credit claims and reconciliation challenges.

8th August – Open Floor Panel Discussion

Moderator: CA. Sankar V

Theme: Taxation & Compliance in Joint Development Agreements and Flat Owners' Welfare Associations

Panelists: CA. M.J. Venkatesan, CA. T.R. Lakshminarayanan, CA. Bhuvaneswari, CA. Manimaran & CA. Muthu Abirami

An interactive discussion addressing real-time queries raised by members.

In Closing

Each program in July was a testimony to the enthusiasm and engagement of our members. I sincerely thank all speakers, coordinators, panelists, the managing committee, and the ever-dedicated branch staff for their contributions.

Let us continue this momentum of collaborative learning, community participation, and professional growth. I invite you all to stay connected with the branch and be an active part of our journey ahead.

With warm regards,

CA. Shivachandra Reddy K

Chairman, Chengalpattu District Branch of SIRC

The Institute of Chartered Accountants of India

PHOTO GALLERY

Programme : CA Day program

Date & Day: 1st July 2025 (Tuesday)

Venue : Branch Premises



E-Newsletter - Chengalpattu District Branch (SIRC)



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PHOTO GALLERY

RRC Programme

Programme : Residential Refresher Course (RRC)

Date & Day: 5th & 6th July 2025 (Saturday & Sunday)

Venue : Mamalla Beach Resort, 108, Kovalam Road (East Coast Road), Mamallapuram – 603104



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CPE Meeting

Topic : Automation of Financial Statements using Excel Tool for Non-Corporate Entities and Corporate Entities

Speaker : CA. Vishal G Mulchandani

Date & Day: 12.07.2025 (Saturday)

Time : 5:30 PM to 7:30 PM

Venue : Branch Premises



CPE Meeting

Topic : World Youth Skills Day

Speaker : Mrs. Anita Sivasubramanian and Mr. Balaji G

Date & Day: 15.07.2025 (Saturday)

Time : 5:00 PM to 8:00 PM

Venue : Branch Premises



CPE Meeting

Topic : One Day Training Programme for Peer Reviewers

Speaker : CA. Balaji R S and CA. Ramesh S

Date & Day: 19.07.2025 (Saturday)

Time : 5:00 PM to 8:00 PM

Venue : Accord Chrome, CLC Works Road, Shankar Nagar, Chromepet, Chennai - 44



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Topic : V3 Annual Filing & RBI Compliance

Date & Day : 26.07.2025 (Saturday)

Speaker: CS. Jaihari S

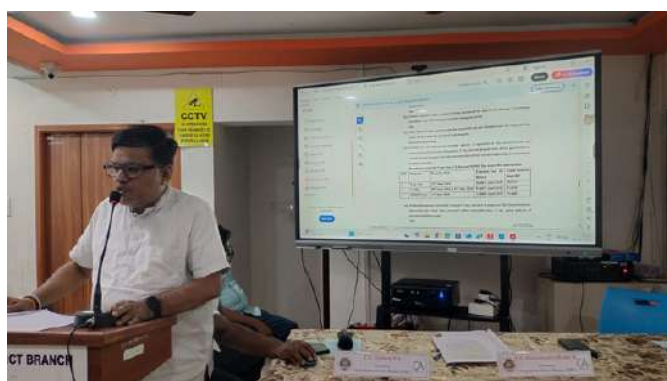
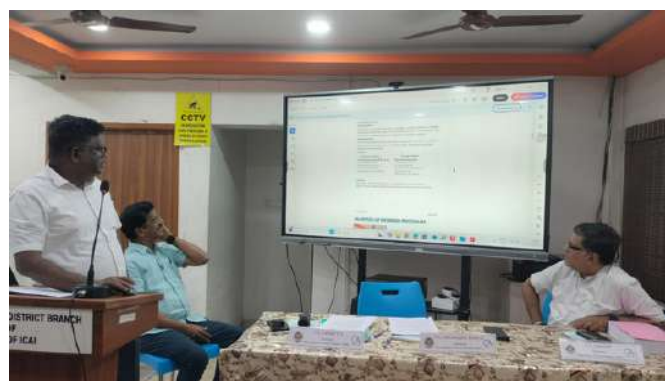
Time : 5:30 PM to 7:30 PM

Venue : Branch Premises




E-Newsletter - Chengalpattu District Branch (SIRC)


Program: AGM (9th Annual Report)
Date & Day : 26.07.2025 (Saturday)
Time : 5.00 PM Onwards
Venue : Branch Premises



Upcoming Programs



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
CHENGALPATTU DISTRICT BRANCH (SIRC)




*Cordially invites you to our **CPE** meeting on*

Case studies on GST Input Tax Credit


on Saturday, 2nd August 2025
at Flat No.302, Third Floor, Branch Premises
CPE - 2 Hrs | Time - 5:30 PM to 7:30 PM

