

Luthra and Luthra

LAW OFFICES INDIA

DIRECT TAXATION UPDATES – INCOME TAX LAW

NEWSLETTER – APRIL & MAY 2025 EDITION

INSIDE

RECENT JUDGMENTS PASSED BY HON'BLE SUPREME COURT

- I. Income tax Officer v. Hemanshu Ramniklal Shah passed by Hon'ble Supreme Court dated 09.05.2025**

RECENT JUDGMENTS PASSED BY HON'BLE HIGH COURTS:

- II. Pr. Commissioner of Income Tax v. Agfa India Pvt. Ltd. dated 01.04.2025 passed by Hon'ble Bombay High Court**
- III. Pr. Commissioner of Income Tax-12, Mumbai Vs Drisha Impex Pvt. Ltd dated 07.04.2025 passed by Hon'ble Bombay High Court**
- IV. J.G's Departmental Store v. Income Tax Officer Ward 60(1) & Ors., dated 15.04.2025 passed by Hon'ble Delhi High Court**
- V. Pushpa Saluja v. Income Tax Officer dated 15.04.2025 passed by Hon'ble Delhi High Court**



- VI. CIT v. Springer Nature Customer Services Centre GMBH dated 16.04.2025 passed by Hon'ble Delhi High Court**
- VII. M/s L-1 Identity Solutions Operating Company Pvt. Ltd. v. ACIT, Central Circle-25 dated 17.04.2025 passed by Hon'ble Delhi High Court**
- VIII. CIT - International Taxation Vs Six Continents Hotels Inc. dated 17.04.2025 passed by Hon'ble Delhi High Court**
- IX. The PR. CIT – International Taxation -1 Vs Bharti Airtel Ltd dated 22.04.2025 passed by Hon'ble Delhi High Court**
- X. M/s. Gopuram Enterprises Pvt Ltd. Vs. The Income Tax Officer dated 22.04.2025 passed by Hon'ble Madras High Court**
- XI. The Pr. Commissioner of Income Tax -Central Vs Amol Awasthi dated 23.04.2025 passed by Hon'ble Delhi High Court**
- XII. Union of India v. Chyawan Prakash Meena B dated 01.05.2025 passed by Hon'ble Guwahati High Court**
- XIII. Mahindra & Mahindra Ltd. v. Commissioner of Income Tax dated 02.05.2025 passed by Hon'ble Bombay High Court**
- XIV. Harsha Associates (P.) Ltd. v. Deputy Commissioner of Income tax dated 02.05.2025 passed by Hon'ble Delhi High Court**
- XV. Lalit Gulati v. Assistant Commissioner of Income-tax dated 02.05.2025 passed by Hon'ble Delhi High Court**
- XVI. Principal Commissioner of Income-tax (Central) v. Garg Acrylic Ltd. dated 07.05.2025 passed by Hon'ble Delhi High Court**
- XVII. KJP and Associates v. Deputy Assistant Commissioner of Income tax dated 09.05.2025 passed by Hon'ble Delhi High Court**

RECENT ORDERS PASSED BY HON'BLE INCOME TAX APPELLATE TRIBUNAL:

- I. Sulay Paper (P) Ltd. v. CIT, dated 29.04.2025 passed by Hon'ble Ahmedabad ITAT**
- II. Suresh Raghunath Julka v. CIT, dated 29.04.2025 passed by hon'ble Delhi ITAT**



- III. **Sri Gandhari Ammancoil Trust v. CIT, dated 29.04.2025 passed by Hon'ble Cochin ITAT**
- IV. **Nipa Nishithbhai Park v. CIT, dated 29.04.2025 passed by Hon'ble Ahmedabad ITAT**
- V. **Shiv Kumar Singh v. CIT, dated 29.04.2025 passed by Hon'ble Delhi ITAT**
- VI. **Khodiyar Gau Seva Yuvak Mandal Charitable Trust vs. Commissioner of Income Tax dated 01.05.2025 passed by Hon'ble ITAT Rajkok**
- VII. **Hind Ceramics (P.) Ltd. v. Deputy Commssioner of Inocme Tax dated 06.05.2025 passed by Hon'ble ITAT Kolkata**
- VIII. **ITO v. Narasimha Reddy Duthala dated 09.05.2025 passed by Hon'ble ITAT Hyderabad**
- IX. **Gujarat State Financial Services Ltd. v. Deputy Commissioner of Income Tax dated 09.05.2025 passed by Hon'ble ITAT Ahmedabad**
- X. **Shree Mahavideh Charitable Trust v. CIT (Exemption) dated 13.05.2025 passed by Hon'ble ITAT Surat**
- XI. **Ramesh Dungarshi Shah v. Deputy Commissioner of Income-tax dated 14.05.2025 passed by Hon'ble ITAT Mumbai**
- XII. **Save A Family Plan (India) Aiswaryagram v. Deputy Commissioner of Income Tax (Exemption) dated 19.05.2025 passed by Hon'ble ITAT Cochin**



