Aman Satish and Company,
Chartered Accountants

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Technical Lapses in Return Filing Should Not Defeat Substantive Legal Claims: ITAT

Ishar Infrastructure Developers (P) Ltd. v. Dy. CIT [2025] | ITAT AMRITSAR BENCH | IT Appeal No.: 686 (Asr) of 2024 | Date: August 28, 2025

In a significant ruling, the Amritsar bench of the ITAT remanded a case back to the Assessing Officer, emphasizing that technical and procedural lapses in filing a return of income should not bar an assessee from claiming substantive benefits if the claims are otherwise genuine and legally allowable. The case involved three key issues, all of which were restored to the AO for fresh verification.

Top Trends

- Retail investor participation is rising sharply — more people from small towns investing through SIPs and mutual funds.
- Surge in small-ticket SIPs (under ₹500), showing growing financial awareness at the grassroots level.
- IPO market remains strong with several companies raising capital directly from the public.

Top Trends

- Fintech and digital payments are expanding rapidly — more UPI transactions, new payment startups, and global players entering India.
- Despite digital growth, cash still remains widely used for daily transactions.
- Gold investments and ETFs are seeing record inflows amid global uncertainty and rupee weakness.
- The government continues to push capital expenditure and infrastructure spending to support growth.
- States have received large allocations through interest-free long-term loans for development projects.
- Fiscal deficit expected to stay below 4.8% of GDP — better than earlier estimates.
- Banks are investing heavily in AI, automation, and fintech partnerships to improve customer service and efficiency.

Set-off of Brought-Forward Business Losses (Section 72):
The assessee had claimed set-off of brought-forward business losses from AYs 2017-18 and 2020-21, which were within the eight-year limitation period. However, due to an inadvertent error, the ITR incorrectly cited AY 2012-13 as the originating year. The Tribunal held that this wrong reporting was a technical lapse. It directed the AO to verify the returns of the earlier years and allow the set-off as per Section 72(3) if the losses were genuine, stating that such a legitimate claim cannot be denied merely on a procedural default.

Claim of Unabsorbed Depreciation (Section 32):
The assessee's claim for set-off of unabsorbed depreciation was disallowed. The Tribunal, relying on judicial precedents, held that the AO has a duty to verify such a claim from existing records and the ITRs of past years. It was remanded with a direction to adjust the unabsorbed depreciation against the current year's profits as per Section 32(2) if found legally allowable, noting that the carry-forward of depreciation is not subject to the same strict conditions as business loss.

Disallowance u/s 43B for Unpaid GST:
The assessee argued that an amount on account of GST not paid by the due date had already been added back to the total income in its computation. Making a disallowance for the same amount u/s 43B would result in double taxation. The ITAT directed the AO to verify this claim and grant consequential relief if it was found that the amount was indeed added back in the computation filed with the return.

Overall Conclusion:
The ITAT's consolidated ruling reinforces the principle that the income tax authorities must look at the substance of a claim. Where a taxpayer can substantiate a legal entitlement with evidence, such as past ITRs, the benefit should not be denied due to inadvertent errors in the return form. The matter was remanded for a fresh examination based on verification of records, and the appeal of the assessee was allowed for statistical purposes.

Transportation Services for Offshore Exploration Fall under Specific DTAA Article, Not Section 44BB

Sanco Holding AS v. Dy. CIT (International Taxation) [2025] | ITAT DELHI BENCH 'DB' | IT Appeal No.: 35 (DDN) of 2025 | Date: September 17, 2025

The Delhi bench of the ITAT has delivered a significant ruling clarifying the tax treatment of income earned by non-resident companies providing support vessels to the offshore mineral exploration sector. The case involved a Norwegian company, the assessee, which provided seismic vessels on a bareboat charter basis to other companies that were directly engaged in seabed exploration for ONGC

The Core Dispute:

The assessee had declared its income and paid tax as per the beneficial terms of Article 21(4) of the India-Norway Double Taxation Avoidance Agreement (DTAA). However, the Assessing Officer (AO) rejected this approach. The AO held that the income was taxable under the domestic law provision of Section 44BB of the Income-tax Act, 1961, which taxes income from the business of mineral exploration at a deemed profit rate of 10% of the gross receipts.