Speaker
CA. Srinivasan V


Scan here
for ARC Registration



Scan here
for Location



Scan here
for Event Registration



Registration Link: <https://events.cglportal-icai.org/member>
Fee - Rs.236/- Including GST
(Nil Fee for ARC Members of Chengalpattu District Branch)
Followed by Dinner

CA. Shivachandra Reddy K Chairman	CA. Sathish T S Secretary
CA. Ravichandran S Managing Committee Member	CA. Suresh Kumar C Program Coordinator

Flat No.402, Fourth Floor, No.1A, Periyalwar Street, Sundaram Colony,
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
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CHENGALPATTU DISTRICT BRANCH (SIRC)

Cordially invites you to our **CPE** meeting on

Open Floor Discussion on Member Queries

Related to Taxation & Compliance requirements of

- Joint Development Agreements
- Flat Owners' Welfare Associations

On **Friday, 8th August 2025**

Flat No.302, Third Floor, Branch Premises
CPE - 3 Hrs | Time - 5:00 PM to 8:00 PM

Moderator: CA. Sankar V

Panelists:

- CA.Venkatanarayanan M J
- CA.Lakshminarayanan T R
- CA. Bhuvaneswari R V
- CA. Muthu Abirami T V
- CA. Manimaran K

Topics for Discussion Include:

- Joint Development Agreements (JDA) - Compliance under GST, Income Tax, RERA, etc.
- Flat Owners' Welfare Association - Compliance under GST, Income Tax, PF/ESI, Mutuality Concept, and Other Compliance Aspects

To ensure a meaningful and well-structured discussion, members are requested to submit their questions in advance using the Google Form below:

Submit Your Questions Here - <https://forms.gle/ETK4dxQMJVvoytv96>

Last Date for Submission: Wednesday, 6th August 2025

You may submit up to 3 questions.

Please note:

- ✓ Questions will be taken up subject to time availability
- ✓ Selection / discussion at moderator's discretion only

Registration Link: <https://events.cglportal-icai.org/member>

Fee - Rs.354/- Including GST

(Nil Fee for ARC Members of Chengalpattu District Branch)

Followed by Dinner

Scan here for
ARC Registration



Scan here
for Location



Scan here
for Event Registration



CA. Shivachandra Reddy K
Chairman

CA. Sathish T S
Secretary

CA.Sridhar Ganesh N
Managing Committee Member

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LEGAL UPDATES

by



CA. SIVAGURUNATHAN T

Overview of Tamil Nadu Apartment Ownership Act, 2022 (TNAOA 2022)

The Tamil Nadu Apartment Ownership Act, 2022 aims to consolidate and modernize the legal framework governing the ownership, management, and transfer of apartments in the state of Tamil Nadu. It replaces the Tamil Nadu Apartment Ownership Act, 1994.

This Act applies to:

- All apartments constructed or to be constructed within Tamil Nadu.
- Apartment owners, promoters (builders), and associations/societies formed for apartment maintenance and governance.
- Projects registered under RERA as well as standalone apartments.

Scope of the Act:

- Enables registration of apartments as distinct, transferable, and heritable properties.
- Empowers associations to manage common areas, enforce by-laws, and maintain the property.
- Requires the promoter to file a declaration and Deed of Apartment detailing the layout, usage of areas, and proportionate ownership of each apartment.
- Promoter must hand over common areas and documents to the association.
- Owners must comply with association by-laws and pay maintenance dues.
- Facilitates free transfer, sale, or inheritance of apartments without needing consent of other owners, subject to applicable laws.
- Provides a mechanism for dispute resolution through designated authorities or tribunals.

Tamil Nadu Apartment Ownership Rules, 2024

The Tamil Nadu Apartment Ownership Rules, 2024 (effective from September 24, 2024), operationalize the Tamil Nadu Apartment Ownership Act, 2022, which came into force on March 6, 2024. These Rules aim to bring uniformity in apartment ownership, association governance, and redevelopment processes across Tamil Nadu.

Apartment owners must register a statutory Apartment Owners Association (AOA) with at least four owners, adopt bye-laws, and submit declarations using prescribed forms (Forms A to N). Each apartment's ownership includes a proportional undivided share (UDS) in the land and common areas, based on carpet area.

The Rules empower owners to initiate redevelopment if the building is old or unsafe, or if 25% of owners request it. Approval by two-thirds of owners is mandatory for proceeding. A detailed redevelopment report (DRR) and a redevelopment scheme (DRS) must be prepared, approved in an AGM, and filed with the Competent Authority (District Registrar).

Promoters and associations are required to submit declarations, amendments, and redevelopment-related documents in specified formats. Existing RWAs registered under the Societies Act must realign with the new Rules by submitting their bye-laws and officer details.

Common area maintenance charges are enforceable; unpaid dues become a charge on the apartment. A grievance mechanism is provided to escalate issues with associations or office-bearers.