We extend our best wishes to the recipients of this newsletter.

In **April and May 2025 Edition** of the Luthra and Luthra Law Offices India – ‘**Direct Tax Monthly Newsletter**’, we have covered some of the pertinent developments in the field of Direct Taxation Law recently.

INCOME TAX

IMPORTANT JUDGMENT PASSED BY HON’BLE SUPREME COURT IN THE CASE OF:

I. **Income tax Officer v. Hemanshu Ramniklal Shah passed by Hon’ble Supreme Court dated 09.05.2025**

The Hon’ble Supreme Court has examined whether reassessment under Section 148 of the Income-tax Act, 1961 (hereinafter referred to as “**the Act**”) was valid when the Assessing Officer (“**AO**”) had already reviewed the relevant transaction details in the original assessment under Section 143(3). , Since the details were already considered in the original assessment, the High Court *inter alia* held reopening as a mere change of opinion—legally impermissible. The Hon’ble Supreme Court confirmed the decision of Hon’ble High Court and dismissed the revenue’s Special Leave Petition.

IMPORTANT JUDGMENTS PASSED BY DIFFERENT HON’BLE HIGH COURTS IN THE CASES OF:

II. **Pr. Commissioner of Income Tax v. Agfa India Pvt. Ltd. dated 01.04.2025 passed by Hon’ble Bombay High Court**

The Hon’ble Bombay High Court *inter alia* quashed the reassessment proceedings initiated under Section 147 of the Act holding that the AO acted on “*borrowed satisfaction*” without independent application of mind. The Assessee, engaged in distributing photographic and electronic imaging systems, had originally been assessed under Section 143(3) of the Act, with no transfer pricing adjustment. Later, based on a subsequent year’s adjustment suggested by the Transfer pricing Officer (“**TPO**”), the AO reopened the assessment without fresh application of mind. The Court found this violative of the statutory requirement that an AO must have “*reason to believe*” that income had escaped assessment. Reopening based solely on directions from superiors and reliance on subsequent years’ determinations rendered the action mechanical and without jurisdiction. The Court *inter alia* held that reassessment cannot be triggered merely based on another officer’s opinion, as it defeats the mandate of Section 147 and vitiates the entire process.

III. **Pr. Commissioner of Income Tax-12, Mumbai Vs Drisha Impex Pvt. Ltd dated 07.04.2025 passed by Hon’ble Bombay High Court**

The Hon’ble Bombay High Court *inter alia* ruled against the assessee whose purchases from certain suppliers were found to be non-genuine. The AO had added the peak value of such



purchases to the assessee's income, citing failure to prove the genuineness of transactions. The Tribunal, however, limited the disallowance to 3% of the peak, enhancing the 1% estimate made earlier by the Commissioner of Income Tax (Appeals) ("CIT(A)"). The Hon'ble Bombay High Court observed that the assessee had failed to discharge the initial onus, no delivery proof, no confirmatory letters from suppliers, and no audited books or quantitative stock details were furnished. Additionally, addresses of suppliers were unverifiable and an inspection revealed the suppliers were non-existent. The Hon'ble Court *inter alia* observed that payment by cheque alone could not prove the legitimacy of the purchases holding that there was no purchase-sale correlation, the High Court found the Tribunal's 3% estimate legally unsustainable and restored full disallowance.

