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NEWS LETTER

(For the month of Jan-Feb 2026)

DTBA (Direct Taxes) Regd.

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President Message

Respected Senior Members & Dear DTBA Family,
Kindly accept my humble & warm greetings!

With profound gratitude, I convey my heartfelt thanks to the esteemed members of our Association for reposing their confidence in me and entrusting me with the privilege of serving as the President of our prestigious **District Tax Bar Association** for the session **01.01.2026 to 31.03.2027**. Your trust is both an honour and a solemn responsibility; strengthening my resolve to work with sincerity and dedication for the welfare, unity, and professional advancement of our distinguished fraternity.

Though the joyous festival of colours- Holi, may have passed by the time this message reaches you; but its vibrant spirit continues to resonate with us. May the radiant colours of this festival fill your lives with renewed enthusiasm, professional success, and enduring happiness. Let the spirit of warmth, goodwill, and togetherness that Holi represents; inspire us to further strengthen the bonds of fellowship and cooperation within our Association. The present period marks a particularly demanding phase for all tax professionals. The closing of the financial year inevitably brings with it the pressures of faceless assessments and time-barring matters; keeping every practitioner intensely engaged. Despite these professional demands, our members continue to discharge their duties with exemplary diligence and unwavering integrity; effectively serving as a vital conduit between taxpayers and the Income Tax Department. Your steadfast commitment continues to uphold the dignity, credibility, and noble traditions of our profession.

Simultaneously, the month of March also witnesses ongoing recovery proceedings along with the critical due date(s) for advance tax payments. I would earnestly urge all members to guide their clients to act as responsible and law-abiding citizens by cooperating in recovery proceedings and ensuring timely compliance with statutory obligations. A disciplined approach towards advance tax planning; coupled with reduced reliance on lastminute self-assessment tax payments; will go a long way in nurturing a stronger culture of voluntary compliance.

The introduction of the **Income Tax Act, 2025**, with its simplified structure and contemporary legislative framework, marks a historic transition as the earlier enactment gives way to a more modern tax regime. This development presents both an opportunity and a challenge for tax professionals. It is incumbent upon



us to acquaint ourselves thoroughly with the new provisions and to disseminate this knowledge through lectures, seminars, workshops, webinars, and meaningful professional deliberations. By doing so, we shall remain well-equipped to provide informed, precise, and strategic guidance to our clients in the evolving tax landscape. Lastly, I wish to assure all members that the Association remains steadfastly committed to safeguarding the interests of its fraternity. Should any member have a grievance, suggestion, or constructive proposal, I request that the same kindly be brought to the notice of the Secretary or the undersigned. We shall endeavour to address such matters with utmost sincerity and promptness. Let us move forward together—with unity, professional excellence, and unwavering dedication—towards a productive, progressive, and inspiring year ahead.

Wishing u happy times ahead.

Warm Regards
CA. Rajeev Kaushal
President, DTBA

SECRETARY MESSAGE

Respected DTBA members,

As I take on the role of Secretary of the District Taxation Bar Association, I feel both a deep sense of gratitude and enthusiasm to serve our association. I look forward to working closely with the managing committee and all our members to further strengthen the spirit of learning, collaboration, and professional excellence that DTBA proudly represents. The year has begun on a very positive and encouraging note with the successful organization of the Annual Bar and Bench Meet. The success of this event truly belongs to our esteemed members, who came together in large numbers and upheld this cherished annual tradition with enthusiasm and camaraderie. Such gatherings not only strengthen the bond between the Bar and the Bench but also reinforce the spirit of unity that defines our Association.



Continuing our commitment to professional learning, we also organized the Study Circle Meeting on the Union Budget, which witnessed active participation and insightful discussions among members. Such knowledge sharing platforms play an important role in keeping us updated with the evolving tax landscape.

With 15 months in this tenure, our focus will remain on fostering a culture of continuous learning. As the profession prepares for the transition towards the Income Tax Act, 2025, we aim to make the most of this period by organizing meaningful discussions and learning initiatives that help members adapt confidently to the new legislative framework.

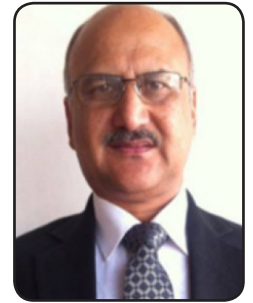
Our DTBA newsletter is an important initiative aimed at keeping members informed, connected, and updated about the activities of the association and developments relevant to our profession. I warmly invite members to contribute their articles, insights, and professional experiences so that this platform becomes a collective knowledge resource for our fraternity.

As is rightly said, coming together is a beginning, staying together is progress, and working together is success. I, thus, look forward to the continued support, cooperation, and active participation of all members. Your constructive suggestions and ideas are always welcome as we work together to further strengthen our association and uphold the highest standards of our profession.

Warm regards,
CA. Sakshi Mahajan
Secretary
District Taxation Bar Association (Regd.)

FROM THE DESK OF THE EDITOR

At the outset, I express my sincere gratitude to CA. Rajeev Kaushal, President, DTBA (DT), and his team for reposing confidence in me and nominating me as the Editor of the DTBA Newsletter. I am equally thankful to CA. Shalini Gupta, CA. Shilpa Soni, CA. Harpriya Garg, and CA. Abhayjit Singh for graciously agreeing to be part of the DTBA Newsletter Team.



The Newsletter Team has endeavoured to make this publication a meaningful platform for sharing knowledge and staying connected as a professional fraternity. Apart from bringing to you important information and communications from the Department, notifications and circulars, as well as updates on the activities and forthcoming programmes of the DTBA (DT) Executive Committee, the Newsletter also aims to present the gist of important judicial pronouncements, insightful articles on direct taxes, news and views, and notable achievements of our members and their family members.