Frequently Asked Questions

Whether TNAOA is applicable for all buildings?

TNAOA is applicable for both residential and commercial buildings having four or more apartments.

Whether filing of a 'declaration' is mandatory for all buildings which are falling within the purview of the TNAOA?

Yes, filing a declaration is mandatory for all buildings having four or more apartments. This also includes the existing buildings and buildings under construction.

For buildings that are in existence on the date of commencement of the Act – a declaration in Form A has to be submitted within 365 days from the date of commencement of the Act.

For other buildings – a declaration in Form A has to be submitted within 365 days from the date of the completion certificate.

What is the consequence of non-filing of 'declaration'?

Submission of 'declaration' is mandatory under TNAOA, any person who is in contravention of the provisions of TNAOA, on conviction, shall be liable to a fine which may extend to Rs. 1,00,000/- and, in case of continuing contravention, to an additional fine which may extend to Rs. 500/- for every day during which such contravention continues.

Our apartment association is already registered under the Tamil Nadu Societies Registration Act, 1975. Do we need to register again under the TNAOA 2022?

The TNAOA recognises the existing RWAs registered under the Tamil Nadu Societies Registration Act or Tamil Nadu Co-operative Societies Act. However, the RWAs need to submit their bye-laws to the Competent Authority within 180 days from the acceptance of the declaration. However, if the existing bye-laws are in contravention to the provisions of TNAOA, shall be amended to bring them in consonance with the provisions of Act and the Rules and submit it to the competent authority.

If multiple Associations are formed in a complex developed in phases where each phase is registered as an independent project under the provisions of RERA, is it mandatory for such Associations to form a Federation?

Yes, pursuant to an independent 'declaration' filed by such associations for individual projects, all the constituent associations are mandatorily required to register a Federation as per the provisions of TNAOA by filing an application in Form B

Is there a prescribed format or model bye-laws under TNAOA 2022?

Yes. The Competent Authority under the Act may provide a model bye-law format. Associations must either adopt the model or ensure their bye-laws cover all essential aspects such as: Apartment and common area rights, Duties of members, Maintenance fund management & Dispute resolution mechanisms

Who is the Competent Authority under TNAOA 2022?

The District Registrars of the Registration Department have been officially notified as the Competent Authorities under TNAOA 2022. The Inspector General of Registration serves as the Appellate Authority for any appeal against decisions made by these competent authorities.

The State Government enacted rules in September 2024 (Tamil Nadu Apartment Ownership Rules, 2024, via G.O. No. 171), specifying that District Registrars are designated as competent authorities responsible for handling Declarations, registration of bye-laws, and other filings under the Act. The Inspector General of Registration Department is empowered to act as the Appellate Authority, hearing appeals against the decisions of these district-level authorities

GST Updates

by



CA. Shaikh Abdul Samad Ahmed

High Court Affirms Export Status of Related-Party Services

Background and facts:

An Indian entity provides specialized services such as design, engineering, management consulting, and maintenance, along with goods, exclusively to its group companies located outside India. These supplies are made to independent foreign entities and do not involve the Domestic supply in India. The company had successfully claimed refunds of unutilized Input Tax Credit (ITC) for zero-rated supplies (exports of services) for the periods April 2020 to March 2021 and April to June 2021. These refund orders, which were not contested by the tax authorities, achieved finality. However, when the said entity filed subsequent refund applications for unutilized ITC for the periods July to September 2021 and October to December 2021, the tax department rejected the claims.

The department argued that the Indian entity functioned as an "agent" of its foreign group companies, asserting that the services did not qualify as exports and, therefore, were not zero-rated supplies eligible for ITC refunds. This rejection was upheld by the Appellate Authority, prompting the Indian entity to challenge the decision before the High Court on following grounds:

A. The foreign group companies are independent legal entities. The services and goods supplied to these entities meet the criteria for "export of services" under Section 2(6) and "export of goods" under Section 2(5) of the IGST Act, qualifying as zero-rated supplies under Section 16.

B. The agreement with the foreign entities explicitly designated Indian Entity as an independent contractor, not an agent.

C. The remuneration model, where they received 110% of its costs, aligned with standard commercial practices and transfer pricing norms. This cost-plus model did not equate to a commission, as would be typical in an agency relationship.

D. Circular No. 161/2017/2021, issued by the Central Board of Indirect Taxes and Customs (C.B.I.&C) on September 20, 2021, clarifies that an Indian company and its foreign group company are distinct legal entities, not "merely establishments of a distinct person" under Explanation 1 to Section 8 of the IGST Act.

E. Prior refund approvals for identical services in earlier periods, which were uncontested.

The tax department countered the submission of the appellant by putting the he following contentions:

A. The appellant is acting as an agent for the foreign recipient who is the principal, conducting business in India through Indian entity "agency. Accordingly, the foreign recipient had an "establishment" in India and this violate the condition (v) of Section 2(6) of the IGST Act, which in turn disqualifies supplies between "merely establishments of a distinct person" from being exports.