IV. J.G's Departmental Store v. Income Tax Officer Ward 60(1) & Ors., dated 15.04.2025 passed by Hon'ble Delhi High Court

The Petitioner, a retail partnership firm, had deposited INR 6.23 crores in cash during the demonetisation period (09.11.2016 to 30.12.2016), which had already been scrutinised and accepted in assessment proceedings under Section 143(3) of the Act. However, the case was reopened citing unexplained transactions, and the AO passed a reassessment order based on a 618.25% surge in cash deposits compared to the previous year. The Hon'ble High Court of Delhi *inter alia* observed that this *information* was absent from the Section 148A(b) notice, thereby depriving the assessee of a meaningful opportunity to respond. The Hon'ble Court set aside the order under Section 148A(d).

V. Pushpa Saluja v. Income Tax Officer dated 15.04.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court of Delhi has set aside the Income Tax Appellate Tribunal's ("ITAT") order and remanded the matter for fresh adjudication. The Assessee had challenged an addition of INR 55.54 lakhs, allegedly made under Section 68 of the Act, on the ground of bogus purchases. Despite furnishing PAN details, income tax returns, and confirmations from sundry creditors, the addition was sustained by the CIT(A) and upheld by the ITAT. The Hon'ble High Court noted a fundamental inconsistency: the assessment order did not invoke Section 68, although the CIT(A) proceeded as if it did. The Hon'ble Court found that ITAT had failed to consider the Assessee's key contention that even if the suppliers were unverifiable, the purchases had resulted in accounted sales, and hence, only the profit margin could have been added. Accordingly, the case was remanded to ITAT to reassess the sustainability of the additions.

VI. CIT v. Springer Nature Customer Services Centre GMBH dated 16.04.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court of Delhi *inter alia* dismissed Revenue's appeals challenging the ITAT's finding that neither the commission nor subscription income earned by the assessee, a German tax resident, was taxable as Fees for Technical Services ("FTS") under the Act or the India-Germany Double taxation Avoidance Agreement ("DTAA"). The assessee had



entered into an Agreement with Springer Nature India Pvt. Ltd. to provide sales support and related services for printed and electronic content, earning substantial commission and subscription revenue. While the AO treated both streams of income as FTS, the Court held otherwise. Following *Engineering Analysis* and *RELX Inc.* The Hon'ble Court observed that the service shall be exclusive or customised for the customer and not standardised for it to qualify as FTS within the meaning of Section 9(1)(vii) of the Act. Since the subscription was for standardised content, it lacked the character of technical service. Accordingly, the appeals were dismissed.

VII. M/s L-1 Identity Solutions Operating Company Pvt. Ltd. v. ACIT, Central Circle–25 dated 17.04.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court of Delhi quashed reassessment proceedings initiated under Section 148, holding that the INR 50 lakh threshold under Section 149(1)(b) of Act must be satisfied with respect to each individual Assessment Year (“AY”). The Petitioner, a private entity providing research and development services to its foreign associated enterprise, challenged the reopening of AY 2018–19, contending that the alleged escaped income did not exceed the statutory threshold of INR 50 lakh. The AO, however, combined alleged undercharging across FY 2016–17 to 2018–19, claiming a total of INR 73 lakh. The Hon'ble Court *inter alia* held this cumulative approach as impermissible, stating that the threshold must be reckoned per year unless the income is linked to a singular event or asset. Consequently, the Court allowed the writ and set aside the impugned notice and assessment proceedings.

VIII. CIT - International Taxation Vs Six Continents Hotels Inc. dated 17.04.2025 passed by Hon'ble Delhi High Court

The assessee, a U.S.-based tax resident and part of the Inter-Continental Hotel Group (IHG) had entered into inter-company agreements with IHG India, namely, the System Fund Support Services Agreement and the Reservation System Facility Agreement, to support hotel operations under a business model. The AO, relying on prior assessments, alleged that marketing and reservation-related receipts were ancillary to royalty payments for brand usage and taxable as Fees for Included Services (“FIS”) under Article 12(4)(a) of the India-USA DTAA. Although the Dispute Resolution Panel (“DRP”) had directed the AO to verify favourable ITAT decisions from earlier years, the AO failed to comply and simply reiterated the draft assessment order, adding INR 6.13 crore. The Hon'ble ITAT, however, relied on its own precedents including orders dated 10 April and 9 May 2024 and held that such receipts were neither Royalty nor FTS. Upon further appeal, the Hon'ble High Court of Delhi deleted such additions.

