VERENDRA KALRA & CO LLP
CHARTERED ACCOUNTANTS

Communiqué

Direct Tax

July 2026

info@vkalra.com I www.vkalra.com

Communiqué
Direct Tax
July 2026

VERENDRA KALRA & CO LLP
CHARTERED ACCOUNTANTS

Inside this edition

High Court Rulings

Enhancement of disallowance from INR 11.05 crores to INR 16.75 crores without issuing notice of proposed enhancement to assessee is invalid, as mere discussion on merits or scrutiny of ledger accounts did not satisfy statutory requirement of notice and opportunity of hearing.

ITAT Rulings

Where AO initiated proceedings under section 153C for multiple years on basis of a common consolidated satisfaction note instead of recording a separate satisfaction note for each assessment year, such assessment proceedings were vitiated, and assumption of jurisdiction was invalid.

Where Assessing Officer initiated reassessment on basis of recorded reasons but completed reassessment under section 147 r.w.s. 143(3) without first disposing of assessee's objections by a separate speaking order, reassessment pursuant to notice under section148 was vitiated and liable to be quashed.

High Court Rulings

Enhancement of disallowance from INR 11.05 crores to INR 16.75 crores without issuing notice of proposed enhancement to assessee is invalid, as mere discussion on merits or scrutiny of ledger accounts did not satisfy statutory requirement of notice and opportunity of hearing.

Facts

The Tribunal was legally justified in confining the allowance of advertisement expenses incurred by the appellant proportionate to the appellant's revenue to the total revenue of the Sahara Group on the reasoning that some indirect benefit may have accrued to other group entities of the appellant.

Ruling

In disposing of an appeal, the CIT(A) may consider and decide any matter arising out of the proceedings in which the order appealed against was passed, notwithstanding that such matter was not raised before the CIT(A) by the appellant. A simple look at the above-quoted provision leaves no manner of doubt that it is obligatory on the part of the appellate authority to issue a notice and provide an opportunity of hearing to show cause against proposed enhancement or addition to the assessee. Indisputably, the disallowances have been made/enhanced by more than a sum of INR 5 crores and no notice in this regard appears to have been issued to the assessee. Mere discussion on the merit of the disallowance or detailed directions in this regard for scrutiny of the ledger of the assessee does not conform to the requirement of issuance of notice and providing an opportunity. Issuance of notice means the intention to take an action in explicit terms. Unless an assessee is put to notice about the proposed action, he cannot be expected to defend his cause. In the absence of such a notice having been served upon the assessee, not only his statutory rights but also fundamental rights guaranteed under Article 14 of the Constitution have been violated. The question referred to above is thus answered in favour of the assessee.

Source : High Court, Delhi in Sahara India Commercial Corporation Ltd. vs ACIT on July 23, 2026, vide [2026] 188 taxmann.com 935 (Delhi).

ITAT Rulings

Where AO initiated proceedings under section 153C for multiple years on basis of a common consolidated satisfaction note instead of recording a separate satisfaction note for each assessment year, such assessment proceedings were vitiated, and assumption of jurisdiction was invalid.

Facts

In the aforesaid appeal vide IT(SS)A No. 985/Lkw/2025, the assessment order dated 25-03-23 was passed under section 153C whereby the assessee's total income was determined at INR 26,28,897. In the assessment order, additions of INR 9,00,000, INR 4,67,600 and INR 12,51,297 were made on account of interest, deposits in the Bank Account, and unexplained business receipts respectively. The assessee's appeal against the aforesaid additions was dismissed by the learned CIT(A) vide impugned appellate order dated 24-10-25, against which the present appeal has been filed by the assessee.

