

Communiqué

Direct Tax

March 2026



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High Court Rulings

Where AO had no independent material to prove escapement of income, initiation of reassessment proceedings under sections 148A and 148 solely based on GST registration cancellation which was later set aside on appeal was unjustified.

Facts

The assessee is engaged in the business of trading in gold, silver, diamond, and bullion under the proprietary concern M/s. Pristine Jewels who had filed return u/s 139 declaring income of INR 2.89 lacs. The respondent issued a SCN u/s 148A(1) alleging that income chargeable to tax had escaped assessment for AY 2019-20 to the extent of INR 5.28 crores. The said notice claimed that the assessee had availed ineligible ITC on the strength of invoices issued without actual supply of goods from alleged non-genuine parties. It was claimed that the assessee had entered suspicious financial transactions and that GST SCN had been issued proposing cancellation of registration.

Despite the reply by assessee, the authority passed an order dated 12-07-23 cancelling the GST registration against which the assessee preferred an appeal under Section 107 of the CGST Act before the DC of State Tax (Appeals) who vide its order dated 29-03-25 allowed the appeal and restored the assessee's GST registration holding that the cancellation was done without granting an opportunity of hearing as required under Rule 22(3) and without properly verifying the petitioner's reply and supporting documents. It further noted that there was no adjudication under Section 73 or 74 of the

CGST Act to establish fraudulent ITC and that the assessee's business activity was duly supported by relevant records, including tax returns and banking transactions. The order concluded that cancellation based on unverified suspicion or procedural lapses was unwarranted and arbitrary.

The respondent passed an order under Section 148A(3) of the Act dated 29-06-25 rejecting the reply filed by the assessee, and thereafter, the respondent issued a notice u/s 148 for the AY 2019-20 seeking to reopen the assessee's assessment.



Ruling

The Appellate Order specifically holds that there was no fraudulent ITC claimed by the assessee and neither was there any violation of GST Law under Section 73 or Section 74 of the CGST Act. Thus, this is a very vital aspect which was required to be considered while passing the impugned order u/s 148A(3) by the respondent authority. Apart from this, there is no other material which is in possession of the respondent, which could prove that there has been an escapement of income and hence the reopening was necessitated. The assessee had supplied the Appellate Order passed under Section 107. However, the respondent authority has failed to consider the same while passing the notice u/s 148. Thus, in view of the categorical findings by the GST Appellate Authority in the order the reopening of the assessment was uncalled for. The writ petition accordingly succeeds and the impugned order passed u/s 148A(3) were quashed and set aside.

Source : High Court, Gujarat in *Piyush Mafatlal Shah vs ITO vide [2026] 184 taxmann.com 641 (Gujarat) on March 23, 2026.*



ITAT Rulings

Penalty u/s 271(1)(c) was deleted since it was levied without specifying the limb for which it was levied i.e. concealment of income or furnishing inaccurate particulars, indicating ambiguity in satisfaction.

Facts

The AO, vide Assessment Order dated 28-03-16, has made the disallowances of INR 1.27 crores and INR 11.47 lacs on account of preoperative expenditure and deduction u/s 35D of the Act, respectively. The AO also initiated penalty of INR 44.80 lacs u/s 271(c) for furnishing inaccurate particulars of income and concealing the income. Therefore, the Assessee, being aggrieved, challenged the said penalty levied, by filing first appeal before the Ld. CIT, who, vide impugned order, affirmed the penalty by dismissing the appeal of the assessee. Thus, the assessee, being aggrieved, has preferred instant appeal.



Ruling

ITAT stated that from the notice, it clearly appears that the AO has used or/and in between both of the limbs, which goes to show that the AO was not sure under which limb the penalty proceedings have been initiated and to be carried out. Therefore, issue emerges "as to whether the defective notice and/or not mentioning the charge/limb specifically in the notice u/s 274 r.w.s. 271(1)(c) of the Act can justify the levy of penalty". The bench had relied upon several precedents viz. Md. Farhan A Shaikh, PCIT vs Colo Colour Private Limited (ITA No. 48 of 2022), Hon'ble Karnataka High Court in the case of Manjunatha Cotton & Ginning Factory, 359 ITR565 (Kar) as well as Hon'ble High Court of Delhi in the case of M/s. Sahara India Life Insurance Company Ltd. 432 ITR 84 (Del.) has dealt with the identical issue and considered various judgments in this respect and ultimately held "mere defect in the notice non striking of the irrelevant matter - vitiate the proceedings" and therefore respectfully following the dictum laid down by the Hon'ble Jurisdictional High Court, in the considered view of ITAT, the penalty under consideration is liable to be deleted.

Source : ITAT, Mumbai in Dazzler Confectionery Company, (P.) Ltd. vs Income-tax Officer vide [2026] 184 taxmann.com 522 (Mumbai - Trib.) on March 13, 2026.

Delay attributable to educational and technological limitations constituted sufficient cause warranting condonation in filing of the appeal, and matter was to be restored to Assessing Officer for fresh adjudication by adopting liberal and justice-oriented approach under limitation principles.