The Tribunal's Analysis and Ruling:

The ITAT overturned the orders of the lower authorities and ruled in favor of the assessee, based on the following key findings:

- Distinction Between Exploration and Transportation: The Tribunal emphasized that the specific provisions of paragraphs 2 and 3 of Article 21 apply to enterprises that are directly engaged in the "offshore activity of exploration or exploitation of seabed or subsoil or their natural resources." It was an admitted fact that the assessee was not itself engaged in any such exploration activities.

- Applicability of Article 21(4): The assessee's role was limited to providing vessels for transportation. The Tribunal held that this activity squarely falls under the scope of Article 21(4) of the DTAA, which specifically covers "profits derived by an enterprise... from the transportation of supplies or personnel... or from the operation of tugboats and other vessels auxiliary to such activities."

Top Trends

- Wealthtech platforms and digital investment tools are becoming popular among young investors.
- Increasing focus on real-time settlements, especially via GIFT City and RBI's initiatives.
- Corporate debt market becoming more active as businesses seek alternative financing routes.
- India targeting sustained growth above 6.5% in FY26.
- Capital expenditure by the central government up ~43% (April–Aug vs last year).
- First time in recent years, projected capex growth is in single digits (~6.5%).
- Wholesale inflation cooling, e.g. WPI down to ~0.13% in September.
- Direct tax collections rising ~6% year-on-year.
- Decline in refunds; tighter control over tax outflows.
- Exports growing (though modestly) despite global headwinds.
- India's relative performance vs emerging markets is weakening — decoupling reversing.

Top Trends

- Growing skepticism over extended equity valuations and market overheat.
- Continued fiscal consolidation; deficit discipline even amid growth push.
- Increased allocation to infrastructure & public investment to counter private sector caution.
- Rising credit demand, especially retail & SME lending.
- NBFCs expanding further into underpenetrated markets.
- Cautious stance by banks on unsecured retail / micro loans due to rising risk.
- Digital banking / neo-banking partnerships accelerating.
- Biometric authentication being considered for UPI / digital payments.
- Open banking, APIs, modular banking architecture gaining traction.

- DTAA Overrides Domestic Law: Relying on Section 90(2) of the Income-tax Act and judicial precedents, the Tribunal reaffirmed that the provisions of a DTAA can override the domestic law when they are more beneficial to the taxpayer. Since Article 21(4) provides a specific taxation mechanism for such transportation income, it must be applied instead of the general provision of Section 44BB.

Conclusion:
The ITAT set aside the assessment order and directed the AO to compute the assessee's income in accordance with the beneficial terms of Article 21(4) of the India-Norway DTAA. This ruling provides crucial clarity for non-resident service providers in the offshore oil and gas industry, establishing that the taxability of their income depends on the precise nature of their services. Companies providing auxiliary support vessels for transportation are subject to the specific DTAA article governing such operations and cannot be taxed under Section 44BB, which is reserved for those directly involved in exploration and exploitation.

High Court Quashes Reassessment: Upholds APA Finality, Flags Jurisdictional Flaws in Reopening

Deloitte Consulting India (P.) Ltd. v. Assessment Unit, Income-tax Department [2025] | HIGH COURT OF TELANGANA | Writ Petition No.: 4061 of 2024 | Date: September 25, 2025

In a significant ruling with wide-ranging implications, the Telangana High Court quashed a reassessment order, upholding the sanctity of Advance Pricing Agreements (APAs) and underscoring the mandatory nature of jurisdictional requirements for reopening assessments. The court ruled in favour of the assessee on three major grounds.

APA Finality: Assessing Officer Has No Jurisdiction to Re-compute Agreed ALP

- The core dispute involved a unilateral APA between the assessee and the CBDT, which set an Arm's Length Price (ALP) at a 17% operating margin for the relevant year. The assessee filed a modified return under Section 92CD as required.
- The Conflict: The Assessing Officer (AO) ignored the modified return and made a fresh ALP adjustment of over ₹106 crores, interpreting the APA terms differently.

- The Court's Ruling: The High Court strongly condemned this action. It held that once an APA is in place, the AO is bound to accept the modified return filed in accordance with it. The jurisdiction to audit compliance with the APA rests solely with the Transfer Pricing Officer (TPO) under Rule 10P of the Income-tax Rules.
- Key Takeaway: In the absence of an adverse compliance audit report from the TPO/CBDT, the AO has no authority to question, reinterpret, or make adjustments to the ALP determined under the APA. The AO's role is merely to incorporate the results of the APA into the assessment.