B. Further, the department dismissed the need for a third party in defining an agent, focusing instead on the relationship between Indian entity and its foreign recipient.

Court's Ruling:

The services rendered by the Indian entity to its foreign group companies constitute exports within the meaning of Section 2(6) of the Integrated Goods and Services Tax Act, 2017 (IGST Act), thereby qualifying as zero-rated supplies under Section 16 thereof. Accordingly, the Indian entity is entitled to refunds of unutilized Input Tax Credit (ITC). The contention of the respondent department, asserting that the Indian entity operated as an "agent" of the foreign recipients, is untenable. The definition of "agent" under Section 2(5) of the Central Goods and Services Tax Act, 2017 (CGST Act) necessitates the involvement of a third party in the transaction. As the transactions in question involved only the Indian entity and the foreign recipient, no agency relationship can be established.

The Indian entity and the foreign recipients are distinct legal entities and cannot be regarded as "merely establishments of a distinct person" under Explanation 1 to Section 8 of the IGST Act. This position is unequivocally supported by Circular No. 161/17/2021-GST dated 20th September 2021, issued by the Central Board of Indirect Taxes and Customs (CBIC), which is binding upon the respondent department. The agreement between the parties clearly designates the Indian entity as an independent contractor, not an agent. Provisions for cost-plus remuneration and inspection of accounts, being standard commercial practices, do not indicate an agency relationship.

In arriving at this conclusion, this Court finds persuasive guidance in the decision of the Delhi High Court in Xilinx India Technology Services (P.) Ltd. v. Special Commissioner Zone VIII and the aforementioned CBIC Circular, both of which affirm the export status of the services in question. The respondent department is directed to process the refund of unutilized ITC, together with statutory interest, within a period of four weeks from the date of this order.

Key Takeaways:

A. For GST purposes, an "agent" requires a third-party transaction. Direct principal-to-principal dealings, even between related entities, do not constitute an agency unless explicitly agreed.

B. Services provided by an Indian subsidiary to a foreign group company can qualify as zero-rated exports, provided they meet IGST Act conditions. Related-party status does not automatically disqualify such supplies. Binding CBIC Circulars: CBIC circulars, such as No. 161/2017/2021, are authoritative and binding on tax authorities, ensuring consistent interpretation of export provisions.

Sundyne Pumps And Compressors India Pvt. Ltd. Versus Union Of India

RECENT DECISIONS IN DIRECT TAXES

by



CA. Muthu Abirami T V

Principal Commissioner of Income-tax vs. Purple Suppliers (P.) Ltd. [2025] 176 taxmann.com 393 (Calcutta)[04-07-2025]

Held: Where Assessing Officer reopened assessment of assessee on ground that assessee had made purchases from a company which was engaged in providing entries of bogus purchases, since apart from making purchases from said company, assessee had also made sales to it which was accepted by Assessing Officer and had noted sale figures which clearly indicated that assessee had business activities, impugned reassessment proceedings was not valid.

Section 69C, read with section 147, of the Income-tax Act, 1961 - Unexplained expenditure (Bogus purchases) - Assessment years 2011 - 12 to 2013 - 14 - Assessee-company was engaged in wholesale business of jewellery and diamond - For relevant assessment years, assessee filed its return of income which was accepted and an assessment order was passed - Thereafter, Assessing Officer received an information from Investigation Wing that a company, namely, SDPL, was engaged in providing entries of bogus purchases - It was further stated that assessee had entered into transaction of purchase of goods from said company - On basis of same, Assessing Officer issued a notice for reopening assessment of assessee - It was noted that apart from making purchases from said company, assessee had also made sales to it which was accepted by Assessing Officer - Further, Assessing Officer had only disputed genuineness of purchases but had accepted sale transactions entered into with said company and had noted sale figures which clearly indicated that assessee had business activities - Thus, Tribunal held that reopening was carried out based on borrowed satisfaction and mere change of opinion - It was further noted that statement said to have been recorded from key person of said company appeared to have been sole basis for issuance of notice for reopening - However, said statement had been retracted by deponent within less than a month and neither Assessing Officer nor Commissioner (Appeals) had dealt with fact of retraction - Whether on facts, impugned reassessment proceedings was not valid - Held, yes [Para 13] [In favour of assessee]

Bharti Bhushan Jindal vs. Commissioner of Income-tax, Ludhiana (Punjab) [2025] 176 taxmann.com 295 (Punjab & Haryana)[03-07-2025]

Held: Where assessee, not being a money lender, advanced certain amount on interest and claimed deduction of amount written off as unrealizable on account of non-recovery of advances made to certain parties, since amount claimed as bad debt was never taken into account in computing income of assessee in any other previous years, impugned amount written off unrealized was rightly disallowed by Assessing Officer.

