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## NEWS LETTER

(For the month of June-July 2025)

# DTBA (Direct Taxes) Regd.

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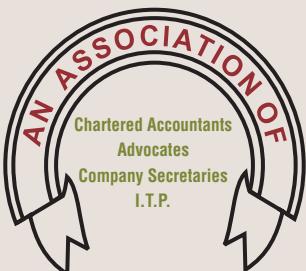
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## President Message



Dear Esteemed Members,  
Warm greetings to all of you.

As we close the eventful and professionally charged months of June and July 2025, I take this opportunity to reflect upon the vital developments, legal updates, and outreach initiatives that have shaped this period for DTBA and its members.

Our commitment to remain at the forefront of professional engagement, legal awareness, and member support continues with renewed strength. The past two months have seen significant movement on multiple fronts.

### Meeting with PCIT – Misuse of Political Donation Deductions

On 10th June 2025, DTBA held a discussion with Sh. Vivek Nangia, Principal Commissioner of Income Tax, Ludhiana, who raised grave concerns about the rampant misuse of Sections 10GGB and 80GGC, related to donations to political parties.

He highlighted that in many cases, donations are being made to parties that have no real public base or presence in the assessee's area, solely to claim tax benefits. Members are strongly urged to counsel their clients against engaging in such non-genuine practices, as the Department has already begun initiating action across regions.

This aligns with the tone and content of the CBDT Press Release dated 14th July 2025, where large-scale misuse of multiple deduction provisions has been exposed, and taxpayers have been warned against relying on unauthorized agents or intermediaries.

### CBDT Guidelines – Scrutiny Selection for AY 2024–25

CBDT has released its latest parameters for scrutiny selection. The criteria for automated and risk-based scrutiny now include:

- Mismatch in TDS/TCS reporting
- Non-disclosure of high-value transactions
- Claims of excessive deductions
- Inconsistencies in foreign income/assets reporting
- Abnormal expenditure or unexplained investments

These guidelines are now being applied systematically using AI and risk filters. Members are encouraged to exercise enhanced diligence in client consultations and return filing.

### DTBA at Taxpayer's Hub, Chandigarh

The Income Tax Department has established a Taxpayer's Hub at Chandigarh, aimed at raising awareness through seminars, literature, and educational outreach.

DTBA was honored to participate in a session held on 3rd July 2025, as part of a three-day conference at the Judicial Academy, Chandigarh, where CIT (TDS), Chandigarh, facilitated discussions on TDS-related matters.

DTBA used this platform to highlight long-pending practical issues, to which the department responded positively. Notably, a new functionality is being introduced

to allow TDS officers to address pre-31.03.2019 demands—either by direct payment or adjustment against existing balances.

### **ITR Filing Season Underway**

With the release of schemas for ITR-1 to ITR-4, professionals are now fully engaged in filing for non-audit assessees. The due date is extended to 15th September 2025, while audit case filings continue to be due on 31st October 2025, with no further extension announced as yet.

Given the compressed calendar, members are encouraged to restructure their schedules accordingly to ensure quality and timely compliance in both segments.

### **DTBA Events: Yoga Day, Workshop, and Study Circle**

The months also included activities beyond technical discourse:

- Yoga Day Celebration on 21st June 2025
- Smartbiz Workshop on 4th July 2025
- Study Circle Meet on 31st July 2025 at the Bar Room
- Full details and photographs of these events are available in this newsletter.

### **Legal Update: Section 148 Notices by Jurisdictional AO Invalid**

A long-debated issue concerning the validity of reassessment notices (u/s 148) issued by Jurisdictional Assessing Officers (JAOs) has now seen finality.

In view of Section 151A read with the Notification dated 29.03.2022, it has been argued that all reassessment notices, including those under Section 148, must be issued by the Faceless Assessment Officer.

This contention has been upheld by several High Courts, including the Punjab & Haryana High Court. Now, most significantly, on 16th July 2025, the Hon'ble Supreme Court dismissed the SLP filed by the department against the Telangana High Court's ruling in:

### **ADIT (INT TAXN)-2, Hyderabad & Anr vs Deepanjan Roy [ITA No. 157270/2025]**

With this development, all pending reassessment proceedings initiated by jurisdictional officers in such cases stand legally invalidated. Even completed assessments may need to be challenged by filing Writ Petitions before the respective High Courts, as the Department is unlikely to drop proceedings without court directions.