This Newsletter belongs to all of us. I, along with the Newsletter Team, warmly invite all members to contribute articles, updates, or any material that they believe would be informative and beneficial for the members at large. Your participation will greatly enrich the content and help make this publication more vibrant and relevant.

We sincerely hope that the articles and various sections included in this issue will be useful and engaging for our readers. Your comments, feedback, and suggestions for improvement will always be most welcome.

Last but not the least, I express my heartfelt thanks to CA Gulshan Wadhwa and CA Shilpa Soni for sparing their valuable time to contribute articles for this issue of the Newsletter. I also extend my appreciation to all members of the Newsletter Team for their active support and cooperation in bringing out this edition. I wish you an enriching reading experience.

CA. Subhash Jain
EDITOR

ASSOCIATION ACTIVITIES

District Taxation Bar Association (Direct Taxes), Ludhiana

1. A New Chapter: Unanimous Election of the Executive Committee (2026-2027)

The following team has been unanimously selected for the term from 01.01.2026 to 31.03.2027.



The Executive Team:

- **President:** CA Rajeev Kaushal
- **Vice President:** CA Varun Garg
- **Secretary:** CA Sakshi Mahajan
- **Joint Secretary:** CA Dikshit Kapoor
- **Executive Members:** CA Jatinder Chugh, CS Hardeep Singh Nijher, and Adv. Gurjot Singh

2. Bridging the Gap: Annual Interactive Meet of Bar & Bench:

The DTBA continues to prioritize a healthy dialogue between tax practitioners and the administration. On **February 5th, 2026**, the association hosted its **Annual Interactive Meet of Bar and Bench**.

We were honoured to welcome **Dr. Ashish Abrol**, Chief Commissioner of Income Tax (Inv.), as our Chief Guest. The event saw a robust turnout of over **300 members**, facilitating a platform where critical administrative concerns were discussed alongside strategies for better compliance and cooperation.



Such interactions remain vital in ensuring that the grievances of taxpayers and the expectations of the Department are harmonized.

3. Technical Excellence: Demystifying Union Budget 2026:

Following the presentation of the Union Budget, the DTBA organized a high-impact **Study Circle Meeting** titled "*Union Budget 2026 – Demystifying the Budget.*"

The session was led by eminent Chartered Accountants **CA Harish Kumar Aneja** and **CA Rajeev Kaushal**, who provided an illustrative and detailed breakdown of the new tax proposals. The meeting, attended by more than **100 members**, was highly interactive, with the guest speakers providing clarity on complex clauses and answering technical queries from the floor.

"The goal of these sessions is to ensure our members stay at the forefront of legislative changes, providing the highest level of service to the tax-paying public."
— Executive Committee, DTBA.



JUDGMENTS SECTIONS

1. GLOBAL EARTH PROPERTIES & DEVELOPERS (P) LTD. vs. UNION OF INDIA & ORS. HIGH COURT OF BOMBAY, A.Y 2015-16 Source (2026) 1 CTOCTR 121 (Bom) Writ Petn. No. 1154 of 2022 : Reassessment—Full and true disclosure—Sanction under s. 151 vis-a-vis competent authority—Primary contention of the assessee that the impugned notice issued under s. 148 on 31st March, 2021, for asst. yr. 2015-16, falls within the period of 20th March, 2020 and 31st March, 2021 is sustainable—Therefore, the relaxation on account of the provisions of TOLA stand applicable in respect of sanction under s. 151—Consequently, the impugned notice must be construed to have been issued within a period of four years from the end of the relevant asst. yr. 2015-16—Case of the petitioner is governed by s. 151(2), where it is the Jt. CIT, who should be satisfied with the reasons recorded by the AO that it is a fit case for issuance of notice under s. 148—However, the notice under s. 148 has been issued after obtaining the sanction of respondent No. 5 i.e., the Principal CIT, who is not the competent authority to grant sanction under s. 151—That apart, an assessment order was already passed on 30th June, 2017 under s. 143(3)—In the reasons as recorded for issuing the notice under s. 148, there is not even an allegation that the income of the petitioner has escaped assessment on account of failure on the part of the petitioner to disclose fully and truly any material fact in relation to asst. yr. 2015-16—Further, there is nothing in the reasons which would even indicate that there is any failure to disclose any material fact necessary for the assessment—Impugned notice under s. 148, dt. 31st March, 2021, the impugned order disposing objections dt. 31st Jan., 2022, and the impugned assessment order dt. 30th March, 2022, cannot be sustained and are quashed and set aside.

2. RAJNANDANI PROJECTS (P) LTD. VS. PRINCIPAL COMMISSIONER OF INCOME TAX & ORS. (HIGH COURT OF PATNA, A.Y 2015-16: Source (2026) 1 CTOCTR 120 (Patna) Misc. Appeal No. 206 of 2023 :Income—Cash credit—Genuineness of loan—CIT(A) had examined the explanation furnished by the assessee in the light of the documentary evidence placed on record as well as the remand report submitted by the AO—Deletion of the addition under s. 68 was based on appreciation of material that was already part of the assessment record—Tribunal, while exercising appellate jurisdiction, was required to examine whether the findings of the CIT(A) suffered from any legal

infirmity or were unsupported by evidence—Tribunal has accepted the identity of the creditor and has not recorded any finding that the documentary evidence relied upon by the appellant was false or fabricated—Reversal of the appellate order is founded primarily on the assessment of creditworthiness and genuineness, without addressing in a satisfactory manner the reasoning adopted by the CIT(A) or the contents of the remand report—Such an approach does not reflect proper judicial consideration of the appellate findings—Order passed by the CIT(A), deleting the addition of Rs. 1,91,00,000 made under s. 68 is restored.