Section 36(1)(vii) of the Income-tax Act, 1961 - Bad debts (Writing off of debt) - Assessment year 2004-05 - During year, assessee had advanced certain amount on interest against duly executed hundi/promissory notes - Assessee claimed deduction of amount written off as unrealizable on account of non-recovery of advances made to certain parties - Assessing Officer disallowed same on ground that no deduction for a bad debt or part thereof shall be allowed unless such debt or part thereof has been taken into account in computing income of assessee of previous year in which amount of such debt or part thereof is written off or of an earlier previous year - It was noted that amount claimed as bad debt was never taken into account in computing income of assessee in any other previous years - Neither it was part of sales nor it was part of debtors during year or any previous year - It was evident from record that this amount was part of loan, which assessee had given during earlier years and which had become irrecoverable during assessment year 2004-05 and that assessee was receiving interest income on such loans - Whether since assessee was not in business of money lending and bad debt could be allowed only if written off amount was already shown in any previous year, impugned amount written off unrealized was rightly disallowed by Assessing Officer - Held, yes [Paras 10 and 11] [In favour of revenue]

Bajaj Auto Ltd. vs. Deputy Commissioner of Income-tax [2025] 176 taxmann.com 104 (Bombay)[03-07-2025]

I. Section 4, read with section 28(i), of the Income-tax Act, 1961 - Income - Chargeable as (Subsidy) - Assessment years 1985-86 and 1987-88 - Whether while determining nature of receipt under a particular incentive subsidy scheme, what needs to be applied is 'purpose test' i.e. to determine purpose for which incentive is offered; if incentive is offered for purpose of setting up of new industrial unit or for expansion of existing unit, receipt of incentive would be on account of capital, on other hand, if incentive is given for enabling assessee to run business more profitably, then receipt would be on revenue account - Held, yes - Government introduced a scheme for encouraging setting up of industries in specified backward areas of State by providing sales tax incentives - Assessee-company set up a new manufacturing unit in such notified area and received incentive and under said scheme, assessee was allowed adjustment of amount of sales tax incentives against its liability to pay sales tax to Maharashtra State Government after commencement of production - Assessing Officer held that incentive was granted to assist assessee in carrying on its business operations and, thus, same was to be treated as revenue receipt-

Whether since purpose of scheme was to promote setting up of new industrial units and not to assist assessee to make business more profitable, incentive/subsidy received under scheme would be on capital account and not on revenue account - Held, yes [Paras 39 and 44] [In favour of assessee]

II. Section 37(1) of the Income-tax Act, 1961 - Business expenditure - Allowability of - (Foreign exchange difference) - Assessment years 1985-86 and 1987-88 - Whether loss suffered by an assessee on account of foreign exchange difference as on date of balance sheet would constitute an item of expenditure under Section 37(1) - Held, yes [Para 18] [In favour of assessee]

Principal Commissioner of Income-tax vs. NOCIL Ltd. [2025] 176 taxmann.com 252 (Bombay)[02-07-2025]

Held: Where scheme of restructuring approved by High Court involved transfer of only specified assets and liabilities of two divisions of assessee to two companies, and consideration paid by resulting companies was not by issuance of any shares but in cash, conditions for a valid 'demerger' under section 2(19AA) were not fulfilled; hence, provisions of section 72A(4) were not attracted in relation to scheme of arrangement between assessee and two companies Section 72A, read with section 2(19AA), of the Income-tax Act, 1961 - Losses - Carry forward and set-off of business loss in case of demerger (Non-qualifying arrangement under section 2(19AA)) - Assessment year 2004-05 - Assessee filed return declaring nil income; return was processed under section 143(1), and assessment was completed under section 143(3) determining long-term capital gains - Subsequently, assessment was reopened under section 147 and notice under section 148 was issued - In reassessment, Assessing Officer invoked section 72A(4) to disallow carry forward of earlier years' losses, alleging a demerger of divisions of assessee - Whether for section 72A(4) to be attracted, there must first be a 'demerger' as understood under the provisions of Act - Held, yes - Whether for demerger, consideration to be paid by 'resulting company' is by way of issuance of shares to shareholders of 'demerged company' - Held, yes - Whether since scheme of re-structuring approved by Court involved transfer of only specified assets and liabilities to two companies, RPPL and NPL, and that consideration was paid in cash rather than by issue of shares to shareholders of assessee, provisions of section 72A(4) were not attracted in relation to scheme of arrangement between assessee and two companies - Held, yes [Paras 6, 7 and 8] [In favour of assessee]

Principal Commissioner of Income-tax Central vs. Pearl Tracom (P.) Ltd. [2025] 176 taxmann.com 284 (Calcutta)[01-07-2025]