This is a critical issue and DTBA is actively monitoring it for the benefit of members and taxpayers alike.

### **Moving Forward – United and Empowered**

The Executive Committee of DTBA continues to operate with full energy and purpose—be it in protecting member interests, enabling legal updates, strengthening departmental engagement, or promoting wellness.

We are proud of the trust and support we receive from you, our valued members. That is the true strength of DTBA.

Let us continue to move forward, together, with integrity, diligence, and unity.

Warm regards,

**CA I S Khurana**

President, District Taxation Bar Association (DT)

## **SECRETARY MESSAGE**

Namaskar and Warm Greetings, Esteemed Members,

As we Embrace the Monsoon season, I extend my sincere Gratitude for your Continual Dedication, Active Participation, and Commitment for the advancement of our Profession.

Past months, remained witnessing meaningful engagements and here I am pleased to share some:

#### **- Advocacy and Representation:**

On 10th June 2025, DTBA convened a meeting with the Honourable PCIT-1 to candidly address pivotal challenges faced by our fraternity. In continuation, we submitted two comprehensive representations to the Honorable Finance Minister:

- ITR-U Filing Beyond Two Years: We highlighted the practical difficulties faced in filling for periods exceeding two years—a challenge affecting both taxpayers and professionals.
- Clarification on Clause 22 of Form 3CD: We sought urgent clarification to mitigate ambiguities in light of recent amendments, to prevent unintended hardship and litigation.

#### **International Yoga Day Celebration:**

We came together to enthusiastically observe International Yoga Day, acknowledging the enduring value of yoga in fostering both personal well-being and professional resilience. The Yoga sessions, beautifully executed by Team CS Rattan Ji, served as a timely reminder that true professional excellence is rooted in inner balance & holistic wellness.



## Capacity Building through Knowledge Sharing:

- On 5th July 2025, DTBA, in collaboration with the **Ludhiana Branch of NIRC of ICAI**, successfully organized an insightful workshop, “**Walk Through Smartbiz**,” at ICAI Bhawan, Ludhiana. The hands-on session focused on the practical application of the Smartbiz-Income Tax and TDS Software, which was facilitated by their technical team. The workshop provided a deep dive into advanced features, automation tools, and real-time troubleshooting and Member engagement, along with active participation from office staff at the open feedback forum, made the session highly interactive and relevant.
- On 31st July 2025, a focused Discussion Forum took place, where members deliberated on the recent amendments in Form 3CD. The session featured resource persons as CA Rajesh Jain and myself. The event fostered candid peer-to-peer dialogue, helped addressing practical issues arising from the changes, and reinforced our association’s commitment by keeping the membership abreast of critical regulatory developments.

Friends, these collective efforts reflect our association’s mission to foster professional growth, knowledge dissemination, and meaningful advocacy.

In closing, I draw strength from the timeless wisdom of the Bhagavad Gita, which continually reminds me—and indeed, all of us—that the true measure of our actions lies not in perfect execution, but in our unwavering commitment to our responsibilities to contribute meaningfully to the greater good. “श्रेयान्स्वधर्मो विगुणः परधर्मात्स्वनुष्ठितात्

*“One's own duty, though performed imperfectly, is better than another's duty well executed.”*

So, **Let us strive** to fulfil our responsibilities with integrity, diligence, and unwavering faith in our chosen path.

With warm regards,  
**CA Deepak Jain**

Secretary, District Taxation Bar Association (Direct Taxes), Ludhiana

## FROM THE DESK OF THE EDITOR



As we entered June and July 2025, India’s fiscal landscape stood at an inflection point. The government-led momentum toward simplifying tax policy, bolstered consumption through tax relief leading to higher disposable income in the hands of consumers. Yet, these strides come amid mounting global headwinds—from trade tensions to geopolitical shifts.

The much anticipated Income Tax Bill, 2025, introduced to simplify the Income Tax and replace the Income Tax Act 1961, had raised expectations with of easier compliance and lesser disputes. The bill was under scrutiny of Parliamentary Committee which after considering representations from various stakeholders and response of Ministry of Finance made 285 suggestions to the draft bill. The Bill was expected to be introduced in the parliament in August 2025 but in a surprising turn of events, the government withdrew the Bill in early August, citing that suggestions had been received which were required to be incorporated to convey the correct legislative meaning. There were corrections in the nature of drafting, alignment of phrases, consequential changes and cross-referencing. This episode underscores both the complexity of reforming direct taxation in India and the government’s willingness to recalibrate in pursuit of balance.