Invalid Reopening: Approval from Incorrect Authority Renders Proceedings Void

- The court also found the very initiation of the reassessment proceedings to be legally flawed.
- The Defect: The notice under Section 148 was issued on April 7, 2022, for AY 2018-19—a date that was beyond three years from the end of the relevant assessment year. For such a reopening, the law (Section 151) mandates prior approval from a high-ranking authority (Principal Chief Commissioner, etc.). However, the AO had obtained approval only from a Principal Commissioner, who was not the "specified authority" for this time frame.
- The Court's Ruling: The Revenue's argument to apply a later-introduced proviso (Finance Act, 2023) retrospectively was rejected. The court held that the law as it existed on the date of issuing the notice must be applied. Consequently, the reopening was invalid due to the lack of proper sanction from the competent authority.

Lack of Jurisdiction: Notice by JAO Instead of Faceless AO is Invalid

- The court upheld its own precedent on the implementation of the Faceless Assessment scheme.
- The Error: The notice under Section 148 was issued by the Jurisdictional Assessing Officer (JAO).
- The Court's Ruling: Following its earlier decision, the court held that after the introduction of the Faceless Scheme, such notices must be issued by a Faceless Assessing Officer (FAO). The JAO, therefore, acted without jurisdiction.

Conclusion:

The Telangana High Court's judgment reinforces several critical principles of tax administration. It affirms the binding nature of APAs, protecting taxpayers from having settled transfer pricing matters reopened by the regular assessment wing. It also serves as a strict reminder to the tax department to scrupulously adhere to jurisdictional and procedural mandates when reopening old assessments, ensuring that the protection offered to taxpayers by limitation periods and specified approval hierarchies is not diluted. The reassessment order was quashed as being without legal authority.

Top Trends

- Use of AI/ML in credit scoring, fraud detection, internal operations.
- Real-time payments, instant settlement systems being refined (e.g. via GIFT City).
- Emphasis on lowering cost of funds via capital markets over bank borrowing.
- Banks reducing branch footprints or optimizing bricks & clicks model.
- “Rural + digital” story: banking & finance reaching deeper via tech in semi-urban & rural India.
- Consolidation or stress in small banks/non-core lenders.
- UPI volumes & value continue to scale up.
- Digital wallets, wearables, QR payments becoming more ubiquitous.
- Fintech entrants targeting niche use-cases (buy now pay later, micro-lending, savings).
- Embedded finance: payments / lending built into consumer apps.
- Wealth-tech platforms offering hyper-personalized portfolios.

Top Trends

- Insurance-tech (insurtech) growth via embedded or "digital first" models.
- Blockchain / crypto / tokenization experiments in payments, trade finance.
- Growth of "Banking as a Service (BaaS)" models for non-banks.
- Regulatory sandboxing by RBI / fintech-friendly policies.
- Cybersecurity, data privacy, fraud countermeasures becoming critical priorities.
- API & cloud migrations in legacy banks for flexibility & scaling.
- Digital identity (Aadhaar, e-KYC) continuing central role in onboarding & compliance.
- Rising investor interest / growth in defence, green energy, AI infrastructure, digital commerce.
- Internet / new-age stocks rallying as they shift from "hype" to profitability.

Registration u/s 12A Cannot Be Denied to a State-Governed Temple for Non-Furnishing of a Trust Deed

Shree Ram Gopal Temple Trust v. CIT (Exemptions) ITAT CHANDIGARH BENCH 'B' | IT Appeal No.: 105 (CHANDI) of 2025 | Date: September 23, 2025

The Chandigarh bench of the ITAT has delivered a significant ruling clarifying that a religious institution governed and administered by a State government under a specific statute cannot be denied registration under Section 12A of the Income-tax Act, 1961, solely for its inability to furnish a trust deed.

The Core Dispute:
The assessee, an ancient temple known as Shree Ram Gopal Temple Trust, was taken over by the Government of Himachal Pradesh in 1996 under the Himachal Pradesh Hindu Public Religious Institutions and Charitable Endowments Act, 1984 (HPPRICE Act). As a notified entity, its administration was overseen by a state-appointed committee of senior officers. The temple carried out various charitable and religious activities, including providing relief to the poor, supporting underprivileged sections, and maintaining a cow shelter.