Held: Where reassessment was initiated based on information from Investigation Wing that assessee had taken accommodation entry and addition was made on account of entire share capital, since assessee had produced books of account and bank statement to demonstrate that there was no transaction with entry provider and Assessing Officer never disclosed details of layers through which alleged money had reached bank account of assessee, reassessment order was to be quashed Section 68, read with section 147, of the Income-tax Act, 1961 - Cash credit (Accommodation entry) - Assessment year 2012-13 - Assessee filed its return of income which was accepted and an assessment order was passed under section 143(3) wherein entire share capital raised by assessee was added to income of assessee - Subsequently, an ex parte revision order under section 263 was passed against Assessing Officer and assessment order was set aside - Thereafter, Assessing Officer issued a notice under section 148 based on certain information received from Investigation Wing that assessee had taken accommodation entry of certain amount from one SR - Pursuant to which, reassessment order was passed under section 143(3) read with section 147 making addition with respect to entire share capital - Tribunal noted that Assessing Officer never disclosed details of layers through which alleged money had reached bank account of assessee nor any information was shared in respect of any documentary evidence for alleged transaction of accommodation entry for which assessee was stated to be a beneficiary - It was also noted that no specific reasons were mentioned by Assessing Officer as to nature of transaction of accommodation entry qua assessee - Whether since assessee had produced books of account and bank statement to demonstrate that there was no transaction with one, SR, Tribunal had rightly granted relief to assessee by quashing reassessment order - Held, yes [Paras 6 and 7] [In favour of assessee]

Hiraben Pragjibhai Tala vs. Additional/Joint/Deputy/Assistant Commissioner of Income-tax/Income-tax Officer [2025] 176 taxmann.com 173 (Gujarat)[30-06-2025]

Held: Where in course of faceless assessment proceedings, draft assessment order under section 144B, read with section 144, was passed determining tax liability of assessee, however, said order was sent to email ID of assessee's son with whom assessee was not in good terms and she was not aware of such communication, since authorities failed to follow mandatory requirement of SOP to send physical letter to assessee at latest known address, impugned order was to be set aside and matter was to be remanded back.

Section 144B, read with section 144, of the Income-tax Act, 1961 - Faceless Assessment - (Opportunity of hearing) - Assessment year 2006 - 07 - Whether where as per SOP issued under section 144B, if assessee is not responsive to any notice under section 142(1), department is mandatorily required to send physical letter to assessee at latest known address through speed post and failure to follow such mandatory requirement would render impugned order passed under section 144 invalid - Held, yes - Whether, thus, where in course of faceless assessment proceedings, draft assessment order under section 144B, read with section 144, was passed determining tax liability of assessee, however, said order was sent to email ID of assessee's son with whom assessee was not in good terms and she was not aware of such communication, since authorities failed to follow mandatory requirement of SOP to send physical letter to assessee at latest known address, impugned order was to be set aside and matter was to be remanded back to Faceless Assessment Authority to pass a fresh order after following due procedure of law - Held, yes [Paras 10 and 11] [Matter remanded]



RECENT JUDGEMENTS ON DIRECT TAXES

by



CA. Arumugaraj P

ITAT Mumbai- Remanded matter as lower authorities did not examine extract relied upon to substantiate 54B claim-Land used for agricultural purposes though capital asset entitled to exemption subject to fulfilment of conditions.

ITAT MUMBAI BENCH Suresh Bhagwandas Mehta v/s. Income Tax Officer.

Assessee claimed exemption under section 54B on ground that he had invested sale proceeds of land sold by him in purchase of new agricultural land - Assessing Officer denied exemption on ground that land sold by assessee was not agricultural land - It was noted that lower authorities had not examined extract relied upon by assessee to substantiate claim that land sold was used for agricultural purposes - Whether what is relevant for claiming deduction under section 54B is a transfer of a capital asset being a land which was used for agricultural purposes and not transfer of an agricultural land as there may be a case where land may be used for agricultural purpose, however, same being covered under one of clauses of section 2(14)(iii) be considered as a capital asset - Held, yes - Whether therefore, findings of lower authorities that since land sold by assessee was a capital asset and not an agricultural land, deduction under section 54B was not available to assessee, was not justified - Held, yes - Whether since necessary documentary evidence for complete adjudication of issue was not examined by lower authorities, issue was to be restored to file of Assessing Officer for denovo adjudication with a direction to assessee to furnish documents to substantiate fulfilment of conditions for claim of deduction under section 54B - Held, yes. [Paras 11 and 12] [Matter remanded]

2. ITAT Ahd-Agricultural land cannot be taken out of purview of section 56(2)(x) as the term immovable property is not defined.