As we enter into August and the CBDT having started e-filing of ITR form 1 to 4, the income tax returns filing seem to be picking up. E-filing of ITR form 5, 6 and 7 is yet to be started which may result in heavy rush in the months of August and September since the last date for ITRs which were due to be filed on 31st July stands extended to 15th September. Along with this ITR filing rush, professionals are also staring at due date for filing tax audit reports till 30th September. Unless the due date for filing tax audit reports is extended well in advance, the tax and audit seasons is going to be extremely busy and challenging for us professionals.

India’s domestic indicators remain resilient. Retail inflation fell to a rare 1.76% in July, under the RBI’s lower tolerance band, allowing broader policy flexibility. Yet headwinds loom as India-USA trade talks couldn’t result in clinching a trade deal resulting into USA raising tariffs to as high as 50%. This poses threats to export-intensive sectors—electronics, textiles, agriculture—potentially driving businesses to seek alternative markets. The Indian Government has so far stood its ground and refused to bow to the pressure of USA for opening Agricultural and Dairy sector. The effect of these trade dynamics will be visible in the coming few months.

Moving forward the economic, taxation and trade dynamics require deft policymaking to sustain growth — while ensuring that tax revenues remain buoyant. Ultimately, India’s mid year fiscal outlook demonstrates resilience—and a readiness for the longer, uphill climb ahead.

Sincerely yours,  
**CA Hitesh Bhakoo**  
Editor

## ASSOCIATION ACTIVITIES

1. On 10th June, 2025, Team DTBA organised a Meeting with the Worthy PCIT-1.
2. On 10th June, 2025, Team DTBA sent a Representation to the Hon'ble Finance Minister highlighting the practical difficulties being faced in filing ITR-U for more than two past years.
3. On 10th June, 2025, Team DTBA also sent another Representation to the Hon'ble Finance Minister drawing attention towards the ambiguity in Clause 22 of Form 3CD as per the recent amendment and requested for necessary clarification in the matter.
4. On 21st June, 2025, Team DTBA celebrated International Yoga Day with active participation of members to promote health, wellness and mindfulness amongst the fraternity.
5. On 3rd July, 2025, Team DTBA organised a visit to the TDS Enclave at Chandigarh.
6. On 5th July, 2025, Team DTBA organised an interactive session titled "Walk Through Smartbiz" with Speaker Sh. Yogesh Jain.
7. On 31st July, 2025, Team DTBA organised a Study Circle Meeting.

## KNOWLEDGE SECTION

### Merely Putting Forth Resignation Insufficient For Discharging Liability Of A Partner In A Registered Partnership Firm

Partnership firms are one of more common entities under which many persons carry on their businesses. Many partnership firms are registered with Registrar of Firms. At times, there are changes in the partners of such firms by way of incomings or outgoings of partners. Whenever a partner retires from a registered partnership firm, an agreement is often executed between the partners of the partnership firm citing various terms and conditions of retirement which is referred to in common parlance as Retirement Deed. There is a common belief that signing a retirement deed results in discharge of liability of a partner from the firm. A question recently came before the Hon'ble Supreme Court of India in the context of Negotiable Instruments Act, 1881 in case of a registered firm as to whether mere putting forth a resignation or entering into a retirement deed is sufficient for discharging the liability of a partner in a registered partnership firm.

The Hon'ble Court observed that since the partnership firm was registered with Registrar of Firms, the provisions of the Partnership Act 1932 need to be referred to. A perusal of Section 72 of the Partnership Act shows that notice of retirement must be given to the Registrar of Firms under Section 63 and by publication in the Official Gazette and in at least one vernacular newspaper circulated in the district where the Firm to which it relates has its place or principal place of business, such notice needs to be published. What, therefore, is mandated under the Statute is that if any registered Firm intends to include or exclude by way of resignation, expulsion or addition of any partner in the Firm, the necessary intimation to registrar to the said effect has to be forwarded and conveyed to the Registrar of Firms. As per Section 63, the Registrar shall make a record of the notice in the entry relating to the Firm in the Register of Firms and shall file a notice along with a statement relating to the Firm as provided for under Section 59 of the Partnership

Act. The Hon'ble Supreme Court held that merely putting forth a resignation or partners entering into an agreement or drafting a deed or/an accepting the resignation of partner of the Firm is insufficient for discharging the liability of partner unless a proper entry to the said effect after the publication has been given effect to with the same having been recorded in the Register of Firm in the office of the Registrar of Firms as provided for in Section 63 of

Partnership Act.

