

LATEST CASE LAWS

- Delhi HC: Townpark Buildcon Pvt. Ltd. v. ACIT, CC 15 & ORS.
- Delhi HC: Ratnagiri Gas & Power Pvt. Ltd. V. Assistant Commissioner of Income Tax
- Gujarat HC: Shree Sarkhej Kelavani Mandal V. Additional / Joint/ Dy. Assistant Commissioner of Income Tax Officer & Anr.

UPDATES

- CBDT Notification No. 31/2025 dated 04th April, 2025
- CBDT Notification No. 35/2025 dated 22nd April, 2025

EDITOR'S COLUMN

- Supreme Court: Deputy Commissioner of Income Tax. Circle 2(1)(1) V. Rakesh Ramamlal Shah: The judgement reiterates the principle that reassessment based on borrowed satisfaction and without new tangible material amounts to a mere change of opinion and is therefore invalid.

TAX BITES

- ITAT Ahmedabad: Yogesh Mafatlal Bhansali V. ITO Ward– 5(3)(1) AHMEDABAD
- ITAT Delhi: Hyosung Corporation V. ACIT, Circle Int. Tax 2(1) (1), Delhi



DIRECT TAX UPDATES

APRIL, 2025

An E - Newsletter

DELHI HC: TOWNPARK BUILDCON PVT. LTD. V. ACIT, CC 15 & ORS. [2025 (5) TMI 291]

[Validity of reassessment proceedings-reciprocity of Section 148,149, 153A and 153A]

Background: The Petitioner Townpark Buildcon Pvt. Ltd. filed its return of income for the Assessment year 2015-16 on 25.09.2025 declaring an income of Rs. 89,72,493/-. On 02.03.2022, search was conducted under section 132 of the Income Tax Act, 1961 at the premises of the person belonging to the gaur group. Based on certain material found during search, the Assessing officer (AO) issued a notice under section 148 of the Income Tax Act on 29.08.2024 seeking to reopen the assessment for the A.Y. 2015-16. The Petitioner contended that the notice was issued beyond the period of limitation.

Decision: The Delhi High Court held that the reassessment notice issued under section 148 of the Income tax Act was barred by limitation. The court considered the applicability of section 153C of the Act, even though it is inapplicable to search which is conducted after 31.01.2021, to determine the validity of the notice under section 148 in view of the proviso to section 149(1) of the Act. The court emphasis that for considering the limitation under section 153C, the relevant date is when the AO decided to initiate reassessment proceedings. The block of ten assessment years was reckoned from the end of AY 2025-26, the Assessment year relevant to the financial year in which the notice under section 148 was issued.

Delhi HC: RATNAGIRI GAS AND POWER PVT. LTD. V. ASSISTANT COMMISSIONER OF INCOME TAX [W.P. (C) 221/2023]

[Reassessment was quashed as time-barred due to absence of escaped income in the form of an asset and full disclosure by the assessee]

Background: The Petitioner. Ratnagiri Gas and Power Pvt. Ltd., filed a Petition challenging a reassessment notice issued under Section 148 of the Income Tax Act, 1961 for the A.Y. 2013-14. Essentially, the Petitioner was aggrieved by the initiation of reassessment proceedings for A.Y. 2013-14, which were commenced by issuance of a notice dated 24.05.2021 under section 148 of the Act. The said notice was subsequently deemed to be a notice under section 148(b) of the Act, in terms of the decision of the Supreme Court in *Union of India & Ors. V. Ashish Aggarwal* [2022 SCC OnLine SC 543]. The Petitioner also impugns the said notice as well as an order dated 02.12.2022 passed under section 148 A(d) of the Act, which was issued pursuant to the aforementioned notice dated 24.05.2021.

Decision: The High Court ruled in favor of the Petitioner. The court set aside the reassessment order and the reassessment notice, concluding that the reassessment proceedings are barred by limitation. The court reasoned that the conditions for issuing a reassessment notice under section 149(1)(b) of the Income Tax Act were not met, as there was no evidence that the income that escaped assessment was represented in the form of an asset. Additionally, the court found that the petitioner had fully disclosed all relevant facts in its income tax return, and the reassessment was initiated based on the company's expenses, which is not a valid ground for reassessment.

GUJARAT HC: SHREE SARKHEJ KELAVANI MANDAL V. ADDITIONAL/ JOINT/ DY. ASSISTANT COMMISSIONER OF INCOME TAX/ INCOME TAX OFFICER & ANR. [2025 (4) TMI 1457]

[Denial of adjournment and ignoring stay orders led the High Court to quash assessment and penalty orders for violation of natural justice and systemic administrative failure]

Background: The Petitioner filed its return of income of the A.Y. 2018-19 on 30.03.2019 declaring Nil Income, claiming exemption under section 11 & 12 of the Income Tax Act. the Petitioner submitted an audit report in Form No. 10 but later found errors and submitted a revised report. The Assessing Officer (AO) denied the exemption under section 11, stating that the Petitioner had violated section 12A by not filing the return and Form No. 10B within the prescribed time limit. The Petitioner requested for an adjournment to respond to the Show Cause Notice, but the Assessing Officer passed the final Assessment Order rejecting the request. The petitioner filed the Petition challenging the Assessment Order.