IX. The PR. CIT – International Taxation -1 Vs Bharti Airtel Ltd dated 22.04.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court of Delhi dismissed the Revenue's appeal challenging an ITAT order relating to the taxability of payments made by assessee to overseas telecom service providers. The matter stemmed from an order under Sections 201(1), 201(1A) and 195 of the



Act, where the AO held that assessee to be an '*assessee in default*' for not deducting TDS on payments treated as FTS or royalty. The CIT(A) partly allowed the assessee's appeal but upheld the AO's view on bandwidth payments. Cross-appeals were filed by both parties before the ITAT, which ruled in favour of the assessee on the issue of bandwidth charges. The Revenue's limited appeal raised legal questions regarding the characterisation of bandwidth payments as royalties. However, the Hon'ble Court *inter alia* held these were already settled in the cases decided by this Court and dismissed the appeal for lack of a substantial question of law.

X. M/s. Gopuram Enterprises Pvt Ltd. Vs. The Income Tax Officer dated 22.04.2025 passed by Hon'ble Madras High Court

In a batch of 18 appeals, the Tribunal's rejection of condonation of delay in filing appeals was challenged, with issues emphasizing on the computation of delay for appeals challenging the levy of interest under Section 234E of the Act. The Appellants argued that the delay should be calculated from the date of service of the rectified statement under Section 154 of the Act, amounting to 260 days, rather than from the original statement under Section 200A, which would result in delays ranging from 1808 to 2410 days. It was further contended that the delay arose due to pending divergent judicial views on the validity and effective date of interest under Section 234E of the Act, a provision applicable only to periods before 01/06/2015, leaving them in legal uncertainty. The Tribunal had rejected their explanation as unsubstantiated, while the Hon'ble Court found that the appellants acted in a *bona fide* manner and did not gain anything by delaying. Consequently, the Court condoned the delay and remanded the matters to the Tribunal for hearing on merits, with no costs.

XI. The Pr. Commissioner of Income Tax -Central Vs Amol Awasthi dated 23.04.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court of Delhi dismissed an income tax addition of INR 42.16 crores against NTPC Vidyut Vyapar Nigam Ltd. (NVTNL), a subsidiary of NTPC, related to the sale of fly ash. Assessee, which is an energy trading company, was handed over fly ash by NTPC, as it is a byproduct in coal burning. The intended purpose was utilisation in government-specified purposes, as was mentioned in various notifications of the Government. The issue before the hon'ble Court was whether the sale proceeds constituted taxable income in the accounts of assessee. The Revenue argued that since assessee recovered general expenses from the fly ash fund, it effectively earned income that should be taxed. On the other hand, Assessee contended it merely facilitated sales, credited proceeds to a separate utilisation account, incurred only specific expenditures from it, and transferred the remaining amount to NTPC, thus earning no income. The Hon'ble Court *inter alia* observed that assessee neither owned the fly ash nor had discretion over the funds, which were bound by statutory directions. Therefore, Hon'ble Court held that no income accrued to assessee and deleted the tax addition.



XII. Union of India v. Chyawan Prakash Meena B dated 01.05.2025 passed by Hon'ble Guwahati High Court

The Hon'ble Guwahati High Court considered whether a Scheduled Tribe member from Rajasthan, posted in a specified area, qualifies for income tax exemption under Section 10(26) of the Act. The respondent, a BSF officer from the Meena community, was stationed in Agartala, Tripura—a notified area under the provision. He sought a refund of income tax deducted from his salary during the said posting. The Hon'ble High Court affirmed his entitlement to the said exemption and dismissed Revenue's appeal.

XIII. Mahindra & Mahindra Ltd. v. Commissioner of Income Tax dated 02.05.2025 passed by Hon'ble Bombay High Court

The Hon'ble Bombay High Court examined whether expenses incurred by the assessee, in maintaining its loss-making subsidiary (MMC) were deductible as business expenditure. The AO had disallowed claims of INR 49.19 lakhs and INR 200.47 lakhs, contended that they were not business-related expenses. However, the Hon'ble Bombay High Court *inter alia* held that since the assessee had significant equity in MMC and incurred the expenses to preserve its 'assets and goodwill', the deductions were justified under Sections 28(i) and 37(1) of the Act. Moreover, the Court noted that under Section 115J, the AO cannot challenge the accuracy of profit and loss accounts prepared in accordance with the Companies Act, except as permitted by the Explanation to the section.