Facts

The following grounds of appeal were raised by the assessee:

- The Hon'ble CIT(A) erred in dismissing the appeal of appellant merely stating the appellant's appeal was not filed on time within the time limit as per the provisions of section 249(2) and rejected the application for condonation of delay of 114 days in filing the appeal.
- The Ld. CIT(A) has dismissed the appeal of the appellant without giving any opportunity of being heard to your appellant to explain the case, thus principle of natural justice is violated.
- The Ld. CIT(A) failed to appreciate the fact that the delay was due to bonafide reasons specifically due to non-receipts of assessment order. Thus the Ld. CIT (A) failed to appreciate that the appellant had demonstrated the sufficient and reasonable cause for the delay which was neither found to be false or misleading. Therefore, the dismissal of appeal on the ground of delay is not justified.
- The Ld. CIT(A) erred in not deciding the appeal on merits in regard to the addition made by the AO of INR 14.67 lacs u/s 69 treating the cash deposit during the demonetization period as unexplained cash credit.
- The CIT(A) failed to take the cognizance of the ITR filed by the appellant which duly discloses the amount of cash deposited during the demonetization period.

We also note from ground no.1 raised by the assessee that first appeal before the Id. CIT(A) was also barred by limitation under provisions of section 249(2) on account of delay of 114 days in filing the said appeal, whereby Id. CIT(A) had rejected the application for condonation of delay and dismissed it as assessee could not discharge the onus of "sufficient cause" as required under the provisions of section 249. In the affidavit, averments of the assessee are that he has studied only till 10th standard in vernacular language. He is a small trader with limited literacy and no exposure to technology. He was not aware of the impugned assessment order passed which was sent via electronic communication for which he does not have any access or knows how to operate, the same. He relied fully on the services of the professional engaged. Assessee claims that the delay caused at various stages of this proceeding are on account of limited education, non-access to email, absence of legal understanding and non-exposure to technology. According to him, the delay is bonafide, which has caused genuine hardship and thus, prayed that the matter be restored back to the file of Id. AO for de novo meritorious adjudication.

Ruling

ITAT take note of the fact that faceless regime is a new technological phenomenon going through teething phase. Hence, it requires lenient and pragmatic approach to handle certain lapses which are unintended. Transition to a faceless and digital appellate regime is intended to enhance efficiency, but it must not become a barrier to justice for those who lack the technical proficiency to navigate such systems. Reiterating Hon'ble Supreme Courts's repeated emphasis on the view that "substantial justice" must prevail over technical lapses, ITAT emphasise that the merits should not be stifled due to a failure to respond to electronic notices, provided such failure is not mala fide. In light of the above, ITAT stated that if we examine the facts, then it would reveal that there is a delay of 114 days in filing of the first appeal by the assessee before the Id. CIT(A). In his submissions as reproduced in the order of Id. CIT(A), assessee has explained the reasons which prevented him in filing the appeal within the prescribed limitation. ITAT stated that it is appropriate to remit the matter back to the file of Id. AO for de novo meritorious adjudication on the issue for which the case was taken up for re-assessment u/s.147 as assessee has explained of having limited literacy and no exposure to technology. We also direct the assessee to be diligent in making all its submissions, to comply with the notices for the hearing for effective and expeditious disposal of the assessment proceedings.

Source : *ITAT, Mumbai in Ramesh Lalawat vs Income-tax Officer vide [2026] 184 taxmann.com 369 (Mumbai - Trib.) on March 13, 2026.*



Compensation received under BSNL VRS-2019 is exempt under section 10(10B) where assessee, an employee of BSNL, opted for Government-approved BSNL Voluntary Retirement Scheme-2019.

Facts

The assessee was employed with BSNL, a Government of India enterprise who introduced the Voluntary Retirement Scheme (VRS)-2019, which was duly approved and implemented by the Government. The assessee opted for this scheme and received compensation as per the terms of the VRS. Under the scheme, the assessee received INR 16.53 lacs as retrenchment compensation from the CG under the budgetary allocation approved by the Government of India. This compensation was granted as a special protection package to BSNL employees. Therefore, the second proviso to section 10(10B) is applicable, and the said amount does not fall within the definition of income while computing the total income of the assessee. Accordingly, no tax is required to be deducted from the severance package received by the assessee as an employee of the DOT and BSNL combined service. Further, the grievance raised in the grounds of appeal does not arise from the order appealed against, as it is not a case where the assessee claimed exemption under section 10(10B) and the same was denied by the AO. Aggrieved by the orders of the AO, the assessee carried the matter in appeal before the Id. CIT(A), who dismissed the appeal of the assessee. In the present case, the compensation received by an assessee is towards loss of employment for the reason of employer so it would amount to Capital Receipt and hence, no Income Tax is payable. The Id. CIT(A) has rejected the first ground of the appeal without considering the request of the assessee has asked to give an opportunity to submit oral evidences through VC. Aggrieved by the orders of the Ld. CIT(A), the assessee is in further appeal before the Tribunal.



Ruling

The Ld. Counsel for the assessee submitted that due to lack of awareness of the legal provisions at the time of filing the return of income, the assessee inadvertently offered the compensation received under BSNL VRS-2019 to tax. Subsequently, based on the decision of the Hon'ble ITAT Chandigarh Bench in Harish Kumar v. ITO Ward 5(5), Chandigarh (ITA No. 42/CHD/2025 dated 30.05.2025), wherein compensation under the same BSNL VRS-2019 scheme was held to be exempt under section 10(10B), the assessee now seeks exemption of such compensation. We find that the assessee filed the claim before the Ld. CIT(A) and since the income of the assessee is not taxable, the assessee is eligible for the refund of the TDS. Since there is no change in the legal proposition and the factual matrix of the case, respectfully following the decision of the Co-ordinate Bench, the grounds raised by the assessee in the present appeal were allowed by the Bench.

Source : *ITAT, Ahmedabad in Chhaganlal Bhimabhai Dangodara vs Income-tax Officer vide [2026] 184 taxmann.com 433 (Ahmedabad - Trib.) on March 17, 2026.*

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