LEGAL Decisions

INCOME TAX

LD/74/63 ITAT Delhi: ITA Nos.3906 & 3907/ Del/2023 The Dy. Commissioner of Income Tax Vs. Indian Hydro Electric Power Pvt. Ltd. *07th November 2025*

ITAT upheld CIT(A) order deleting addition made u/s 68 as unsubstantiated cash credit by holding that loan transactions undertaken by the Assessee were genuine; Onus discharged by establishing the identity, creditworthiness of the lenders; Addition was made based on statement of an employee and one person referred as mediator and entry provider, holding the said transactions as accommodation entries; As per ITAT statements of third parties recorded during the course of search which were later retracted, cannot be made the sole basis for making the additions in assessee's hands.

LD/74/64 ITAT Delhi: ITA No.980/ DEL/2025 CPPGROUP Services Limited Vs. The Asst. Commissioner of Income Tax *04th November 2025*

ITAT held that payment received by UK based entity from its Indian associate for IT development and non-IT support services were not taxable as 'Fees for technical services' (FTS) sans satisfaction of 'make available' clause; Revenue failed to provide any evidence showing that Indian entity had become independently capable of providing IT support services; W.r.t. non-IT support services, assessee provided routine managerial and standardization only; Perusal of agreement showed that no transfer of enduring knowledge or skill was made by the Assessee.

LD/74/65 ITAT Delhi: ITA No.539DEL/2024 Asha Burman Vs. The Asst. Commissioner of Income Tax *04th November 2025*

ITAT allowed assessees appeal holding that entire Annual Letting Value (ALV) cannot be assessed as income of the Assessee given the property is partly let out and partly self-occupied; ITAT noted that rates adopted by the AO appeared to be as per data available in the website magic bricks.com; ITAT restored the matter to the AO for making fresh assessment and assessing only the ALV of property which was let out; As per ITAT in the case of building which is subjected to levy of house tax by the local authorities, standard rent determined by the local authority to levy house tax would be the standard rent and would be considered as ALV.

LD/74/66 ITAT Mumbai: ITA No.5403/ Mum/2025 The Asst. Commissioner of Income Tax Vs. Aishwarya Rai Bachchan *31st October 2025*

ITAT ruled in favour of Aishwarya Rai Bachchan, noting that the disallowance made by the AO u/s 14A over and above the *suo-moto* disallowance was without any basis; the AO was required to record his satisfaction as to why the *suo-moto* disallowance made by the Assessee was unacceptable; Assessee had submitted the working as per Section 14A r.w. Rule 8D after considering only those investments from which exempt income was earned in view of the coordinate bench decision in Vireet Investments.

LD/74/67 ITAT Kolkata: ITA No. 1690/ KOL/2024 Bimla Devi Agrawal Vs. The Assessing Officer *31st October 2025*

ITAT upheld CIT(A) order confirming addition made on account of long-term capital gains by adopting the FMV as determined by DVO; CIT(A) had observed that Stamp Duty Valuation was Rs. 2.40 Crores and on referring matter to DVO on the request of the appellant, he had got substantial relief; On non-consideration of Section 155(15) by CIT(A), ITAT observed that assessee is misconstruing the reference to the DVO as reference made to in Sec 155(15) which is modification of value in the course of any appeal proceeding; Sec 155(15) held not to be applicable by ITAT.

LD/74/68 ITAT Delhi: ITA No.4038/ Del/2025 Ritu Jain Vs. The Jt. Commissioner of Income Tax *29th October 2025*

Addition made u/s 153A without incriminating material seized from the Assessee's possession and solely based on third party statement recorded u/s 132(4) held to be void ab initio; Jurisdiction u/s 153A for unabated year arises only upon delivery of incriminating material directly connected to the Assessee; Though certain loose papers and digital data were seized during the search at premises of third party, however, no document was found during the search at Assessee's premises.

LD/74/69 ITAT Rajkot: ITA No. 929/ RJT/2024 Nihal Projects Vs. The Income Tax Officer *27th October 2025*

ITAT quashed assessment proceedings since notice u/s 143(2) was in contravention to the CBDT Circular No. F. No. 225/157/2017/ITA-II dated June 23, 2017; Impugned notice failed to specify whether it was a case of limited scrutiny, complete scrutiny or a compulsory manual scrutiny; CBDT circulars are binding on the Revenue; As per ITAT, burden was on the Revenue to show that for assuming jurisdiction, it had duly complied and satisfied in letter with the CBDT instruction issued.

LD/74/70 ITAT Mumbai: ITA No. 4294/ MUM/2025 The Dy. Commissioner of Income Tax Vs. Niru Dhiren Shah *27th October 2025*

ITAT upheld CIT(A) order deleting additions made by AO of Rs. 3.16 Cr u/s 69; As per ITAT, addition made by the AO was based more on conjectures and surmises rather than on concrete evidence; Based on screenshot of a chat between Assessee's son and the accountant, AO alleged that market value of a shop sold by Assessee was much higher than the registered value; As per ITAT, there was no authenticity of the impugned screenshot; No investigation was made with the Registration office/Stamp Duty authorities; Unless the Source device or Certificate u/s 65B (Evidence Act) is produced, such chats cannot be relied upon.