XIV. Harsha Associates (P.) Ltd. v. Deputy Commissioner of Income tax dated 02.05.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court *inter alia* addressed whether the liabilities amounting to INR 4.39 crore, in assessee's books of account was genuine liabilities from unrepresented cheques issued to its suppliers, or it constituted bogus credits liable to be added to the income under Section 68 of the Act. The Hon'ble court upheld that the said amount is bogus liabilities. The assessee had shown amounts as payable to Bank of Baroda and Punjab National Bank, claiming these arose from cheques issued to suppliers that were never presented. However, the liabilities were not supported by any bank confirmations, and the assessee failed to provide documentary evidence to substantiate either the purchase or the return materials. Notably, the accounts were an escrow account, which could not be overdrawn. The Hon'ble Court *inter alia* held that the entries were fictitious, and the Tribunal's finding did not suffer from any perversity or legal error. The appeal was dismissed and in favour of the Revenue.

The Hon'ble High Court examined whether liabilities amounting to INR 4.39 crore, recorded in the assessee's books as arising from unrepresented cheques issued to suppliers, were genuine or constituted bogus credits liable for addition under Section 68 of the Act. The assessee claimed that the said amounts were payable to Bank of Baroda and Punjab National Bank, representing cheques issued but not presented. However, the Court found no supporting bank confirmations or documentary evidence of purchases or returns. Moreover,



the accounts in question were escrow accounts, which could not be overdrawn. The Hon'ble Court *inter alia* held that the said entries were bogus.

XV. Lalit Gulati v. Assistant Commissioner of Income-tax dated 02.05.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court examined the validity of a reassessment notice issued under Section 148 for Assessment Year 2015–16, in light of the limitation period prescribed under the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020. The assessee had filed its return on 23.09.2015, and the impugned notice, issued on or after 01.04.2021, was held to be time-barred. The Hon'ble Court relied on the Supreme Court's Judgement in *Rajeev Bansal* and reaffirmed in *Deepak Steel and Power Ltd.*, as well as its own decision in *MakeMyTrip India Pvt. Ltd.*, and quashed the notice and all consequential proceedings, allowing the writ petition in favour of the assessee

XVI. Principal Commissioner of Income-tax (Central) v. Garg Acrylic Ltd. dated 07.05.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court examined whether the assessee's purchases were bogus and liable for addition under Section 69C of the Act. In the facts of the present case, reassessment proceedings were initiated based on *information* from the investigation wing alleging certain purchases with non-existent suppliers. However, the Tribunal, after reviewing supporting documents such as invoices, VAT records, payment proofs, and test reports, found the purchases to be genuine. On appeal, the Hon'ble High Court upheld the Tribunal's findings, noting that Tribunal ruled basis credible evidence. Further, the Hon'ble Court observed that there was no evidence of accommodation entries or cash transactions. Consequently, the revenue's appeal was dismissed.

XVII. KJP and Associates v. Deputy Assistant Commissioner of Income tax dated 09.05.2025 passed by Hon'ble Delhi High Court

The Hon'ble High Court *inter alia* addressed whether the AO was justified in denying tax deduction at source ("TDS") credit to the assessee for AY 2007-08 solely due to non-availability of data on the TRACES portal, despite submission of a valid TDS certificate and confirmation from the deductor. The AO refused to grant credit, citing the absence of data on the portal, without disputing the authenticity of the documents submitted or conducting an independent verification with the deductor. The Hon'ble Court noticed that TRACES was not fully operational for the relevant year, and that the AO failed to discharge his duty of verification. The Hon'ble high Court *inter alia* held that AO cannot deny TDS credit merely due to technical limitations of the portal. The Court directed AO to accept the confirmation from the deductor as correct and process the assessee rectification request accordingly. The petition was disposed of in favour of the assessee.



The Hon'ble High Court of Delhi examined whether the AO was justified in denying tax deduction at source (TDS) credit to the assessee for Assessment Year 2007–08 solely due to the absence of data on the TRACES portal, despite the assessee furnishing a valid TDS certificate and confirmation from the deductor. The Hon'ble Court held that TDS credit cannot be denied on account of technical limitations. It directed the AO to accept the deductor's confirmation and process the assessee's rectification request accordingly. The petition was disposed of in favour of the assessee.