ITAT AHMEDABAD BENCH 'C' Clayking Minerals LLP v. Income-tax Officer Section 56, read with section 50C of the Income-tax Act, 1961 - Income from other sources -Chargeable as (Sub-section (2)(x)) - Assessment year 2018-19 - Assessee purchased a property for a sum of Rs. 42.72 lakhs - However, stamp duty value of same was Rs. 1.15crores - Assessing Officer invoked provisions of section 56(2)(x) and taxed difference of Rs.72.90 lakhs as income from other sources - Whether going by plain words of section 56(2)(x),which uses term immovable property, agricultural land cannot be taken out of purview of section 56(2)(x) - Held, yes - Whether however, where stamp duty value of property was disputed, Assessing Officer had to make a reference to DVO for purpose of valuing same -Held, yes - Whether therefore, matter was to be referred to file of Assessing Officer with a direction to refer matter to DVO as requested by assessee - Held, yes [Paras 12 and 14][Matter remanded]

Words and Phrases: Term "immovable property" as stated in section 56(2)(x)

3.Delhi HC allows 54F deduction of Rs 90 Cr, where multiple floors of residential property were purchased

Delhi HC allows 54F deduction of Rs 90 Cr, where multiple floors of residential property were purchased Principal Commissioner of Income-tax – Central vs. Lata Goel – [2025] 174 taxmann Facts: 1. The assessee, an individual, filed her return of income for the relevant assessment year, declaring the income and claiming a deduction under Section...

The post Delhi HC allows 54F deduction of Rs 90 Cr, where multiple floors of residential property were purchased

4.Foreign Tax Credit (FTC) admissible even if there is a delay in filing of Form 67

Foreign Tax Credit (FTC) admissible even if there is a delay in filing of Form 67 ITAT Pune in the case of Vipul Chandrakant Sawalwade v. ITO, ITA No. 659/PUN/2025, dated 13.05.2025 was dealing with the issue of allowability of Foreign Tax Credit (FTC) despite delayed filing of Form 67

The post Foreign Tax Credit (FTC) admissible even if there is a delay in filing of Form 67

Substantial Justice Over Technicalities: ITAT Condone 98 Days Delay in Filing Appeal Citing Taxpayer's Illiteracy [Read Order]

The Rajkot Bench of the Income Tax Appellate Tribunal (ITAT) has condoned a 98-day delay in filing an appeal and remanded the matter to the Assessing Officer (AO) for fresh adjudication, emphasizing substantial justice over technical considerations. Ramjibhai Devjibhai Mokariya (assessee) faced scrutiny for the Assessment Year (AY) 2012-13.

5. Genuineness of Business Transaction Affirmed: ITAT Deletes Rs. 4.90 Lakh Addition for Director's Loan [Read Order]

The Delhi Bench of the Income Tax Appellate Tribunal (ITAT) has set aside an addition of Rs. 4.90 lakh made under Section 68 of the Income Tax Act, 1961, and affirmed the genuineness of a business transaction involving a loan from the company's director.

6. Late Fee Levy u/s 234E for TDS Returns Prior to June 2015 Invalid: ITAT [Read Order]

The Pune Bench of the Income Tax Appellate Tribunal (ITAT) deleted the late fees imposed under Section 234E of the Income Tax Act, 1961, for the delayed filing of quarterly Tax Deducted at Source (TDS) returns prior to June 2015. Ram Refrigeration & Electronics Pvt. Ltd., (assessee) a private limited company filed against the orders.

7. ITAT Remands Case to CIT(A) Over Additional Evidence Admission

Bengaluru tax authorities challenge NFAC order on unsecured loan deletion, citing Rule 46A violation. Case remitted for fresh adjudication.

The post ITAT Remands Case to CIT(A) Over Additional Evidence Admission

8. Karnataka HC allows Trust's delay in filing Income Tax Return & Form 10

The Karnataka High Court has overturned an Income Tax Department order, allowing a trust to condone a 151-day delay in filing IT returns and Form 10 due to a tax consultant's oversight, citing a "justice-oriented approach."

The post Karnataka HC allows Trust's delay in filing Income Tax Return & Form 10

9. Agricultural Land beyond urban limits exempt from capital gains tax irrespective of cultivation

ITAT Chennai rules agricultural land beyond urban limits is exempt from capital gains tax, irrespective of actual cultivation, citing Section 2(14).

The post Agricultural Land beyond urban limits exempt from capital gains tax irrespective of cultivation

10. Imposition of penalty merely on technical mistake committed by the assessee without any loss of revenue would not be sustainable.

Imposition of penalty merely on technical mistake committed by the assessee without any loss of revenue would not be sustainable. The word 'reasonable cause' under Section 273B of the ITA has not been defined. Therefore, in the context of the penalty provisions, the words 'reasonable cause' would mean a cause which is beyond the...

The post Imposition of penalty merely on technical mistake committed by the assessee without any loss of revenue would not be sustainable.