Ruling

ITAT placed reliance on the order of Hon'ble Karnataka HC and Hon'ble SC, in Sunil Kumar Sharma (supra) it is held in the present appeals also, that the entire assessment proceedings were vitiated because of failure of the AO to record separate satisfaction Note for each Assessment Year; and that assumption of jurisdiction and initiation of assessment proceedings u/s 153C were invalid. Accordingly, the assessment order passed u/s 153C is annulled, and the impugned appellate order of learned CIT(A) is set-aside. Since the assessment order has been annulled, other issues in dispute are merely academic in nature which need not be decided; hence not being decided. ITAT annulled the respective assessment orders passed u/s 153C in the case of M/s Shiv Kumar Gupta HUF and Paras Gupta for AYs 2015-16 to 2020-21. The impugned appellate orders of learned CIT(A) are set-aside. In result, grounds of appeals in all the appeals are allowed, in accordance with the aforesaid directions.

Source : ITAT, Lucknow in Shiv Kumar Gupta HUF vs DCIT on July 20, 2026, vide [2026] 188 taxmann.com 705 (Lucknow-Trib).

Where Assessing Officer initiated reassessment on basis of recorded reasons but completed reassessment under section 147 r.w.s. 143(3) without first disposing of assessee's objections by a separate speaking order, reassessment pursuant to notice under section148 was vitiated and liable to be quashed.

Facts

The assessee had filed the return by declaring income Rs.1,24,07,629/-. The case was re-opened u/s. 147 of the Act and issued the notice u/s 148 dt. 13-03-19 after recording the reasons and taking prior approval from the authority. In response to the notice u/s. 148, the assessee filed the return on dated 20-03-19 and declaring total income INR 1.24 crores. The assessee filed the objection before the ld. AO related to the recorded reason supplied by the Ld. AO to the assessee. But finally, the assessment was completed with an addition u/s 69C amount to INR 2.40 crores without disposal of the objection filed by the assessee. The aggrieved assessee filed an appeal before the Ld. CIT(A) by challenging both the legal grounds as well as on merit. But ld. CIT(A) rejected the appeal of the assessee and upheld the order of the Ld. AO. Being aggrieved, assessee filed an appeal before us.

Ruling

ITAT had heard the rival submissions, perused the material available on record, and carefully considered the judicial precedents relied upon by the parties. The additional grounds raised by the assessee challenge the very assumption of jurisdiction by the Ld. AO and arise from the facts already available on record. Since no fresh investigation of facts is required, the additional grounds were admitted for adjudication. The short issue for our consideration is whether the reassessment framed under Section 147 r.w.s. 143(3) is legally sustainable when the objections filed by the assessee against the recorded reasons for reopening were not disposed of by way of a separate speaking order before completion of the reassessment. The chronology of events placed on record shows that the notice under Section 148 was issued on 13-03-19, the assessee filed objections to the recorded reasons on 30-09-19 by the letter dated 24-09-19, and thereafter the Ld. AO proceeded to issue the final show-cause notice dated 23-09-19 without first passing a separate speaking order disposing of such objections. Though the Ld. DR contended that the objections were duly considered during the reassessment proceedings and that the show-cause notice records such consideration, the revenue has not been able to place on record any independent and separate speaking order disposing of the objections prior to completion of the reassessment.

ITAT followed the ratio laid down by the Hon'ble Supreme Court in GKN Driveshafts(India) Ltd., as followed by the Hon'ble Bombay High Court in KSS Petron Pvt. Ltd. and the Hon'ble Madras High Court in Jayanthi Natarajan, hold that the reassessment order passed by the Ld. AO is vitiated in law for non-compliance with the mandatory procedure governing reassessment proceedings.

Source : ITAT, Delhi in Ashish Gems vs ACIT vide [2026] 189 taxmann.com 19 (Mumbai - Trib.) on July 31, 2026.

Let's Connect

+91.135.2743283, +91.135.2747084

3rd Floor, MJ Tower, 55, Rajpur Road, Dehradun - 248001

E: info@vkalra.com | W: vkalra.com

Follow us on

For any further assistance contact our team at kmt@vkalra.com

This publication contains information in summary form and is therefore intended for general guidance only. It is not a substitute for detailed research or the exercise of professional judgment. Neither VKC nor any member can accept any responsibility for loss occasioned to any person acting or refraining from actions as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.