AS HELD BY HON'BLE ITAT IN THE CASES OF:

I. Sulay Paper (P) Ltd. v. CIT, dated 29.04.2025 passed by Hon'ble Ahmedabad ITAT

The assessee appealed against the National Faceless Appeal Centre ("NFAC") order upholding an addition of INR 1.80 crores under Section 68 of the Act, for A.Y. 2013–14. The addition arose from a loan received by the assessee from Shri Rashmin K Vakta through Shri Renuka Mata Multi State Urban Co-operative Society Ltd., which was returned on the same day. Although the assessee initially failed to comply with six hearing notices before the CIT(A), the explanation later provided established that the funds were a bona fide loan, returned promptly, with no intent of concealment or evasion. The AO's presumption that the assessee diverted own funds as accommodation entry lacked evidentiary support. Importantly, since a substantial addition was already made in Vakta's hands for similar credits, the same transaction could not be taxed twice. Hence, the Tribunal deleted the addition, ruling in favour of the assessee and allowing the appeal.

II. Suresh Raghunath Julka v. CIT, dated 29.04.2025 passed by hon'ble Delhi ITAT

In this appeal, the assessee contested the addition of INR 5,44,800/- made under Section 68 of the Act, for A.Y. 2017–18, which was upheld by the CIT(A). The addition pertained to cash deposits in the assessee's credit card account, which the AO treated as '*unexplained*'. However, the assessee a salaried individual, clarified that these deposits were reimbursements from M/s. Stat Elecom Facilities and M/s. Krishna Construction for business-related expenses such as travel and accommodation. The assessee submitted confirmations from both entities, evidencing that the cash payments were made towards business development. Despite this, the CIT(A) failed to appreciate the evidence and upheld the addition. Upon examining the confirmations and facts on record, the Hon'ble Tribunal concluded that the source of cash deposits was duly explained and substantiated. Therefore, the addition was unjustified. The Tribunal *inter alia* reversed the findings of the CIT(A) and allowed the assessee's appeal, deleting the entire addition.



III. **Sri Gandhari Ammancoil Trust v. CIT, dated 29.04.2025 passed by Hon'ble Cochin ITAT**

The assessee, a registered charitable trust engaged in temple maintenance and charitable activities, filed returns for A.Ys. 2017–18 and 2018–19 claiming exemption under Section 11 of the Act. However, the exemption was disallowed in both the years under Section 143(1), of the Act solely because the audit report in Form 10B was submitted belatedly, only in 2023, well after the prescribed due date under Section 139(1). On appeal, the CIT(A) agreed with the action, holding that late filing justified the adjustment. The assessee explained that the delay occurred due to the death of its Chartered Accountant and relied on decisions including *Ammini Foundation v. DCIT* and *Association of Indian Panel Board Manufacturer v. DCIT*, which held that belated audit reports do not render claims “incorrect” under Section 143(1). Accepting this reasoning, the Tribunal *inter alia* found that such adjustments exceeded the Centralized Processing Centre (“CPC”) jurisdiction. Accordingly, the appeals were allowed, and the CPC’s intimation was directed to be amended.

IV. **Nipa Nishithbhai Park v. CIT, dated 29.04.2025 passed by Hon'ble Ahmedabad ITAT**

The assessee challenged the CIT(A)'s order dismissing the appeal for delay without considering the factual explanation or evidence. The sole issue pertained to an addition of INR 43,49,650 under Section 69A of Act, made on account of unexplained cash deposits allegedly found in the assessee's bank accounts. However, upon scrutiny of the assessment records, it was established that the said deposits actually belonged to a partnership firm, M/s Anand Pharma Distributors, and were made in its account with Ahmedabad Mercantile Co-op Bank. The other account with Kalupur Commercial Co-op Bank, though in the assessee's name, had been closed prior to the relevant financial year. The CIT(A) failed to appreciate these facts and also erred in denying condonation of a 231-day delay, which occurred due to non-communication by the assessee's Chartered Accountant. In light of these admitted facts and in the interest of justice, the Tribunal deleted the addition and allowed the appeal.