When the temple applied for permanent registration under Section 12A, the Commissioner (Exemptions) rejected the application. The sole ground for rejection was the assessee's failure to furnish a copy of a trust deed, as mentioned in Rule 17A of the Income-tax Rules, 1962. The Commissioner held that without the deed, the aims and objects of the trust could not be ascertained.

The Tribunal's Analysis and Ruling:
The ITAT allowed the temple's appeal and directed the Commissioner to grant registration, based on the following key findings:

- Statutory Governance Overrides Trust Deed Requirement: The Tribunal emphasized that the temple was not a private trust created by a deed. Instead, it was a statutory entity whose very existence and governance were derived from the HPPRICE Act, 1984. Once the provisions of such a State Act apply, the provisions of other general enactments governing trusts cease to apply.

- Documentary Evidence was Sufficient: The tribunal noted that the assessee had provided ample documentary evidence to establish its charitable nature. This included the government notification of its takeover, details of the government-appointed managing committee, provisional registration previously granted, and records of its actual charitable activities like resolutions for expenditure on marriages of underprivileged girls.
- Precedents Supported the Assessee's Case: The ITAT relied on judicial precedents, including a similar decision by the Hyderabad Tribunal, which held that a certificate of registration with a State's Endowments Department constitutes a valid document evidencing the creation of a trust for the purpose of Section 12A registration.

Conclusion:
The ITAT's ruling establishes a crucial principle for state-administered religious and charitable institutions. It holds that the requirement to furnish a "trust deed" under Rule 17A is not an inflexible mandate for entities whose creation and administration are governed by a specific statute. The existence of such a statute and the documents issued under it serve as sufficient evidence of the institution's legal character and objects. Denying registration solely on the technical ground of a non-existent trust deed, when the institution is otherwise compliant and actively engaged in charitable work, is unjustified. The Commissioner (Exemptions) was directed to grant the registration.

Tribital Upholds Assessee's Claims on Multiple Fronts: R&D Deductions, CSR Donations, and New Claims Before CIT(A) Allowed

DCIT v. Endurance Technologies Ltd. [2025] | ITAT PUNE BENCH 'A' | IT Appeal Nos.: 1657, 1659, 1683, 1660, 1661, 1662, 1663 (PUN) of 2024 & 506 (PUN) of 2025 | Assessment Years: 2011-12 to 2018-19 | Date: August 25, 2025

In a comprehensive ruling spanning multiple assessment years, the Pune bench of the ITAT decided a batch of appeals in favour of the assessee, M/s Endurance Technologies Ltd., on several significant legal and procedural issues.

Top Trends

- Family businesses shifting from core operations toward family offices / PE investing.
- Younger scions not always picking family business — many pursuing arts, startups, new domains.
- Growing role of ESG / sustainability in corporate strategy & capital flows.
- Mergers & acquisitions picking up, especially for consolidation or scale.
- Supply chain localization / import substitution being emphasized.
- Higher wage growth — projected ~9% salary increases in 2026.
- Sectoral rotation: IT, auto, NBFCs, realty, and finance successively taking lead in markets.
- Shift toward asset-light or platform-first business models.
- Digital transformation within non-tech firms (traditional sectors adopting tech).
- Demand for embedded analytics, predictive tools in operations & decision-making.

Top Trends

- Integration of ESG and climate risk into core operations — carbon accounting, green bonds.
- Growth of frontier sectors: quantum, biotech, advanced materials, space / satellite tech.
- Financial inclusion deepening — more in semi-urban / rural India using digital finance tools.
- MSMEs adopting digital tools; surveys show ~73% reporting business growth via digital/UPI.
- Educational shift: economics is gaining prominence even in technical institutes.
- In premier B-schools, non-engineers now outnumber engineering grads, showing broader interest in business/economics.
- Governance & transparency, ESG demands from stakeholders increasing.
- Younger entrepreneurs / founders entering finance & tech spaces.
- Migration of business centers to smaller cities; second/third-tier urbanization.

Reassessment Order on a Non-Existing Entity is Null and Void

- For AYs 2011-12 to 2014-15, the Revenue had reopened the assessment of an erstwhile company, High Technology Transmission System India Pvt. Ltd. (HTTSPL). However, HTTSPL had merged with the assessee company with effect from April 1, 2013, as per a Bombay High Court order, a fact that had been duly communicated to the tax department. The Tribunal held that the Assessing Officer (AO) had passed the reassessment order in the name of a non-existing entity. Relying on the Supreme Court's judgment in Maruti Suzuki India Ltd., the ITAT affirmed the CIT(A)'s decision to quash the reassessment orders, stating that such an action constitutes a substantive illegality that cannot be cured.