This judgment underlines the importance of carefully following the statutory procedure in the cases of retirement of partners from registered firms. Failure to do so may result in unintended liabilities for retiring partners of registered firms.

(CA HITESH BHAKOO)  
Editor

## CIRCULARS/NOTIFICATIONS AND NEWS

1. CBDT vide notification F. NO. 225/205/2024/ITA-II, dated 9-6-2025 relaxes the time-frame prescribed in second proviso to sub-section (1) of section 143 of the Act and directs that electronically filed valid returns of income filed u/s 139 of the Act for AY 2023-24, for which date of sending intimation under sub-section (1) of section 143 of the Act has lapsed, shall be processed now and intimation under sub-section (1) of section 143 of the Act shall be sent to the assessee concerned by 30-11-2025.
2. CBDT vide Circular No. 07/2025 dated 25 June 2025 provides that valid electronic returns of income filed pursuant to condonation orders under section 119(2)(b) of the Income-tax Act, 1961 on or before 31 March 2024 may be processed up to 31 March 2026 and intimations under section 143(1) shall be issued accordingly.
3. CBDT vide Circular No. 08/2025 dated 1 July 2025 clarifies that Circular No. 5/2025 dated 28 March 2025 regarding waiver of interest under sections 201(1A)(ii) and 206C(7) of the Income-tax Act, 1961, stating that the competent authorities (CCIT/DGIT/Pr. CCIT) may grant such waivers even after earlier levy of interest, and applications may be filed within one year from the end of the relevant financial year.
4. CBDT vide Circular No. 09/2025 dated 21 July 2025 grants relief to deductors/collectors from the levy of higher TDS/TCS rates under sections 206AA and 206CC in cases where PAN was inoperative but subsequently made operative within prescribed timelines, i.e., by 30 September 2025 for payments/credits from 1 April 2024 to 31 July 2025, and within two months from the end of the month of payment/credit for transactions on or after 1 August 2025.
5. CBDT vide Circular No. 10/2025 dated 28 July 2025 provides relaxation of the time limit for processing income-tax returns that were electronically filed but erroneously treated as invalid by CPC, so that such returns may be duly processed.
6. CBDT vide Circular No. 10/2025 dated 28-07-2025 provides a further relaxation of time limit for processing certain electronic returns of income which were invalidated by the CPC (Central Processing Centre) due to a glitch/mistake. The circular directs that such returns (filed within the due date but treated as invalid by CPC) shall be processed by 31-03-2026, treating them as valid, to mitigate hardship to affected taxpayers. This effectively allows the Department to complete assessment/refund processing for these cases despite the earlier technical invalidation.

Compiled by:

**CA. Megha Oberai**

## JUDGMENTS SECTIONS

### [2025] 176 taxmann.com 475 (SC) SUPREME COURT OF INDIA Income-tax Officer v. Asefa Zohar Malampattiwala

SLP dismissed against order of High Court that where Assessing Officer reopened assessment on ground that assessee had not accounted huge amount of Rs. 5.53 crores received in cash from purchaser of immovable property, since alleged transaction of sale of property had never taken place and no income had accrued to assessee on account of transfer of a capital asset either by way of sale deed or handing over possession pursuant to agreement to sell, impugned reopening notice issued against assessee was not tenable in law

### [2025] 176 taxmann.com 518 (Karnataka) HIGH COURT OF KARNATAKA Inesh Realtors (P.) Ltd. v. Income-tax Officer

Where assessee-company invested borrowed funds with its holding company and treated interest earned as business income, but reassessment was initiated to treat it as income from other sources, since prior approval was not obtained and claim for deduction of interest expenditure was not considered, reassessment was invalid

### [2025] 175 taxmann.com 285 (Madras) HIGH COURT OF MADRAS Principal Commissioner of Income-tax v. Astrotech Steels (P.) Ltd.