3. PERITUS EXIM (P)LTD. VS. DEPUTY COMMISSIONER OF INCOME TAX ITAT, DELHI 'E' BENCH : Source (2026) 1 CTOTTJ 489 (Del) :Asst. yr. 2020-21 : Rectification under s. 154—Mistake Apparent—Intimation under s. 143(1)—Assessee while filing the return of Income suo moto disallowed the loss of sale of fixed assets and personal expenditure to the extent of Rs. 8,54,970 while processing the return of income CPC also disallowed the similar amount and raise the demand—Further, the payment of tax and fresh demand raise by the AO in rectification order under s. 154 was remanded back to the AO to verify. Since the issue raised by the assessee in the given appeal also having direct relevance to the mistake apparent on record that assessee itself disallowed certain expenditure which was further disallowed by the AO while passing the intimation under s. 143(1)—Appeal allowed.

4. RAJBIRINDER SINGH CHAHAL VS. INCOME TAX OFFICER :ITAT, CHANDIGARH 'B' BENCH Asst. yr. 2013-14 :Source (2026) 1 CTOTTJ 363 (Chd) : Reassessment—Reason to believe—There should be live nexus between information possessed by the AO vis-à-vis belief that income had escaped assessment—What AO has done in the present case is that instead of collecting the complete bank statement, which may exhibit that assessee has advanced a loan of Rs. One crore to M/s C.J. Solutions (P) Ltd., he only analyzed the information available on the Portal—But that would not be sufficient for harbouring the belief—Information available on the Portal is only a triggering point to set the machinery in motion but for harboring the belief that income has escaped assessment, AO has to lay his hands on complete information which apparently appears to be not available on the record—CIT (A) ought to have first decide the issue, whether in the

given facts and circumstances, AO could have recorded such reasons without collecting the full bank statement, out of which, such payments have been made or not— In the second round, AO is not going to entertain the defects in the re-opening—Therefore, we are of the view that impugned order of the CIT (A) is not sustainable— Impugned order of the CIT (A) is set aside and restore all these issues to the file of CIT (A)—CIT (A) would first decide whether reopening of the assessment is valid or not—Only thereafter, he would examine for adjudicating the issues on merit.

5. SHARDADEVI S. JHUNJHUNWALA & ANR. VS. INCOME TAX OFFICER & ORS. :HIGH COURT OF BOMBAY: Writ Petition (Leave) No. 38475 of 2025 & Interim Application (Leave) No. 6068 of 2026 :Source (2026) 1 CTOTR 314 (Bom) : A.Y 2008-09 : Search and seizure—Release of seized asset—Writ in the case, tribunal remanded the matter back to the file of the AO to adjudicate the issue of seized jewellery afresh—Which was served on principal CIT on 9th Sept., 2016—Outer time limit for passing a fresh assessment order in compliance with the directions of the Tribunal was 31st Dec., 2017, as per s. 153(3) of the Act, which admittedly has not been passed pursuant to direction of the tribunal—if the Revenue fails to take steps pursuant to the order of the Tribunal, the jewellery seized must be directed to be released—In the present case, there is a lapse of almost nine years on the part of the Revenue, during which it has failed to comply with the order of the Tribunal and pass a fresh assessment order—Therefore, there is see no good reason for the Revenue to withhold the seized jewellery—It is, therefore, directed that the Respondents shall release the seized jewellery to the petitioner within a period of six weeks from today—Lakhpatri Agarwal vs. Asstt. CIT (2024) 338 CTR) (Bom) 891 : (2024) 238 DTR (Bom) 57 : (2023) 149 taxmann.com 348 (Bom) followed.

6. BHARAT GUPTA VS. INCOME TAX OFFICER :ITAT, DELHI 'A' BENCH: ITA No. 1764/Del/2023; Asst. yr. 2011-12 :Source (2026) 1 CTOTTJ 553 (Del): Reassessment—Reason to believe—Non supply of reasons to the assessee—Fact that reasons were not supplied, is not contradicted by the Departmental Representative—Reassessment proceedings quashed—Principal CIT vs. Jagat Talkies Distributors (2017) 398 ITR 13 (Del) and Principal CIT vs. V. Ramaiah Special Leave Petition (Civil) Diary No. 48026 of 2018 dt. 14th Jan., 2019 followed.

7. ELLORA ISPAT vs. INCOME TAX OFFICER : ITAT, PUNE 'SMC' BENCH: ITA Nos. 1497 & 1988/PUN/2025; Asst. yr. 2009-10 Source (2026) 1 CTOTTJ 82 (Pune)

: Assessment—Bogus purchases—Disallowance of purchases from alleged bogus supplier—Purchases of ₹31,45,803 made from M/s. Rashmi Enterprises during financial year 2008-09 treated as bogus by AO based on information from Sales Tax Department—Assessee furnished five purchase bills along with lorry receipts, details of corresponding sales and proof of payments made through Account Payee cheques from the Saraswat Cooperative Bank Ltd. OD Account during financial year 2010-11 amounting to ₹16,31,379.78 and during financial year 2011-12 amounting to ₹15,14,423.22—This fact remains uncontroverted by the learned Departmental Representative and therefore one of the observation of the AO for making the alleged disallowance that no payment was made to the said party is factually incorrect—In the instant case, assessee's sales have not been disputed, books of account have not been rejected under s. 145(3) and the gross profit rates are also consistent—Proof of purchases along with lorry receipts have also been furnished and the same have not been controverted by the learned Departmental Representative by placing any other contrary material—Books of account of the assessee are audited under s. 44AB and Audit Report stands duly filed and the turnover of the assessee during the year is ₹2,42,03,026.72 and the purchases during the year are shown at ₹2,88,89,334.89 and except the alleged purchases remaining purchases have been found to be genuine by the AO—In case of other vendors also assessee is not making total payments during the year and they are outstanding in the year in which the goods are purchased and the payments are made in subsequent periods—Against the purchase of ₹9,07,322 during the year and the total credit balance of ₹49,77,223 in case of M/s. Royal Steel Traders, only ₹2,51,576 have been paid during the year—Similarly in case of another supplier Paras Sales Corporation total purchase made during the financial year 2008-09 at ₹33,58,333 remains outstanding and payments have been made subsequently—learned AO has not doubted the genuineness of the purchases made from M/s. Royal Steel Traders and Paras Sales Corporation—It therefore indicates that the assessee is making the purchases but gets sufficient time from the vendors for making the payments—Assessee has not maintained the quantitative details since no such details are mentioned by the Auditor in the Tax Audit Report and therefore the gross profit of the assessee are on estimate basis only—Considering the facts and circumstances of the case and also taking note of the finding of learned CIT(A) and settled judicial precedents