Deduction u/s 35(2AB) for R&D Expenditure Cannot Be Denied on Procedural Lapses

- The AO had disallowed the assessee's claim for a weighted deduction on scientific research expenditure u/s 35(2AB) for several years, primarily because the Department of Scientific and Industrial Research (DSIR) had not issued the requisite Form 3CL or because the approval (Form 3CM) had a validity period that did not cover the entire year.

Tribunal's Ruling:

- The ITAT allowed the assessee's claim. It held that once an R&D facility is approved by the DSIR, the deduction cannot be denied for an intervening period merely due to a procedural lapse like the non-issuance of Form 3CL, especially when the facility was recognized in the preceding and subsequent years. The Tribunal emphasized that the DSIR's role is to approve the facility, and the AO's role is to verify and allow the expenditure incurred. Denial of the deduction based on technicalities defeats the legislative intent of encouraging research and development.

CIT(A) Has the Power to Entertain a New Claim for Deduction

- For AY 2012-13 to 2014-15, the assessee received a subsidy but did not offer it to tax in its original return. During assessment proceedings, it offered the subsidy to tax and simultaneously claimed a deduction u/s 80-IC on the same amount. The AO rejected this claim as it was not made in the original or a revised return.

Tribunal's Ruling:

- The ITAT upheld the CIT(A)'s decision to allow the claim. Relying on the Bombay High Court's judgment in CIT v. Pruthvi Brokers & Shareholders, it reaffirmed that an appellate authority is empowered to admit a new claim made for the first time before it, even if it was not part of the original return.

Donations Made Towards CSR are Eligible for Deduction u/s 80G

- For AYs 2017-18 and 2018-19, the assessee incurred Corporate Social Responsibility (CSR) expenditure and claimed a 50% deduction u/s 80G for the donations made. The AO disallowed this, arguing that CSR is a mandatory expense and not a voluntary donation.

Tribunal's Ruling:

- The ITAT allowed the deduction. It noted that while Explanation 2 to Section 37 disallows CSR expenditure as a business expense, there is no specific restriction in Section 80G for claiming a deduction on donations made, even if they fulfill a CSR obligation. The fact that the expenditure is mandated under the Companies Act does not change the character of the payment being a "donation" to approved funds/institutions, making it eligible for deduction u/s 80G.

Disallowance of Capital Expenditure u/s 35(1)(iv) Deleted

- For AY 2018-19, the AO made a small disallowance u/s 35(1)(iv) citing a minor mismatch between the amount claimed by the assessee for construction and the final bill raised by the contractor.

Tribunal's Ruling:

- The ITAT deleted the disallowance. It accepted the assessee's explanation that it followed the mercantile system of accounting and capitalized assets when they were put to use, based on the invoices recorded in its books. The disallowance based on a subsequent final bill was not justified, as the deduction was correctly claimed as per the provisions of the Act and the assessee's consistent accounting method.

Conclusion:

The ITAT's ruling is a significant one that reinforces several pro-taxpayer principles. It underscores the critical importance of jurisdictional validity in reassessment proceedings, advocates for a substantive rather than a procedural approach towards allowing statutory deductions for R&D, and clarifies the powers of the first appellate authority. Furthermore, it draws a clear distinction between the disallowance of CSR as a business expense and its eligibility as a donation u/s 80G. The batch of appeals filed by the Revenue was dismissed.

Top Trends

- Alternate investment classes (art, collectibles, fractional real estate) getting attention.
- Rise of impact investing, social finance, blended finance models.
- More cross-border capital flows, foreign investments / FDI into India.
- India aiming to reduce fiscal deficit to ~4.4% of GDP in 2025-26.
- Growing focus on public debt management and lowering debt-to-GDP ratio targets.
- Tax reliefs / rebates introduced to boost consumption and discretionary spending.
- Stricter audit / compliance regimes for corporations (transfer pricing, ESG disclosures).
- Greater dependency on capital markets for government borrowing (via bonds, sovereigns).
- Expansion of federal transfers and targeted subsidies to support rural demand.