Where deduction claimed by assessee under section 10AA was disallowed while processing return under section 143(1) as audit report in Form 56F, which is to be filed along with return, was not filed by assessee, since assessee had duly fulfilled substantial requirement as well as procedural requirement, though there was a minor technical breach in fulfilment of procedural requirement, delay in filing Form 56F would not be fatal to substantive claim of assessee

### [2025] 175 taxmann.com 380 (Himachal Pradesh) HIGH COURT OF HIMACHAL PRADESH J.C. International v. Deputy Commissioner of Income-tax

An assessee who sets up a new industry of a kind mentioned in section 80-IC(2) and starts availing exemption of 100 per cent tax under section 80-IC(3) (which is admissible for five years) can start claiming exemption at same rate of 100 per cent beyond period of five years on ground that assessee now carried out substantial expansion in terms of section 80-IC(8)(ix) within aforesaid period of ten years in its manufacturing unit

### [2025] 175 taxmann.com 650 (Madras) HIGH COURT OF MADRAS Santhamani v. Assessment

### Unit, Income Tax Department, National Faceless Assessment Centre

Where assessee, a poor tailor, was issued reopening notice and all notices were uploaded in e-portal, since assessee had no occasion to open portal nor was he aware that he had to file return, ex parte order passed by Assessing Officer was to be set aside and assessee was to be given one more opportunity to put forth his case

### [2025] 175 taxmann.com 405 (Karnataka) HIGH COURT OF KARNATAKA Principal Commissioner of Income-tax v. TE Connectivity India (P.) Ltd.

Where Principal Commissioner invoked revision on ground that Assessing Officer had not disallowed commission payments to agents which were being made without deducting tax at source under section 194H, merely because Assessing Officer had issued notices, to which replies were submitted it could not be said that Assessing Officer had examined impugned transaction in detail during course of assessment proceedings, therefore, impugned exercise of jurisdiction under section 263 by Principal Commissioner was justified

### [2025] 175 taxmann.com 1009 (Madras) HIGH COURT OF MADRAS Periyadurai Sadayappan v. Income-tax Officer

Where impugned order was passed without taking notice of replies filed by assessee and also without giving an opportunity of personal hearing to assessee, impugned order was to be set aside and matter was to be remanded back to respondents for fresh hearing

### [2025] 175 taxmann.com 718 (Madras) HIGH COURT OF MADRAS Deloitte Haskins & sells v. Assistant Commissioner of Income-tax

Where Commissioner issued a notice under section 263 alleging that by amending partnership deed to include one more partner, status of assessee had changed from a partnership firm to an Association of Persons (AOP) and, therefore, he directed Assessing Officer to disallow salary paid to partners as same could not be allowed as deduction under section 40(b), since no figures had been given in notice to suggest that average rate of income tax on total income of AOP would be far higher than average rate of income tax applied to partnership firm, Commissioner was not justified in his view

### [2025] 176 taxmann.com 49 (Chhattisgarh) HIGH COURT OF CHHATTISGARH Chhattisgarh Rajya Open School Madhyamik Siksha Mandal v. Deputy Commissioner of Income-tax, Exemption

Where registration under section 12AA was granted

during pendency of appeal before Tribunal, such appeal was deemed continuation of assessment proceedings, and assessee was entitled to retrospective exemption under sections 11 and 12 by virtue of first proviso to section 12A(2)

**[2025] 175 taxmann.com 920 (Madras) HIGH COURT OF MADRAS Commissioner of Income-tax v. Laserwords US Inc.**

Where directions issued by DRP did not contain Document Identification Number (DIN) as mandated by CBDT Circular No.19/2019 dated 14-8-2019, directions were invalid in law and further, assessment order which also did not contain DIN was also invalid

**[2025] 176 taxmann.com 113 (Karnataka) HIGH COURT OF KARNATAKA Suresh Kumar Paruchuri v. Commissioner of Income-tax (Appeals), NFAC, Delhi**

Where department sent communications and notices to email address of assessee's former auditor and assessee was remained unaware of notices and thus, an ex parte assessment order was passed, since department ought to have issued notice or communication to assessee to his present email address to facilitate him to contest case and provide fair opportunity of hearing, impugned ex parte order passed was to be quashed

**[2025] 175 taxmann.com 1000 (Madras) HIGH COURT OF MADRAS The Modakkurichi Circle Teachers and Public Servants Cooperative T & C Society v. Principal Commissioner of Income-tax**

Where assessee registered as trust was converted into society and a new PAN was allotted, however notices were issued in old PAN and Assessing Officer passed assessment order ex parte, since due to change in name of management of assessee-society new PAN was allotted and assessee was unable to participate in proceedings, such non participation would not deprive assessee of its right to prosecute a case under section 264