and non maintenance of quantitative details to prove the complete genuineness of purchase and sale of goods and further on considering the gross profit rate declared by the assessee at 5.59 per cent, we being fair to both the sides estimate the suppressed profit on the alleged purchases @6 per cent and sustain the addition of ₹1,88,748 and del **ANGAVELU VS. INCOME TAX OFFICER : HIGH COURT OF DELHI :Writ Petn. (Civil) No. 538 of 2026 & Civil Misc. Appln. Nos. 2707 & 2708 of 2026 : Source (2026) 1 CTOCTR 145 (Del) : TDS—TDS credit—denial of credit for tax deducted but not deposited by employer—Intimation—Respondent could perhaps been justified in disallowing the amount of TDS which was collected by Kingfisher Airlines from the petitioner's salary, as the same was not deposited by said deductor but the petitioner cannot be blamed for that and deprived of his legitimate right, as has been held by this Court in its judgment Satwant Singh Sanghera vs. Assistant CIT & Anr. Writ Prtn. (Civil) No. 13765 of 2024—Thus, the consequential demand notice and the recovery made from petitioner's refund is also declared illegal—Respondent is directed to refund the amount recovered from the petitioner along with applicable interest under ss. 244(1) and 244(1) (A) of the Act of 1961, within a period of three months—Satwant Singh Sanghera vs. Assistant CIT & Anr. Writ Prtn. (Civil) No. 13765 of 2024 followed**

9. SANJAY KUMAR BIJAY KUMAR VS. PRINCIPAL COMMISSIONER OF INCOME TAX & ORS. :HIGH COURT OF ORISSA : Writ Petn. (Civil) No. 28067 of 2025 : Assessment year 2019-20 :Source (2026) 1 CTOCTR 325 (Orissa): Reassessment—Notice under s. 148—Reason to believe vis-a-vis maintainability of writ—A careful reading of contents of the notice(s) and the order(s) of the Dy. CIT and the ITO would manifestly demonstrate that the ITO on earlier occasion for the same transaction relating to cash deposits with the Canara Bank having verified the books of accounts, returns and bank accounts taking note of explanation of the petitioner came to hold that the transaction was reflected in the return against PAN-2 and there was no escapement of income—On the contrary, the notice/order of the Dy. CIT indicates that for the same transactions respecting asst. yr. 2019-20 are premised on the basis that the petitioner used PAN-1 for banking transactions sought to initiate proceeding under s. 147 by issuing notice under s. 148 year 2025 which had already been adjudicated on facts by the ITO in the year 2023 under the same provisions—Order of ITO having attained finality, there was no scope or occasion

for the Dy. CIT to initiate another proceeding under the same provision—ITO had taken into consideration the explanation of the petitioner that it has been filing returns using PAN-2, but not PAN-1, and accepting such fact on verification of evidence and material on record, the ITO had reduced the assessment to Nil for the relevant assessment year—Notice as well as all the proceedings are liable to be quashed—Not entertaining the present writ petition would ensue prejudice as for the same cause of action the petitioner has to engage itself again for the purpose of assessment

10. BANDO INDIA (P) LTD. VS. INCOME TAX OFFICER: ITAT, DELHI 'G' BENCH :ITA No. 6020/Del/2025; Asst. yr. 2018-19 :Source (2026) 1 CTOTTJ 612 (Del) : Income—Taxability of duty drawback—Year of chargeability—Mercantile system of accounting—Taxability of income received by way of duty drawback etc is specifically covered by the provisions of s. 145B—Thus, the duty drawback has rightly been shown as income in the year of receipt and AO was not justified in including the same on accrual basis during the year under consideration—Addition deleted.

11. AMIT SATPATHY VS. DEPUTY COMMISSIONER OF INCOME TAX: ITAT, MUMBAI 'I' BENCH: ITA No. 5930/Mum/2025; Asst. yr. 2017-18: Source (2026) 1 CTOTTJ 640 (Mumbai): Double taxation relief—Agreement between India and United Kingdom—Salary earned in UK—Resident of India—Tax credit for taxes paid abroad —Dependent personal services—Services rendered in UK—Credit for taxes paid in UK—Art. 16(1) vis-à-vis art. 16(2)—Assessee, an individual on assignment to UK from 6th Jan., 2014 to 17th July, 2016 with Vodafone Group Services Ltd., filed return of income for asst. yr. 2017-18 declaring total income of Rs. 61,75,680 and claiming refund of Rs. 6,24,550, processed vide intimation dt. 27th March, 2019 under s. 143(1) assessing total income at Rs. 1,03,54,780 after making addition of Rs. 41,79,095 on account of variance between income as per the income tax return and the details available in Form 26AS—Assessee submitting before CIT(A) that bonus of Rs. 24,98,066 received in June, 2016 pertained to services rendered in the UK from 1st April, 2015 to 31st march, 2016 and salary of Rs. 26,51,776 pertained to services rendered in the UK from 1st April, 2016 to 17th June, 2016, and that the salary (including bonus) amounting to Rs. 51,49,842 pertaining to services rendered in the UK can only be taxed in the UK as per the provisions of art. 16 of the India-UK DTAA—UK Tax Residency Certificate and UK tax return for tax year 2016-17 was also furnished—