Decision: The court found that the AO action of passing the Assessment Order without considering the Petitioner adjournment request violated the principles of natural justice. The court quashed the Penalty Order and Demand Notice. The Court directed the Income Tax Department to pay costs of Rs. 500 in each petition to The Gujarat High Court Advocates Library. The Court also addressed systemic deficiencies in the Income Tax Department and issued directions for future handling of cases, including the mandatory involvement of the CIT (Judicial) in income tax petitions.

Key Highlights if the 2025 Notification:

CBDT Notification No. 31/2025 dated 04th April, 2025 on Redeemable bonds issued by the Housing and Urban Development Corporation Limited (HUDCO), in respect of "Long-Term Specified Assets" under section 54EC.

The Central Government notifies bonds issued by the HUDCO as 'long-term specified assets' under section 54EC of the Income-tax Act, 1961.

Conditions:

- The bonds are redeemable after five years and issued on or after 01st April, 2025.
- HUDCO must use the proceeds from these bonds for infrastructure projects that can service their debt from project revenues, without depending on State Governments.

Explanation: For the purpose of this notification,

- a) 'Infrastructure' includes all infrastructure sub-sectors as defined vide notification no. 262 of the Department of Economic Affairs, Ministry of Finance issued by F.No.13/1/2017-INF dated October 11, 2022 (Updated Harmonised Master List of Infrastructure sub-sectors) and shall include any amendments or additions made thereof;
- b) 'Infrastructure project' means any project in Infrastructure sector.

CBDT Notification No. 35/2025 dated 22nd April, 2025 on Income-tax (Eleventh Amendment) Rules, 2025 - 27EQ Quarterly statement of Tax Collection at Source under section 206C - 35/2025 - Income Tax

The Central Board of Direct Taxes (CBDT) has expanded the scope of Tax Collected at Source (TCS) under Section 206C(1F) of the Income Tax Act. Effective from January 1, 2025, a 1% TCS will be applicable on the sale of certain luxury goods exceeding ₹10 lakh in value.

Key Highlights:

Applicability: Sellers are required to collect 1% TCS from buyers on the sale of specified luxury items valued over ₹10 lakh.

Notified Luxury Goods: As per Notification No. 35/2025 dated April 22, 2025, the following items are subject to TCS:

- Motor vehicles, Yachts, rowing boats, canoes, helicopters, Antiques, paintings, sculptures, Wristwatches, Sunglasses, Handbags, purses, Footwear, Home theatre systems, Horses used for racing or polo, Collectibles like coins and stamps

Implications:

- **For Sellers:** Ensure TCS is collected at the time of sale and deposited with the Income Tax Department. Update billing systems and train staff accordingly.
- **For Buyers:** Be prepared to pay an additional 1% on high-value luxury purchases. The TCS amount will reflect in Form 26AS, aiding in tax filings.

This move aims to widen the tax base and enhance the monitoring of high-value transactions.



EDITOR'S COMMENTS

Our View:

- This Judgement states that Assessing Officer must not rely blindly on external reports or third-party information unless such data is independently corroborated and directly connected to the assessee's case.
- The concept of “borrowed satisfaction” has been repeatedly held to be insufficient for assuming jurisdiction under Section 147.
- Moreover, the judgment reiterates that “change of opinion” cannot be a ground for reopening an assessment.

Supreme Court: Deputy Commissioner of Income Tax. Circle 2(1)(1) V. Rakesh Ramamlal Shah [SLP (C) Diary No. 16518/2025] [Reassessment based on borrowed satisfaction and without new tangible material amounts to a mere change of opinion and is therefore invalid]

Background:

The Assessee (Rakesh Ramanlal Shah), filed his return of income for the A.Y. 2014-15 on 26.07.2014, declaring a total income of Rs. 39,61,071/-. The case was selected for scrutiny, and the Assessing Officer (AO) conducted an examination under Section 143(3) of the Income Tax Act, 1961. As part of the scrutiny, the AO had specifically looked into the Long-Term Capital Gain (LTCG) transactions, concerning the shares of Monarch Health Services Ltd (later renamed Looks Health Services Ltd). The Assessee had furnished all documents including the IPO allotment details, DEMAT statements, contract notes, and bank statements. Post examination, the AO accepted the Assessee's claim and made no additions in the final order dated 18.11.2016. Subsequently, on 30.03.2021, the AO issued a notice under Section 148 of the Act, seeking to reopen the assessment. This was based on information received from the DDIT (Investigation), New Delhi, which indicated that Looks Health Services Ltd was a penny stock company used for laundering money through bogus LTCG claims.