**[2025] 176 taxmann.com 332 (Gujarat) HIGH COURT OF GUJARAT VR Bharat (P) Ltd. v. National Faceless Assessment Centre**

Where Assessing Officer issued a notice under section 148 for reopening assessment for assessment year 2015-16, however, by a corrigendum notice issued on 30-3-2021 for assessment year 2015-16 was corrected to be notice for assessment year 2016-17 and moreover, Assessing Officer had also not provided any opportunity of hearing to assessee as per provisions of section 144B(6)(vii) though assessee had requested for same, impugned assessment order passed for assessment year 2015-16 was to be quashed and set aside and matter was to be remanded back to Assessing

Officer to pass a fresh de novo order for assessment year 2016-17 in accordance with law

**[2025] 176 taxmann.com 638 (Mumbai - Trib.) IN THE ITAT MUMBAI BENCH 'A' A. K. Capital Services Ltd. v. Principal Commissioner of Income-tax**

Where assessee claimed deduction under section 80G for CSR expenditure and Assessing Officer, after due inquiry, allowed claim, invocation of section 263 by Principal Commissioner was unjustified as Assessing Officer had taken a plausible view and both conditions for revision were not satisfied

**[2025] 175 taxmann.com 991 (Kolkata - Trib.) IN THE ITAT KOLKATA BENCH 'SMC' Riddhi Seva Kendra v. ADIT**

Where assessee had not been granted exemption under section 11 as there was delay in filing audit report in Form No. 10B along with return of income but same was available at time of processing of return, claim under section 11 could not be denied

**[2025] 176 taxmann.com 675 (Bangalore - Trib.) IN THE ITAT BANGALORE BENCH 'A' Academy of Liberal Education Regd v. CIT (Exemptions)**

Where assessee-trust, engaged in providing educational facilities, filed an application for permanent approval under section 80G(5), since assessee was established for charitable purposes within meaning of section 2(15) and registration under section 12A had already been granted after verifying genuineness of activities carried out by assessee, Commissioner (Exemptions) was to be directed to grant approval under section 80G(5) to assessee-trust

**[2025] 175 taxmann.com 1011 (Chennai - Trib.) IN THE ITAT CHENNAI BENCH 'A" ACIT v. Anil Reddy Yeduguri**

Where assessee had sold shares of a company during year under consideration and claimed exemption under section 54F, since assessee had made substantial payment to builder for construction of building and building was completed and handed over to assessee, delay in completion of house was caused due to COVID-19 pandemic, for which, assessee could not be faulted, hence, assessee could not be denied benefit of exemption under section 54F

**[2025] 176 taxmann.com 624 (SC) SUPREME COURT OF INDIA Commissioner of Income-tax (Exemptions) Ahmedabad v. United Way of Baroda**

SLP dismissed against order of High Court that where assessee-trust professionally organized Garba events during Navratri, such activities could not be termed as business and were thus not hit by proviso to section 2(15), making assessee eligible for exemption under sections 11 and 12

**[2025] 176 taxmann.com 1003 (SC) SUPREME COURT OF INDIA Assistant Commissioner of Income-tax, Mumbai v. Karan Maheshwari**

SLP dismissed against order of High Court that where Assessing Officer issued reopening notice against assessee on ground that assessee had received dividend and claimed fictitious losses in equity/derivative trading, since Assessing Officer had not found in matter at hand any illegality or irregularity in transactions of assessee and there was nothing to indicate that assessee had participated knowingly in a sham transaction to reduce his tax liability or to earn dividend or book short-term capital loss, impugned notice was unjustified

**[2025] 177 taxmann.com 102 (SC) SUPREME COURT OF INDIA Xaviers Institute of Management v. Chief Commr. of Income-tax (Bhubaneswar)**

Supreme Court permitted assessee to withdraw appeal against order of High Court that where assessee-Institute spent very large amount of money for purpose other than education, and also made investment in share market and no separate accounts were maintained for different activities, Commissioner rightly declined approval under section 10(23C)(vi)

**[2025] 176 taxmann.com 400 (Gujarat) HIGH COURT OF GUJARAT Shraddha Developers v. National Faceless Assessment Centre**