CIT(A) holding that all three conditions of art. 16(2) were fulfilled viz. (a) the appellant was in UK only upto 17th July, 2016 i.e. period not exceeding 183 days during relevant fiscal i.e. financial Year 2016-17 and (b) has drawn entire salary/remuneration /bonus by an employer ie Vodafone India Ltd. which is not resident of that other state i.e U.K and (c) also the remuneration is not deductible in computing the profits of Vodafone India Ltd. chargeable to tax in that other State i.e UK—CIT(A) further holding that the appellant is resident and ordinary resident in India for tax purpose and is squarely covered under s. 5(1) for taxability of entire income either accrued and received in India and that his case does not falls under art. 16(1) of the tax treaty but falls under art. 16(2) of the tax treaty between UK and India and the income of the appellant accrues and arises in India and therefore is liable to be taxed in India"—Addition of Rs. 41,79,095 therefore confirmed by CIT(A)—Before ITAT, Authorised Representative submitting without prejudice that since the assessee has already paid taxes in UK on the salary (including bonus) with respect to services rendered in UK, the credit of such taxes be granted to the assessee as per the provisions of art. 24 of the India-UK DTAA and that the other issues, i.e., whether the assessee was a resident in the UK during the period from 1st April, 2016 to 17th June, 2016, and therefore, the salary pertaining to the services rendered during the aforesaid period is taxable in the UK under art. 16(1) of the India-UK DTAA, can be left open—ITAT finding that in support of its claim that the assessee duly offered the salary in respect of services rendered in UK from 1st April, 2016 to 17th June, 2016 in his UK tax return, the assessee has placed on record his tax return for the tax year 2016-17, which forms part of the paper book at pp. 19-118 and that the assessee had also placed on record the UK assignment letter issued by Vodafone India Ltd.—ITAT, without going into other aspects of the matter, deeming it appropriate to restore the matter to the file of the AO for examination of the assessee's claim for credit of taxes paid in the UK for the financial year 2016-17, as per the provisions of art. 24 of the India-UK DTAA—Assessee directed to furnish any other information as may be sought by the AO for examining the claim of the assessee as per law—Ground No. 1.4 allowed for statistical purposes.

12. ARMSTRONG ENERGY (P) LTD. VS. DEPUTY COMMISSIONER OF INCOME TAX : ITAT, MUMBAI 'A' BENCH :ITA No. 3395/Mum/2025; Asst. yr. 2008-09 : Source (2026) 1 CTOTTJ 547 (Mumbai) : Appeal [CIT(A)]—Power of CIT(A)—Set aside the assessment and remand order—Power to set aside an assessment

and remand the matter to the AO was not available—It is only pursuant to the amendment brought in by the Finance Act, 2024, w.e.f. 1st Oct., 2024, that the CIT(A) had been empowered to set aside an assessment and restore the matter to the file of the AO—But that too only in cases where the assessment order has been framed as best judgment cases under s. 144—CIT(A) lacked the statutory authority to set aside the assessment order and remand the matter to the file of the AO—In the case, the action of the CIT(A) in restoring/remanding the matter to the AO suffers from a jurisdictional infirmity—ITO vs. Sapient Educational Society IT Appeal No. 311 of 2023, dt. 31st July, 2025 followed

13. INCOME TAX OFFICER VS. IN COACH BUILDERS : ITAT, MUMBAI 'C' BENCH : ITA No. 7993/Mum/2025; Asst. yr. 2009-10 :Source (2026) 1 CTOTTJ 533 (Mumbai) : Penalty under s. 271(1)(c)—Concealment—Addition to income made Solely on the basis of estimate—On the basis of the information received from the office of DGIT (Inv.), and the Sales Tax Authority that the assessee is a beneficiary of an accommodation entry transaction of bogus purchases—AO made addition on account of bogus purchases on an estimated basis of 20 per cent, which was further reduced by the Tribunal to 15 per cent—Penalty under s. 271(1)(c) cannot be levied merely on the basis of an estimated addition—Hence, decision of the CIT(A) in deleting the penalty is upheld.

14. Baso Devi vs. Central Board of Direct Taxes: High Court of Punjab & Haryana: C.W.P. No. 18769 of 2003 (O&M) Decided on February 22, 2024 : Inference cannot be drawn that the assessee had deliberately not filed the returns as due to old age of the assessee and illiteracy of the assessee, conclusion can be drawn regarding the ignorance of the assessee in this respect. In the present case, interestingly, the Assessing Officer came to know about form 15H and information mentioned therein which admittedly was signed by the assessee on dotted lines. Having come to know about such information and that the assessee had not filed his returns for several years and letters seem to have been sent by the Assessing Officer to the assessee on January 30, 2000. Upon receiving the same, the assessee has filed his returns on February 3, 2000, i.e., within a period of four days. He there after has also sent a letter and he has also deposited the tax on taxable income. In view thereof, it cannot be said that the income-tax return was not filed voluntarily without detection of the Assessing Officer. Due to above facts, the assessee is entitled to waiver of interest payable u/s 234A, 234B and 234C.

15. Pr. Commissioner of Income Tax vs. Kuntala Mohapatra (Supreme Court of India) : Petition for Special Leave to Appeal (C) No. 5648 of 2024.