Top Trends

- Enhanced use of digital tools for subsidy / transfer distribution (DBT, JAM trinity).
- Push for urban infrastructure: smart cities, public transport, metro expansions.
- Emphasis on green / sustainable infrastructure financing (climate bonds, ESG bonds).
- Strengthening of regional trade agreements, export promotion to offset global slowdowns.
- Recalibration of monetary policy balancing growth & inflation.
- Inflation targeting with tighter controls as commodity cycles fluctuate.
- Currency volatility management via FX reserves and hedging strategies.
- Reforms in agricultural markets / MSP to stabilize rural incomes.
- Reworking indirect taxes and rationalizing GST slabs to improve compliance.

Mark-to-Market (MTM) Gain on Unsold Shares is an Unrealized Gain and Not Taxable: ITAT

Dinesh Kumar Tak v. ITO [2025]| ITAT JAIPUR BENCHES 'SMC' | IT Appeal No.: 981 (JP) of 2025 | Assessment Year: 2016-17 | Date: September 18, 2025

The Jaipur bench of the ITAT has delivered a significant ruling reaffirming a fundamental principle of income taxation: unrealized gains from the valuation of unsold shares cannot be subjected to tax.

The Core Dispute:

- The assessee, engaged in trading shares and derivatives, filed a return declaring a profit of approximately ₹2.91 lakhs from share trading. The case was selected for limited scrutiny. The Assessing Officer (AO), relying on a broker's MTM (Mark-to-Market) or Global Report for the year, noted that the report reflected a total profit of about ₹34.50 lakhs. The difference of approximately ₹31.60 lakhs was primarily on account of the valuation of unsettled or unsquared derivative positions as of March 31.

- The assessee contended that the MTM report included notional profits on open positions that had not been actually squared off/settled by the year-end. The actual profit, computed based on contract notes for transactions that were fully settled during the year, was only ₹2.91 lakhs. The assessee explained that the profit or loss on the unsettled positions would be accounted for and offered to tax in the subsequent year when the transactions were actually settled.

The Tribunal's Analysis and Ruling:

The ITAT accepted the assessee's contention and deleted the addition. The key findings of the Tribunal were:

- Distinction Between Realized and Unrealized Gain: The Tribunal emphasized that the alleged profit of ₹31.60 lakhs represented the valuation of unsold scripts (open derivative positions) in the hands of the assessee. This was a notional or unrealized gain.

- Unrealized Gain is Not Taxable: The ITAT held that such an unrealized gain, being merely on paper and not accrued or received, cannot be taxed under the head "Capital Gains" or as income under the head "Profits and Gains of Business or Profession."
- Subsequent Year Accounting Verified: The Tribunal noted the assessee's submission that the profit or loss on these unsettled positions had already been offered to tax in the subsequent year when the transactions were squared off, which fact was not disputed by the Revenue.

Conclusion:
The ITAT's ruling provides crucial clarity for taxpayers, especially those engaged in F&O and derivative trading. It underscores that the principles of real income and actual accrual override the notional figures generated by a Mark-to-Market report for tax purposes. Taxing unrealized gains goes against the fundamental tenets of the Income-tax Act. The addition made by the AO was directed to be deleted. The appeal of the assessee was partly allowed.

Reopening of Assessment u/s 150 is Barred if Time Limit u/s 149 Expired When Appellate Order Was Passed: Gujarat HC

Shubh Buildcon v. Income-tax Officer [2025] | HIGH COURT OF GUJARAT |Special Civil Application Nos.: 5817 & 5819 of 2022 | Assessment Years: 2011-12 & 201-13
Date: August 18, 2025

The Gujarat High Court has quashed reassessment notices, delivering a crucial ruling on the interplay between the power to reopen assessments pursuant to an appellate order and the statutory time limits for such reopening.

The Core Dispute:
During a survey in AY 2014-15, the assessee disclosed undisclosed income. The Assessing Officer (AO) added the entire amount to the income of AY 2014-15. On appeal, the Commissioner (Appeals) [CIT(A)] estimated the income and, noting that the related project spanned AYs 2011-12 to 2014-15, directed the AO to allocate and add the profits to the respective years (AY 2011-12 to AY 2014-15). In compliance with this direction, the AO issued notices u/s 148 for AYs 2011-12 and 2012-13 in March 2021.