11. ITAT Quashes 148 Notice as Income Below ₹50 Lakhs Pune ITAT ruled against reassessment for Kalpana Kadam, quashing a Section 148 notice as her share of property investment was below the ₹50 lakh threshold.

12. No Requirement to Explain Source of Unsecured Loan in Books of Account Prior To April 1, 2023 u/s 68: Delhi HC [Read Order]

The Delhi High Court has clarified that the requirement to prove the "source of the source" under Section 68 of the Income Tax Act, 1961, in respect of unsecured loans, is prospective and applicable only from April 1, 2023, following the amendment introduced by the Finance Act, 2022.

13. ITAT grants Section 11 relief by holding that amendment is prospective and not punitive as Onerous compliance not to apply backwards

ITAT grants Section 11 relief by holding that amendment is prospective and not punitive as Onerous compliance not to apply backwards In a decisive and well-reasoned ruling, the ITAT Bangalore allowed the appeal of Karnataka Chinmaya Seva Trust for AY 2016–17, directing the Assessing Officer to grant the exemption under Section 11 as claimed....

The post ITAT grants Section 11 relief by holding that amendment is prospective and not punitive as Onerous compliance not to apply backwards.

14. Calcutta HC upholds ITAT Order Confirming Deletion of Addition made on Unexplained Cash Deposits during Demonetization Period [Read Order]

In a recent case, the Calcutta High Court while dismissing the revenue's appeal upheld the Income Tax Appellate Tribunal's (ITAT's) order confirming the deletion of addition made on account of unexplained cash deposits during demonetization period. This appeal filed by the revenue under Section 260A of the Income Tax Act, 1961 (the Act) is directed.

15. ITAT Jaipur Remands Arya Samaj Mandir's 12AA & 80G Applications for Reconsideration

Jaipur ITAT remands Arya Samaj Mandir's tax exemption and 80G approval case back to CIT(E), citing curable defects and stressing the need for a fair hearing.

The post ITAT Jaipur Remands Arya Samaj Mandir's 12AA & 80G Applications for Reconsideration.

16. Income Tax AO Can Grant Relief u/s 220(6) Even Below 20% Tax Deposit: Madras HC Remands Matter [Read Order]

The Madras High Court has clarified that an Assessing Officer (AO) is empowered to grant relief under Section 220(6) of the Income Tax Act, 1961, even when the assessee has deposited pre-deposit below 20% of the total amount. The petitioner, VME Infrastructure Private Limited having filed an appeal against an assessment order.

17. ITAT Upholds Rule of Consistency: Rental Income from Leased Property Taxable as 'House Property', Not 'Business Income'.

The Bench observed that the mere provision of amenities like lift, parking, and maintenance does not convert rental income into business income if the primary business is not property letting. The Income Tax Appellate Tribunal (ITAT) New Delhi Bench has reaffirmed the principle of consistency in tax treatment by ruling that rental income earned from leasing property should be taxed under the heading 'Income from House Property' and not as 'Business Income'. IHDP Globals Pvt Ltd, a private limited company primarily engaged in the business of carpet fabrication.

18. ITAT Chennai-45(4) amendment wef 01-04-2021 has no application to the facts of the case. during the subsistence of the partnership firm, the partners have no defined share in the assets of the partnership firm and thus on realignment of profit-sharing ratio, on introduction of new partners, there is no relinquishment of any non-existent share in the partnership firm's assets as the asset remained with the firm. Such an arrangement is not covered by the provisions of section 45(4) of the Act, which covers the case of dissolution of partnership firm

.Accordingly, no capital gains arise on such relinquishment of share ratio in the partnership firm. However, we find that in order to bring the profit or gains from receipt of money or capital asset or both by the specified person from a specified entity on reconstitution of the specified entity shall be chargeable to income-tax as income of such specified entity under the head "Capital Gains", the legislation amended the provisions of section 45(4)] vide Finance Act, 2021, shall come into force on the 1st day of April, 2021, which is prospective in nature. Similarly, the provisions of section 9B of the Income Tax Act has been inserted w.e.f. A.Y. 2021-22 vide Finance Act, 2021 to bring under the tax net the income on receipt of a capital asset or stock in trade by a specified person from the specified entity in connection with the dissolution or reconstitution of such specified entity, shall come into force on the 1st day of April, 2021, which is prospective in nature. In fact, transfer of capital asset is common in both section 9B and section 45(4) of the Act. In the present case, the assessment year under consideration is 2017-18 and accordingly, the amendments vide Finance Act, 2021 have no application in the present case. Under the above facts and circumstances of the case as well as judicial precedents, the addition made by the Assessing Officer towards levy of short term capital gains tax at ₹.2,38,63,452/- and confirmed by the CIT(A) stands deleted. Thus, the grounds raised by the assessee are allowed. *Gokulakrishna Vs. The Deputy Commissioner of Income Tax, Non Corporate Circle 8(1), Chennai.*