LD/74/71 Madras High Court: WP No. 39793 of 2025 Gowthaman S Vs. The Income Tax Officer *27th October 2025*

High Court held that it was not open to legal heir to contend that the assessment proceedings were initiated after Assessee's demise on 04/01/2024, without any notice being issued to any of the legal heir, given that there were no records indicating that after Assessee's demise the legal heirs took steps to apprise the Revenue about such occurrence; Assessee's challenge to the jurisdiction of the Revenue authorities for issuance of notice u/s 148A rejected by HC; At best the legal heir can contend that they have not inherited any estate and so are not liable to such tax; HC quashed impugned orders with directions to pass a fresh order

LD/74/72 ITAT Bangalore: ITA No.1006/ Bang/2025 The Income Tax Officer Vs. Maralbid Padmavathi *07th October 2025*

ITAT quashed reassessment based on investigation wing report alleging non-disclosure of capital gain without independent inquiry and ignoring tangible material evidencing disclosure of capital gain by the Assessee; Capital asset received by the legal heirs after demise of original owner had not been converted into the stock by legal heirs and the assessee has shown capital gain on this income; Addition of Rs. 3.36 Cr as unexplained income u/s 69A deleted; Independent verification qua veracity of the report not done by AO.

DISCIPLINARY CASE

Statutory auditor failing to report material discrepancies in sales, purchases, and statutory compliances – Blind reliance on management records – Non-verification of sales/purchase figures with statutory returns despite large variances – Failure to report under CARO on verification of fixed assets and inventory – Plea of seized working papers not acceptable –Held, Respondent guilty of Professional Misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

The Respondent was the statutory auditor of the Company for FYs 2011-12 to 2013-14. The Company had availed working capital and term loans from a consortium of banks led by the Complainant Bank and subsequently defaulted, resulting in the account becoming NPA. A forensic audit initiated by the consortium revealed substantial discrepancies between sales and purchases recorded in the books and those reported in excise and sales tax returns. The Company maintained multiple databases, inflated purchases and sales through related parties, and recorded fictitious sales to government agencies. The Complainant alleged that the Respondent failed to detect or report these irregularities. On merits, the Respondent contended that a statutory audit cannot be equated with a forensic audit, that the forensic findings were post-facto and that the Respondent's working papers were seized by the CBI. The Respondent also stated that multiple databases were not provided, only selective verification of purchases and sales was conducted and that a later limited review report had been qualified. The Committee observed that the material differences between book figures and statutory returns were significant and should have been detected if due diligence had been exercised. The Respondent relied solely on management-provided records without reconciling them with statutory filings. The plea regarding seized working papers was rejected as no effort was made to obtain copies. Further, the Respondent failed to report under CARO on verification of fixed assets and inventory and provided no evidence of evaluating whether management conducted proper physical verification in accordance with SA-501. In view of substantial discrepancies, lack of professional skepticism, and inadequate audit procedures, the Committee concluded that the Respondent did not exercise due diligence in auditing the Company's financial statements. Accordingly, the Respondent was held GUILTY of Professional Misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR/245/15/DD/244/2015/DC/1067/2019]

Non-compliance with Accounting Standards and statutory requirements by auditor of Section 25 Company – Incorrect assumption that Accounting Standards did not apply to a not-for-profit entity – Standards would apply even if a very small proportion of activities is considered to be commercial, industrial or business in nature -- Non-compliance with Schedule VI disclosures regarding expenses and auditor remuneration – Held, Respondent guilty of Professional Misconduct under Clauses (5), (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

Held:

The Respondent was the statutory auditor of a company registered under Section 25 of the Companies Act, 1956 and Section 12A of the Income Tax Act, 1961. Charges levelled against the Respondent includes non-compliance of Accounting Standards, non-compliance with Schedule VI read with Section 211 and violation of the MOA and Section 25 regarding payment of remuneration to members and Directors. The Respondent contended that Accounting Standards were not applicable as the company was a charitable institution. The Committee observed that Accounting Standards formulated by the ICAI do not apply to a Non-for-Profit Organisation (NPO) if no part of the activity of such entity is commercial, industrial or business in nature. The Standards would apply even if a very small proportion of activities is considered to be commercial, industrial or business in nature. Consequently, Accounting Standards were applicable, and Section 211(3A) of the Companies Act, 1956 required compliance even for Section 25 companies. Regarding the MOA and Section 25, the Committee observed that the conditions of license prohibited payment of income or property to members without prior approval of the Central Government. Notes to accounts reflected payments to members "for services rendered" and stated that approval was being obtained. In one year, the Respondent omitted the words "of the Central Government," showing inadequate understanding of the license conditions. Prior approval was therefore mandatory. Concerning Schedule VI disclosures, certain expenses exceeding 1% and payments to auditors were not disclosed separately. The Respondent failed to report these statutory deviations. Accordingly, the Respondent was held GUILTY of Professional Misconduct under Clauses (5), (7), (8), and (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR-218/14-DD/231/14/DC/432/2015]