Decided on March 4, 2024 : Additions made u/s 68 & 69 of I.T. Act on the basis of statement of entry operators recorded in other proceedings. As assessee was not given opportunity to cross-examine entry operators, additions made were deleted

16. Pr. Commissioner of Income Tax vs. Pioneer Town Planners Pvt Ltd (High Court of Delhi): (I.T.A. No. 91 of 2019): Decided on February 20, 2024:

Principal Commissioner of Income-tax (PCIT) wrote “yes” while giving sanction for issuance of notice u/s 151 of I.T. Act, 1961. So the sanction was given without application of mind by the PCIT.

17. Commissioner of Income-Tax (TDS) vs. Turner General Entertainment Networks India Pvt. Ltd: High Court of Delhi : I.T.A. No. 547 of 2024. Decided on November 6, 2024 :

It is the assessee’s case that the penalty proceedings were initiated on receipt of the reference on September 25, 2014 and thus the proceedings were required to be completed by March 31, 2015. It is the Revenue’s contention that the date of initiation of penalty proceedings is required to be considered as the date of issuance of the show-cause notice; that is, August 4, 2015. It was held that penalty proceedings were initiated on September 25, 2014. So the penalty levied u/s 271C is time barred u/s 275.

18. Principal Commissioner of Income-Tax vs. K. Umesh Shetty :High Court of Karnataka : Income Tax Appeal No. 165 of 2020 Decided on January 17, 2025:

ITO (Second Appellant) made assessment order. In the light of the said assessment order, the second appellant made a reference to the Additional Commissioner of Income-tax vide letter dated November 16, 2016 for the imposition of penalty under section 271D alleging violation of section 269SS. Pursuant to this, the Additional Commissioner of Income Tax issued a notice dated November 10, 2017 calling upon the assessee to show cause as to why penalty order should not be made under section 271D. The order imposing penalty u/s 271D passed on February 22, 2018. This order is time barred u/s 275(1) (c). Reference by the I.T.O. to the Additional Commissioner is the triggering point for initiation of penalty proceedings.

19. Deputy Commissioner of Income Tax vs. Sunil Kumar Sharma :Supreme Court of India : Petition for Special Leave to Appeal (C) No. 25166 of 2024.

Arising from Dy. CIT vs. Sunil Kumar Sharma [2024] 469 ITR 197 (Karn). Decided on October 21, 2024: It is established in law by the Hon’ble apex court that a sheet of paper containing typed entries and in loose form, not shown to form part of the books of accounts regularly maintained by the assessee or his business entities, do not constitute material evidence. Following the law declared by the Hon’ble apex court, we are of the view that the action taken by the Revenue against the assessee based on the material contained in the diaries/loose sheets, are contrary to the law declared by the Hon’ble apex court. In that view of the matter, impugned notices issued under section 153C of the Act, based on the loose sheets/diaries are contrary to law, which require to be set aside in these writ appeals, as the same are void and illegal.

20. Vimal Trading vs. National Faceless Assessment Centre: High Court of Bombay : Writ Petition No. 12317 of 2022. Decided on February 27, 2025:

It is well settled that an order passed in breach of the principles of natural justice would be required to be held to be vitiated, non-est and a nullity. In this case, although, request for personal hearing was made one day later than the date allowed in the show –cause notice, the Hon’ble High Court held not providing opportunity of personal hearing violates principal of natural justices and mandatory provisions of law. So, the writ petition allowed.

21. Rajesh Chopra vs. Income-tax Officer : High Court of Delhi : W.P. (C) No. 12561 of 2022. Decided on May 28, 2025 :

Notice u/s 148 signed digitally on 31-3-2021 and placed on portal. This notice was dispatched through e-mail and speed post on 01-04-2021. In such case date of dispatch of e-mail to be considered as date of issue of notice. So, 1-4-2021 to be considered as date of issue of notice.

22. Addl. /Jt. /Dy. /Asst. CIT/Income-tax Officer vs. Anantha Reddy Pannala: Supreme Court of India: Petition for Special Leave to Appeal (C) No. 12177 of 2025. Decided on April 28, 2025:

Last date for issue of notice u/s 148 expiring on 31-3-2021 as per section 149. Notice u/s 148 is dated 31-3-2021 but such notice had left Income-tax Business Application portal on or after 1-4-2021. Such notice is barred by limitation as provided u/s 149.

ARTICLE SECTION

A-1 Doctrine of Telescoping of Income

Contributed by CA. Gulshan Wadhwa

Doctrine of Telescoping of Income
(under the Income-tax Law)
Scope, Judicial Principles and
Practical Application

Abstract

The doctrine of telescoping is a **judicially evolved principle** applied in income-tax assessments to prevent duplication of additions representing the same concealed income. Though **not expressly provided in the Income-tax Act**, courts have consistently recognized that once undisclosed income is taxed, its subsequent utilization in another form cannot be taxed again if a **reasonable nexus** is established.



firmly laid down that different utilizations of the same undisclosed income cannot be treated as independent taxable amounts.

1. Introduction

Assessment proceedings often involve multiple additions such as suppressed profits, unexplained cash credits, unexplained investments, or unexplained expenditure. In many cases, these additions are interrelated and represent different forms of the same concealed income. Taxing each addition separately would artificially inflate taxable income. To prevent such duplication, **courts developed the doctrine of telescoping, permitting adjustment of one addition against another where both arise from a common source.**

2. Concept and Legal Rationale

Telescoping refers to the process by which one unexplained addition is set off against another on the ground that the latter represents application of income already assessed. The doctrine is based on the fundamental principle that **income-tax is levied on real income and not on hypothetical or duplicated amounts. Where concealed income is once taxed, its redeployment cannot again be taxed independently unless shown to originate from a separate source.**

3. Judicial Authority

The leading precedent is *CIT v. K.S.M. Guruswamy Nadar & Sons (1984) 149 ITR 127*, wherein the High Court held that when additions are made for suppressed profits as well as for cash credits, the assessee is entitled to prove that the credits emanated from the suppressed profits already assessed. If such nexus is established, only one addition should be sustained. The ruling