Where reopening notice issued under section 148 was neither addressed nor communicated to anybody and same was sent on a wrong email address, assessee was not in a position to controvert same and, thus, impugned reopening notice and subsequent assessment order passed thereunder was to be quashed and set aside

**[2025] 176 taxmann.com 405 (Bombay) HIGH COURT OF BOMBAY Mirae Asset Venture Investments india (P.) Ltd. v. Principal Commissioner of Income-tax**

Where assessee-company opted for taxation under section 115BAA and filed its return one day before due date of filing return, however, Form 10-IC was filed belatedly, since assessee had complied with all conditions as mentioned in Circular No. 19/2023 dated 23-10-2023, impugned delay in filing Form 10-IC was to be condoned

**[2025] 176 taxmann.com 451 (Calcutta) HIGH COURT OF CALCUTTA Principal Commissioner of Income-tax v. Gillanders Arbuthnot and Co. Ltd.**

Where Assessing Officer issued a reopening notice against assessee on ground that assessee had made bogus purchases from a shell company, since assessee had submitted several documents such as copies of

ledger account of shell company in books of assessee depicting complete details of purchases, copies of purchase bills from shell company, audited books of account along with all supporting bills and vouchers etc. and all documents submitted by assessee were not doubted by revenue, impugned reopening notice issued against assessee was unjustified

**[2025] 176 taxmann.com 308 (Bombay) HIGH COURT OF BOMBAY Poonawalla Estate Stud & Agricultural Farm v. Commissioner of Income-tax**

Where assessee, engaged in business of breeding and selling racehorses, received insurance claim on account of death of its horses, since horses were treated as capital assets, impugned insurance claim was capital receipt governed by provisions of section 45(1), not chargeable to tax, and could not be treated as 'profits' under section 41(1)

**[2025] 176 taxmann.com 704 (Telangana) HIGH COURT OF TELANGANA Kings Pride Infra Projects (P.) Ltd. v. Deputy Commissioner of Income-tax**

Reassessment notice under section 148, in case assigned to 'central charges', can not be issued by JAO and has to be issued in a faceless manner as per amended provisions brought in by Finance Act, 2021 w.e.f. 1-4-2021

**[2025] 176 taxmann.com 830 (Delhi - Trib.) IN THE ITAT DELHI BENCH 'D' Nilesh Purshottam Ghodasara v. Deputy Commissioner of Income-tax, Circle, International Taxation-1(3)(1)**

Where assessee, an NRI, purchased a flat and source of funds for making payment was partly from housing loan and partly from sources outside India, impugned addition made under section 69 on account of said investment was not justified

**[2025] 176 taxmann.com 863 (Chennai - Trib.) IN THE ITAT CHENNAI BENCH 'C' Tamilnad Mercantile Bank Ltd v. Assistant Commissioner of Income-Tax**

Where assessee bank was a member of online platform operated by CCIL and assessee paid clearing charges or professional charges to CCIL for using their online platform as well as for availing various online services and Assessing Officer made addition for not deducting tax at source under section 194J on payments made to CCIL, since no case of any tax deduction under section 194J was made out qua assessee upon clearing/ professional charges paid to CCIL, impugned addition was to be deleted

Compiled by:

CA. Megha Kalra

## ARTICLE SECTION

### Chargeability of Capital Gain in the context of Transfer of Residential House and Exemption u/s 54 and 54F of the Income Tax Act 1961

#### I. Introduction

The transfer of a Residential House Property results in capital gains, which are taxable under the Income Tax Act, 1961. The Act, however, contains several provisions to grant exemption on such capital gains if reinvested in specified manners. Sections 54 and 54F are two such critical provisions available to individuals and Hindu Undivided Families (HUFs), designed to promote reinvestment in residential real estate. This article aims to provide a comprehensive overview of the taxation of capital gain on transfer of residential house property, available exemption under Sections 54 and 54F applicable tax rates on capital gains, and the role of indexation in computing taxable gains.

While Section 54 applies specifically to long-term capital gains from the transfer of a *residential house property*, Section 54F covers long-term capital gains from any capital asset *other than a residential house*, provided investment is made in a residential house.