Top Trends

- Deposit growth outpacing credit expansion in many banks (liquidity surpluses).
- Banks experimenting with “branchless banking” for remote / rural reach.
- Micro-banks or neo-branches focusing on last-mile financial access.
- Consolidation in smaller banks and weak lenders (mergers / acquisitions).
- Stress testing portfolios with climate risks, regulatory shocks.
- Use of alternative data (telecom, utility, behavioral data) in credit underwriting.
- Dynamic risk pricing models — interest rates adjusted in real time.
- Cross-selling of non-core financial services (insurance, wealth, payments).
- Emphasis on cost rationalization: leaner operations, outsourcing back-office.
- “Branch of the future” concept: branches act as advisory or experience centres rather than transaction hubs.

Top Trends

- Banks building in-house AI / data science teams & infrastructure.
- Rise of parametric insurance and usage-based insurance models in banking offerings.
- More partnerships / tie-ups between banks and fintechs for niche offerings.
- Banks offering “platform banking” or marketplaces for third-party financial services.
- CBDC (Digital Rupee) pilots and integration into financial system.
- Tokenization of assets such as real estate, gold, etc., to fractionalize ownership.
- Embedded finance delivered via non-financial apps (e-commerce, social, etc.).
- BNPL (Buy Now, Pay Later) adoption in offline & online retail sectors.
- Digital credit at POS — instant, small-ticket consumer loans.
- Rise of neo-wealth platforms, robo-advisors, micro-investment apps.

The assessee challenged the notices, arguing that as the CIT(A)'s order was passed on April 3, 2019, the time limit for issuing a notice u/s 149 for AY 2011-12 (4 years, ending March 31, 2015) and for AY 2012-13 (6 years, ending March 31, 2019) had already expired. Therefore, the reopening was barred by the restriction in Section 150(2) of the Income-tax Act, 1961.

The Court's Analysis and Ruling:

The High Court allowed the assessee's petition and quashed the notices, based on the following key findings:

- Section 150(1) vs. Section 150(2): The Court acknowledged that Section 150(1) contains a non-obstante clause, allowing a notice u/s 148 to be issued "at any time" to give effect to a finding or direction in an appellate order. However, this power is not absolute.
- The Overriding Bar of Section 150(2): The Court emphasized that Section 150(1) is expressly "subject to" Section 150(2). This sub-section acts as a proviso and bars the application of Section 150(1) if the assessment for the year in question "could not have been made at the time the order... was made" due to the expiration of the time limit under any other provision (like Section 149).
- Application to the Facts: The CIT(A) passed the order on April 3, 2019. On that date, the time limit for issuing a notice u/s 148 for AY 2011-12 (4 years) and AY 2012-13 (6 years) had already lapsed. Consequently, the condition in Section 150(2) was triggered, and the protection of Section 150(1) was not available to the Revenue.
- Precedent Relied Upon: The Court relied on the Supreme Court's judgment in K.M. Sharma v. ITO, which held that Section 150(2) aims to insulate all assessment proceedings that have attained finality due to the bar of limitation.

Conclusion:

The Gujarat High Court's judgment reinforces a critical safeguard for taxpayers. It establishes that an appellate authority's direction to assess or reassess income in a different year cannot resurrect a dead right of the Revenue. If the time limit for reopening an assessment under Section 149 had already expired on the date the appellate order was passed, the Assessing Officer is statutorily barred from initiating reassessment proceedings for that year, even if acting pursuant to a specific direction from a higher authority. The reassessment notices for AYs 2011-12 and 2012-13 were quashed as being without jurisdiction.

Bombay HC Condones Delay in E-Verifying Form 10B, Upholds Substance Over Form for Charitable Trusts

International Resources for Fairer Trade v. Union of India [2025] | HIGH COURT OF BOMBAY| Writ Petition No.: 2893 of 2024| Date: September 22, 2025

In a significant relief to charitable trusts, the Bombay High Court has condoned a delay in e-verifying the audit report in Form 10B, emphasizing that genuine claims for exemption should not be defeated by technical and procedural lapses.