V. **Shiv Kumar Singh v. CIT, dated 29.04.2025 passed by Hon'ble Delhi ITAT**

The assessee, a salaried employee in a multinational company, challenged the addition of INR 12,00,000 made on account of the alleged capitation fee paid for his daughter's admission into Santosh Medical College. The AO relied solely on the statement of Dr. P. Mahalingam, Chairman of the Santosh Group of Institutions, recorded during a search under Section 132 of the Act. The assessee admitted paying INR 4,50,000 as course fee but denied any cash payment, asserting that admission was merit-based. Crucially, the Revenue failed to produce any material evidence apart from an appraisal report, there was no documentary proof linking the assessee to the alleged cash payment. The Tribunal *inter alia* held that no addition can be sustained merely on third-party statements uncorroborated by independent



evidence. Finding the addition legally untenable, it deleted the addition and allowed the appeal, setting aside the CIT(A)'s Order.

VI. Khodiyar Gau Seva Yuvak Mandal Charitable Trust vs. Commissioner of Income Tax dated 01.05.2025 passed by Hon'ble ITAT Rajkot

The Hon'ble Rajkot bench of ITAT clarified that registration under Section 12A of the Act is a preliminary procedure to assess the genuineness of a trust's objectives and proposed activities, and not a determination of its income. In the present case, the assessee (a charitable trust engaged in cow protection) applied for registration under Section 12A. The Commissioner of Income Tax (Exemption) rejected the application, citing non-compliance with a notice, despite the assessee having submitted a response via email. The Hon'ble ITAT held that the officer should have objectively considered the explanation regarding the absence of activities and income, and sought further details if necessary. It concluded that the summary rejection was unwarranted and remanded the matter for fresh adjudication, ensuring the assessee is given a fair opportunity. The appeal was allowed for statistical purposes.

VII. Hind Ceramics (P.) Ltd. v. Deputy Commissioner of Income Tax dated 06.05.2025 passed by Hon'ble ITAT Kolkata

The Hon'ble Kolkata bench of ITAT decided a case where the assessee had derived income from leasing shops and showrooms in a shopping complex, and declaring it as "*Income from House Property*" and claiming a 30% deduction under Section 24(1) of the Act. The AO reclassified the income as "*Business Income*" and denied the said deduction. The Hon'ble ITAT, however, rejected the AO's reasoning, noting that in prior assessment years, the income had consistently been assessed under the head "House Property."

VIII. ITO v. Narasimha Reddy Duthala dated 09.05.2025 passed by Hon'ble ITAT Hyderabad

The assessee claimed exemption under Section 54F of the Act, as he invested the capital gains from the sale of unquoted shares, to purchase land and then constructed a residential house. The AO rejected the contention of exemption of the assessee, arguing that he had more than one residential house, had not invested within the due date, and had used only a meagre portion of the land purchased for construction of the house. The assessee appealed to the Commissioner of Income-Tax (Appeals), which recognized that the oral gift of a house to the daughter is valid, as the relevant evidence showed the transfer and use of property by the daughter and thus validated the timing and nature of the investment. This decision was upheld by the tribunal, while emphasizing that Section 54F is a beneficial provision and needs to be interpreted liberally to support genuine house investments.

The assessee claimed exemption under Section 54F of the Act, having invested capital gains from the sale of unquoted shares in the purchase of land and subsequent construction of a



residential house. The AO denied the said exemption, contending that the assessee owned more than one residential property and also he has failed to invest within the prescribed time. On appeal, the Commissioner of Income Tax (Appeals) decided in favour of the assessee. On further appeal, the Hon'ble Hyderabad bench of ITAT agreed with CIT(A) and observed that Section 54F is a beneficial provision and should be interpreted liberally to promote genuine residential investments.

IX. Gujarat State Financial Services Ltd. v. Deputy Commissioner of Income Tax dated 09.05.2025 passed by Hon'ble ITAT Ahmedabad

The Hon'ble Tribunal examined whether a donation of INR 3.57 crore made by the assessee to the Gujarat Cleanliness Fund, as part of its Corporate Social Responsibility (CSR) activities, qualified for deduction under Section 80G of the Act. The Hon'ble Ahmedabad bench of ITAT held that the Gujarat Cleanliness Fund was not among the restricted funds, and therefore, the said donation was eligible for deduction.