#### II. Nature of Capital Gains and Taxability

Capital gains arising from the transfer of a capital asset are taxed as per its holding period:

- **Short-term capital gain (STCG):** Property held for up to 24 months. [Section 2(42A)]
- **Long-term capital gain (LTCG):** Property held for more than 24 months. [Section 2(29AA)]



#### Tax Rates (as applicable to capital gain on transfer of residential property):

- **STCG:** Taxed as per applicable slab rate (for individuals/HUFs).
- **LTCG (Section 112):**
- Where transfer is made before 23.07.2024: Taxed at **20%** + applicable surcharge & cess (with indexation benefit).
- Where transfer is on or after 23.07.2024: Taxed at **20%** + applicable surcharge & cess (with indexation benefit) or 12.50% + applicable surcharge + cess (without indexation benefit); whichever is lower.

#### Indexation Benefit:

Indexation adjusts the purchase price of the property for inflation using the Cost Inflation Index (CII) notified by the CBDT every year. It reduces the amount of capital gains and accordingly the tax liability.

Particulars	Section 54	Section 54F
Eligible Assessee	Individual / HUF (Resident & NRI)	Individual / HUF (Resident & NRI)
Original Asset	Residential House Property	Any Long-Term Capital Asset (other than Residential House)

Time Limit for Investment	Purchase: 1 yr before / 2 yrs after Construction: within 3 yrs	Purchase: 1 yr before / 2 yrs after Construction: within 3 yrs
Basis of Exemption	Based on Capital Gains invested	Based on Net Sale Consideration invested.
Ownership Restriction	No restriction	Must not own more than 1 Residential House (other than new Residential House) on date of transfer
Option to Invest in 2 Houses	Permitted if gains ≤ Rs. 2 crore (once in lifetime)	Not available
Effect of Exemption if new Residential House is transferred within 3 years	Cost of acquisition of new house will be reduced by amount of capital gain, the exemption benefit of which was taken.	The benefit of exempted amount of capital gain taken is taxed in the previous year of sale.
Deposit under Capital Gain Accounts Scheme	Required if investment not made before due date of Return	Required if investment not made before due date of Return

**Indexation benefit is not available to non-resident Assessee where transfer is on or after 23.07.2024**

### III. Judgements

1. Though not directly on Sec 54/54F, this case emphasized that exemption provisions must be interpreted liberally to fulfil legislative intent - Pr. CIT v. Bajaj Tempo Ltd. (1992) 196 ITR 188 (SC).
2. Construction of the house should be completed within 3 years from the date of transfer. Date of commencement of construction is irrelevant. Construction may be commenced even before the transfer of the house - CIT v. J.R. Subramanya Bhat [1986] 28 Taxman 578 (Kar.)
3. Case of allotment of a flat under the self-financing scheme of DDA (or similar schemes of co-operative societies and other institutions) is treated as construction of house for this purpose—Circular No. 471, dated October 15, 1986, and Circular No. 672, dated December 16, 1993.
4. If the whole of the consideration is paid and possession of the house is obtained, the exemption contemplated under section 54 is clearly attracted—CIT v. Laxmichand Narpal Nagda [{1995}78 Taxman 219 (Bom.).
5. Nowhere it has been mentioned in section 54 that the same funds must be utilized for the purchase of another residential house; requirement of law is that the assessee should purchase a residential house within the specified period and the source of funds is quite irrelevant - Muneer Khan v. ITO[2010] 41 SOT 504 (Hyd.), Keshav Dutt Shreedhar v. DCIT (2019) 202 TTJ (Chd) 117.
6. Once it is demonstrated that consideration received on transfer of a capital asset has been invested either in purchase or in construction of a residential house, even though these transactions are not complete in all respects as required under law, the same would not disentitle assessee from benefit of exemption under section 54F – CIT v. Sambandam Udaykumar [2012] 206 Taxman 150 (Kar.), V. A. Tharabai v. CIT [2012] 50 SOT 537 (Chennai), Mrs. Seema Sabharwal v. ITO (2018) 193 TTJ (Chd) 128
7. Exemption under section 54 will be admissible even where the assessee has purchased residential house property jointly with her daughter and son in law – ITO v. Rachna Arora: (2021) 191 ITD 667 (Chd)
8. Period of due date of filing of Return of Income u/s 139(1) is subject to extended period specified u/s 139(4)/ 139(5) – CIT V. Jagriti Aggarwal (2011) 245 CTR (P&H) 629, CIT V. Rajesh Kumar Jalan (2006) 206 CTR (Gau) 361

**Note:** The article is based on the provisions of Income Tax Act, 1961 in force as on 27.06.2025

### Disclaimer:

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