4. Illustrative Situations

Situation	Additions Made	Explanation	Judicially Accepted Result
Suppressed Profit & Deposit	₹10,00,000 + ₹6,00,000	Deposit out of suppressed profit	Only ₹10,00,000 taxed
Undisclosed Income & Asset	₹5,00,000 + ₹3,00,000	Asset purchased from same income	Restricted to ₹5,00,000
Rotating bank deposits	₹8,00,000 Total deposits	Same money circulated	Peak taxed
Independent sources	Two unrelated additions	No nexus	Both taxed

5. Conditions for Application

<p>Courts generally allow telescoping where:</p> <ol style="list-style-type: none"> Additions relate to the same accounting period or continuous fund flow. Timing indicates availability of funds. Explanation is plausible and consistent. No separate source is proved by the department. 	<p>Conversely, telescoping is usually denied where:</p> <ul style="list-style-type: none"> Additions pertain to different years without continuity, Evidence suggests distinct sources, Explanation lacks credibility, or Financial capacity is not established.
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6. Distinction from Peak Credit Theory

Telescoping differs from peak credit. While telescoping adjusts one addition against another, peak credit determines the highest unexplained balance in a series of transactions. In certain cases—particularly bank deposit matters—courts apply both principles together to arrive at the real taxable figure.

7. Practical Significance for Assessments

From a practical standpoint, telescoping serves as an important defence in scrutiny and search assessments. It ensures that assessment orders reflect actual concealed income rather than aggregated figures arising from repeated characterization of the same funds. Proper presentation of cash-flow statements with chronological reconciliation significantly strengthens such claims.

8. Conclusion

The doctrine of telescoping has become a settled principle of tax jurisprudence through consistent judicial recognition. The ruling reported in 149 ITR 127 remains a cornerstone authority affirming that parallel additions representing the same undisclosed income cannot be sustained simultaneously. **Properly invoked, the doctrine ensures fairness in taxation by restricting**

assessment to real income and preventing duplication arising from different forms of the same concealed funds However, telescoping is not automatic. Courts have clarified that acceptance of this plea depends on facts and the burden lies on the assessee to establish a reasonable connection between the income added and the subsequent application.

A-2 SUMMARY OF CHANGES PROPOSED IN FINANCE BILL, 2026

Summary of the proposed changes **pertaining to Direct Tax under the Finance Bill 2026 and the transition to the Income Tax Act, 2025**

(A) TAX RATES-NO CHANGE

(B) CHANGES IN OLD ACT + NEW ACT

1. Compliance & Filing Deadlines (AY 2026-27 / TY 2026-27)

The Bill provides significant relief by extending deadlines and simplifying the revision process.



Contributed By CA Shilpa Soni
(Member Editorial Board)

Compliance Feature	Current Provision	Proposed Change (2026)
ITR Filing (Other than Business Income) ITR-1 and ITR-2	31st July	31st July
ITR Filing (Non-Audit Business Income) ITR-3 and ITR-4	31st July	31st August
Revised Return Window	Up to 31st December	Up to 31st March Revision from 01 Jan to 31 March – Respectively fees of Rs.1000/5000
Fee for Late Revision (After 31 Dec)	N/A	₹1,000 (Income <₹5L) / ₹5,000 (Others)
Updated Return (u/s 148)	Not allowed after notice	Allowed with additional 10% tax + interest

2. Summary of Section 147A: Jurisdictional Power vs. Faceless Scheme

Feature	The Situation Before Sec. 147A
Who issues the Notice?	Confusing. Courts often said it <i>must</i> be the National Faceless Center (NFAC).
Section 148A Inquiry	Many felt only a "Faceless Unit" could conduct the preliminary inquiry.

- To simplify the relationship between the existing **Section 151A** and the proposed **Section 147A**, think of it as a tug-of-war between "Faceless Automation" and "Local Authority."

The government is essentially saying that while they *wanted* a faceless system (Sec. 151A), the actual power to start a case belongs to your **Local Officer** (Sec. 147A).

The Conflict: Sec. 151A vs. Proposed Sec. 147A

Feature	Existing Section 151A (1961 Act)	Proposed Section 147A (2025 Act)
Primary Goal	To move reassessments to a Faceless Scheme (digital, team-based, no human interface).	To Clarify that the local officer always had the power to issue notices.
Who is in Charge?	Suggests the National Faceless Assessment Centre (NFAC) should handle everything.	Explicitly names the Jurisdictional Assessing Officer (JAO) as the authority.
Legal Status	It allowed the Government to make a scheme to eliminate human interaction.	It acts as a "Reset Button." It overrides judgements that favored the Faceless Scheme.
Backdating	Prospective (effective as per notifications).	Retrospective. It says this "shall always be deemed to have meant" the local officer.

4 Penalty u/s 270A: Old Process vs. New Process

Feature	Current System (Old Act)	New System (Proposed 2025 Act)
Penalty Decision	Initiated in Assessment Order; finalized in a Separate Order .	Levied directly in the Assessment Order itself.
Notice Requirement	SCN (Show Cause Notice) issued after the assessment is done.	SCN must be issued before the Assessment Order is passed.
Effective Date	Ongoing / N.A.	For Assessment Orders on/after 01.04.2027 .
Assessment Year	N.A.	Applicable for AY 2026-27 and earlier years.

Relief on Interest (Section 220 Amendment)

One of the most taxpayer-friendly parts of this proposal is the "freezing" of interest on penalty amounts during the first appeal.

- Current Rule:** Once a penalty is levied, interest starts ticking if not paid. Even if you appeal to the **CIT(A)**, the interest continues to accumulate.
 - Proposed Rule:** No interest will be charged on the penalty amount from the date the Assessment Order is passed until the **CIT(Appeals)** passes their order under Section 250.
- As per **Para 113** of the **Finance Minister's Budget 2026 Speech**, the standard requirement to pay 20% of the disputed demand to obtain a stay from the Assessing Officer (AO) is being halved.