Department's Contentions:

The department relied on the report of the Investigation Wing, which alleged large-scale manipulation in the trading of shares of Looks Health Services Ltd. It was stated that a group of beneficiaries had created fictitious LTCG by manipulating trades and prices to launder money and avoid taxation. The report claimed that the price of the scrip was artificially inflated through coordinated trade matching and order placement. On this basis, the AO recorded “reasons to believe” that the income chargeable to tax had escaped assessment. The entire sale consideration of ₹2.27 crores from the sale of shares was proposed to be treated as unexplained income, alleging that the assessee had indulged in a sham transaction. The AO therefore issued a reassessment notice under Section 148, asserting that this was not a case of change of opinion but a matter of fresh material information justifying reopening.

Decision of the High Court

The Gujarat High Court, quashed the reassessment notice. The Court noted that the assessee had made full and true disclosure during the original scrutiny assessment, and that the AO had examined the issue of LTCG in detail. The assessee had acquired the shares through a legitimate Initial Public Offering (IPO), held them in a dematerialized form, and sold them on a recognized stock exchange through a registered broker. The Court held that the reopening was merely based on borrowed satisfaction, a mechanical adoption of third-party information from the investigation wing without any independent application of mind or tangible material to directly link the assessee with the alleged tax evasion.

Decision of the Supreme Court

The IT Department filed a Special Leave Petition (SLP) before the Supreme Court of India, challenging the Gujarat High Court's order. However, the Supreme Court, after hearing the Additional Solicitor General, dismissed the SLP. The Court found no grounds for interference under Article 136 of the Constitution and upheld the High Court's decision, thereby giving finality to the matter in favour of the assessee.

ITAT AHMEDABAD: YOGESH MAFATLAL BHANSALI V. ITO WARD – 5(3)(1) AHMEDABAD [ITA NO. 740/AHD/2024]

This is a case before the Income Tax Appellate Tribunal (ITAT), Ahmedabad, concerning an appeal filed by Yogesh Mafatlal Bhansali against an order by the Commissioner of Income-Tax (Appeals). The case involves a reassessment order under sections 147 and 144B of the Income Tax Act, 1961, for the assessment year 2015-16. Appellant filed his original return of income for the assessment year 2015-16, declaring a total income of Rs. 2,71,630. The return was processed, and the assessment was completed under section 143(3) of the Income Tax Act, 1961, accepting the returned income. The assessment was reopened by issuing a notice under section 148 of the Act because the investment in immovable property was not declared in the Return of Income. The Appellant argued that the land was purchased in the name of his minor son, whose income was clubbed with his mother's income as per section 64 of the Act. Therefore, any reassessment should be in the mother's name, not the father's. The Assessing Officer (AO) contended that the father was the natural guardian in the sale agreement, so the reassessment was valid. The AO added Rs. 44,66,666 under section 56 as the assessee's income, relating to the difference between the stamp duty valuation and the purchase consideration of the property. The CIT(A) upheld the AO's decision. The ITAT allowed the Appellant appeal, stating that the reassessment proceedings were bad in law and quashed the addition made by the AO. ITAT ruled in favor of the assessee stating that the reassessment was incorrectly done in his name when the minor son's income was clubbed with the mother's income.

ITAT DELHI: HYOSUNG CORPORATION V. ACIT, CIRCLE INT. TAX 2(1) (1), DELHI [ITA NO. 2943/DEL/2023]

In this case, the taxpayer was tax resident of south Korea and it had a permanent establishment (PE) in India. During the relevant year, there was a loss attributable to that PE. Also, the taxpayer company had earned fees for technical services (FTS) not effectively connected with the PE (that FTS income was taxable in India under the domestic tax law as well as the tax treaty). The Assessing Officer (AO) rejected the taxpayer company's claim for setting off the loss attributable to the PE against the FTS income. The ITAT held in favour of the taxpayer company. The ITAT, inter alia, accepted the taxpayer company's position that there was no bar to claim set off of business loss against income from other sources; and any such restriction had to be specifically stipulated in the the Income Tax Act, 1961 ("the Act"). The ITAT observed that as per Sec. 70 and Sec. 71 of the Act, the 'total income' had to be determined in accordance with Sec. 14 of the Act. Sec. 14 deals with determination of income under various heads of income. Under the Act, though income is computed under various heads, tax is not charged separately. Tax is charged only on the net income and there is only one income tax. The ITAT opined that Sec. 71 of the Act applied in this case. That position seems consistent with Sec. 90(2) of the Act.

- [Just few days before deadline govt. amends GST Amnesty Scheme under Section 128A to give relief to GST registered taxpayers](#)
- [New income tax slabs from April 1, 2025: Know tax slabs, rates under new, old tax regime for FY 2025-26 \(AY 2026-27\)](#)
- [Income tax saving: How paying health insurance premium can help you save tax under section 80D for FY 2024-25](#)