X. Shree Mahavideh Charitable Trust v. CIT (Exemption) dated 13.05.2025 passed by Hon'ble ITAT Surat

The Hon'ble Surat bench of ITAT considered the rejection of the assessee's application for registration under Section 80G of the Act, which was denied on the grounds that certain objects in the trust deed appeared religious, allegedly violating Section 80G(5). The assessee argued that it had incurred no religious expenditure and was solely engaged in charitable activities. The Hon'ble ITAT held that the mere presence of terms such as "*religious*" in the trust deed does not render a trust religious, particularly in the absence of actual religious expenditure. It remanded the matter to the concerned officer to examine whether more than 5% of the trust's income was applied for religious purposes, as per Section 80G(5B), and directed that the assessee be given an opportunity of being heard.

XI. Ramesh Dungarshi Shah v. Deputy Commissioner of Income-tax dated 14.05.2025 passed by Hon'ble ITAT Mumbai

The Hon'ble Mumbai bench of ITAT examined whether notional rent on unsold flats held as stock-in-trade is taxable under the head "*Income from House Property*." The Hon'ble ITAT relied on the decision of High Court of Delhi in **CIT v. Ansal Housing Finance**, and noted that the assessee, a builder, had shown unsold flats as closing stock for AY 2015–16 without declaring notional rental income. The AO made an addition under Section 23(4)(b), which was upheld by the CIT(A). The Hon'ble ITAT held that while such income is chargeable, the provisions of Section 23(5), introduced by the Finance Act, 2017, apply prospectively from AY 2018–19. Therefore, no addition could be made for earlier years. Where applicable, it directed that notional rent be computed based on Municipal Rentable Value, in line with the principles laid down in *Tip Top Typography*.



XII. Save A Family Plan (India) Aiswaryagram v. Deputy Commissioner of Income Tax (Exemption) dated 19.05.2025 passed by Hon'ble ITAT Cochin

The Hon'ble Cochin bench of ITAT examined whether donations made by a charitable trust to other trusts qualify as '*application of income*' under Section 11 of the Act. The assessee, registered under Section 12A, had donated to other registered institutions and claimed exemption under Section 11, which was initially accepted by the AO. However, the Principal Commissioner of Income-tax invoked Section 263, asserting that the AO failed to verify whether the recipient trusts had charitable objects aligned with those of the donor. The Hon'ble ITAT held that the absence of such inquiry rendered the assessment order erroneous and prejudicial to the interests of the Revenue. Consequently, the revision under Section 263 was upheld, and the appeal of the assessee was dismissed.



This newsletter is only for general informational purposes, and nothing in this edition of newsletter could possibly constitute legal advice (which can only be given after being formally engaged and familiarizing ourselves with all the relevant facts). However, should you have any queries, require any assistance, or clarifications with regard to anything contained in this newsletter (or Direct Tax in general), please feel free to contact Rubal Bansal, at the below mentioned coordinates.

© Luthra and Luthra Law Offices India 2024. All rights reserved.

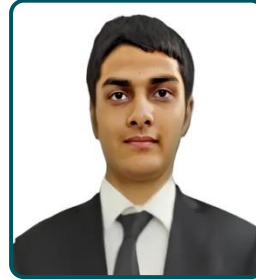
The Team



RUBAL BANSAL

Partner

Email - rbansal@luthra.com



PRAKHAR PANDEY

Associate



SATVIK SAREEN

Associate

OFFICES



NEW DELHI

1st and 9th Floors, Ashoka Estate,
24 Barakhamba Road, New Delhi - 110 001
T: +91 11 4121 5100 F: +91 11 2372 3909
E: delhi@luthra.com



MUMBAI

20th Floor, Indiabulls Finance Center,
Tower 2 Unit A2, Elphinstone Road,
Senapati Bapat Marg, Mumbai - 400 013
T: +91 22 4354 7000
F: +91 22 6630 3700
E: mumbai@luthra.com



BENGALURU

3rd Floor, Onyx Centre, No. 5, Museum Road,
Bengaluru - 560 001
T: +91 80 4112 2800 / +91 80 4165 9245
F: +91 80 4112 2332
E: bengaluru@luthra.com



HYDERABAD

Serene Towers,
House No. 8-2-623/A,
Road No. 10, Banjara Hills,
Hyderabad, Telangana - 500034
T: +91 40 7969 6162
E: hyderabad@luthra.com



CHENNAI

Prestige Palladium Bayan,
8th Floor, Greams Road, Nungambakkam Division,
Egmore, Chennai - 600 006,
Tamil Nadu
T: +91 95604 88155
E: chennai@luthra.com