Summary of Pre-Deposit Changes

Feature	Current Practice (CBDT Guidelines)	Proposed Under Finance Bill 2026
Pre-Deposit %	20% of disputed demand	10% of disputed demand
Calculation Base	Total Demand (Tax + Interest)	Core Tax Demand only
Penalty/Interest	Often included in negotiation	Excluded from the 10% calculation
Stay Status	Discretionary (AO can ask for more)	Expected to be a Standardized stay

5. Prosecution Reforms (Decriminalization)

The Bill shifts from "Rigorous" to "Simple" imprisonment and increases the monetary threshold for criminal proceedings.

Amount of Tax Evaded	Proposed Punishment
Up to ₹10 Lakh	Fine Only (Imprisonment removed)
₹10 Lakh – ₹50 Lakh	Simple Imprisonment (up to 6 months) and/or Fine
Above ₹50 Lakh	Simple Imprisonment (up to 2 years) and/or Fine
Subsequent Offence	Max 3 years imprisonment

6. Other Significant Procedural Changes

- **DIN Validation:** Assessments will **not be invalid** due to minor DIN mistakes (Retrospective from 2019).
- **PF/ESI:** Employee contributions allowed if deposited before **ITR Due Date** (instead of PF Act due date). Means no disallowance u/s 36(1)(va). Disallowance only in 43B(a)/(b)

(C) CHANGES IN NEW ACT

1. Comparison of MAT Rules (Effective April 1, 2026)

Feature	Under the "Old" 1961 Act	Under the "New" 2025 Act (Sec. 206)
The MAT Tax Rate	15%	Reduced to 14%
Treatment of MAT	A "pre-paid" tax you can carry forward.	A "Final Tax" (no new credits allowed).
New Tax Credits	If MAT > Normal Tax, you get a credit.	If MAT > Normal Tax, no credit is created.
Switching Regimes	Often meant losing your old MAT credits.	Option to keep and use old credits.
Credit Expiry	15 years from the year it was earned.	Still 15 years from the original earn date.

• How to Use "Old" MAT Credits (Earned before 31.03.2026)

- If your company has leftover MAT credits from the 1961 Act, here is how you can use them starting in the 2026-27 Tax Year:

Company Type	How much can you use?	Conditions
Domestic Companies	Up to 25% of your total tax bill.	Can be used even if you switch to the New Regime.
Foreign Companies	Only the Difference between Normal Tax and MAT.	Only usable if your Normal Tax is higher than MAT.

2. Compliance & Filing Deadlines (TY 2026-27)

The Bill provides significant relief by extending deadlines and simplifying the revision process.

Compliance Feature	Current Provision	Proposed Change (2026)
Tax Audit Report Delay	Penalty (0.5% or ₹1.5L) (Opp of being heard)	Fixed Fee: ₹75k (Delay<1 month) / ₹1.5L (Delay>1 month)
Transfer Pricing Report Delay	Penalty ₹1.0 L (Opp of being heard)	Fixed Fee: ₹50k (Delay<1 month) / ₹1.0L (Delay>1 month)

3. Taxation of Unexplained Income (Sec. 68 to 69D)

The government is encouraging voluntary disclosure through a lower base tax rate but higher penalties for concealment.

Component	Existing Act (1961 Act)	New Act (2025/26 Act)
Base Tax Rate	60%	30%
Effective Rate (Surcharge + Cess)	78%	39%
Penalty (Misreporting)	10%	200%
Immunity Option	Not Available	Available (pay penalty to avoid litigation)

4. Rationalized TCS (Tax Collected at Source) Rates

Several rates have been standardized to 2% to simplify the compliance burden for sellers and remitters.

Nature of Transaction	Current Rate	Proposed Rate (2026)
Overseas Tour Packages	5% / 20%	2% (Flat)
LRS (Education/Medical) >₹10L	5%	2%
Alcoholic Liquor / Scrap / Minerals	1%	2%
Tendu Leaves	5%	2%

- Small Taxpayers: - To file Application for Low/Nil deduction electronically.
- Tax not required for Resident buyers on purchase of property from Non-Resident.
- Single declaration through Depository for Nil TDS on dividends/ Interest on Securities.

5. Capital Gains, Dividends & Exemptions

Item	Current Provision	Proposed Change (2026)
Share Buybacks	Income taxed as Dividend Cost of Acquisition recognized as Capital.	Taxed as Capital Gains in Max Slab (Promoters pay 22-30%) (Non-Promoters -12.5-20%)
Sovereign Gold Bonds	Full Exemption on maturity (whether Purchased in between)	Exemption only for original individual holders/ Subscribers
Interest on MF/Dividends	Deduction up to 20% on Dividend/ Income from Mutual Fund	No deduction allowed for interest expense
Motor Accident Awards (New Act)	Taxable (TDS applicable above Rs. 50,000)	Fully Exempt (No TDS applicable)
Land Acquisition (RFCTLARR) (New Act)	Ambiguous (Exemption provided under RFCTLARR act)	Statutory Exemption for compulsory acquisition under RFCTLARR act

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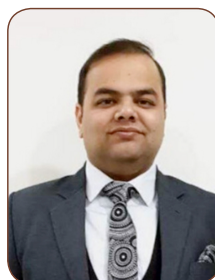
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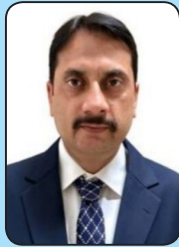


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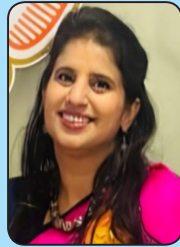


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