The Core Dispute:
The assessee, a public charitable trust registered for over 25 years, had obtained its audit report in Form 10B from its Chartered Accountants well within the due date for the Assessment Year 2017-18. However, due to an inadvertent oversight by its accountant (who subsequently left the organization), the trust failed to "e-verify" or "accept" the uploaded Form 10B on the income tax portal before filing its return. The exemption u/s 11 was denied, and the trust's application for condonation of the 447-day delay was rejected by the Commissioner. The Commissioner held that an accountant's oversight did not constitute a "sufficient cause" and labeled the trust as a "regular defaulter" for having revised returns in the past

The Court's Analysis and Ruling:
The High Court quashed the Commissioner's order and condoned the delay, based on the following key findings:

- Long-Standing Compliant History: The Court noted that the trust had been filing its returns and Form 10B within the due dates for all years prior to AY 2015-16. A solitary inadvertent error, despite having the audit report in hand, could only be attributed to a human error and not a lack of bona fides.
- Substance Over Technicality: The Court observed that the revised return filed by the trust (after e-verifying Form 10B) was already processed by the department, and a refund was issued. This indicated that the department had, in practice, accepted the belatedly verified form. Denying the exemption thereafter was purely on a technical ground.
- Genuine Hardship: The Court held that if the delay was not condoned, the trust would suffer genuine hardship by being denied an exemption to which it was otherwise substantively entitled, merely due to a procedural lapse.

Top Trends

- Digital insurance (insurtech) — auto, health, parametric models, micro-insurance.
- Blockchain use in trade finance, supply chain finance, cross-border remittances.
- Smart contracts for B2B transactions and automation of escrow / payments.
- Interoperability of payment systems across banks, wallets, networks.
- API-first architectures in financial firms to plug in new services easily.
- Use of federated learning / privacy-preserving ML to utilize data across institutions.
- Continuous KYC / identity verification using biometrics, face recognition.
- Real time fraud detection systems and behavioral anomaly detection.
- Fintechs expanding beyond payments/loans into full stack banking services.

Top Trends

- Growth of neo-lending platforms for SMEs (invoice financing, supply chain lending).
- Use of generative AI in customer engagement: chatbots, voice assistants, financial advisors.
- Algorithmic trading / quant strategies in equities, derivatives for retail / institutional players.
- Peer-to-peer lending platforms growing in niche segments.
- Embedded credit/investments into everyday apps (ride hailing, food delivery).
- Fintech regulatory sandboxes expanding to allow innovation with oversight.
- Cybersecurity & fraud prevention becoming board-level priority.
- ESG-linked loans, sustainability-linked bonds gaining traction.
- Corporates investing in climate resilience: flood control, energy efficiency.
- Decentralized operations / remote / hybrid models cutting real estate costs.

- Precedents Followed: The Court relied on its own decisions in Sau Dwarkabai Tai Karwa Charitable Public Trust and Al Jamia Mohammediyah Education Society, where delays in filing Form 10B were condoned on similar grounds. It also noted that the Supreme Court had dismissed the Revenue's appeal in the Al Jamia case.

Conclusion:
The Bombay High Court's judgment reinforces a justice-oriented and pragmatic approach in tax matters, especially for charitable entities. It establishes that a bona fide procedural lapse, such as the failure to e-verify a form due to human error, should not be used to defeat a substantive legal right to exemption, particularly when the taxpayer has a long history of compliance. The Court directed the revenue authorities to accept the belatedly e-verified Form 10B.

Notice u/s 148 Sent via Speed Post Without Acknowledgement is Invalid; Reassessment Proceedings Quashed: Allahabad HC

Mahesh Gautam v. Commissioner of Income-tax [2025] | HIGH COURT OF ALLAHABAD | IT Appeal No.: 436 of 2012 | Assessment Years: 2001-02, 2002-03, 2003-04 | Date: September 19, 2025

In a ruling with significant procedural implications, the Allahabad High Court has quashed reassessment proceedings, holding that a notice issued under Section 148 of the Income-tax Act, 1961, sent via speed post without an acknowledgement, is invalid as the legal presumption of service does not apply.

The Core Dispute:
The Assessing Officer (AO), based on information from the Central Excise Department, issued notices under Section 148 for AYs 2001-02 to 2003-04 to the assessee through speed post. The assessee did not file any return in response. Subsequent notices and a visit by an Income Tax Inspector revealed the assessee was untraceable. The AO then completed the reassessment ex-parte under Section 147/144.

The assessee challenged the reassessment before the CIT(A), arguing that the notice under Section 148 was never served, as it was returned. The CIT(A) quashed the reassessment. However, the ITAT reversed this decision, holding that since the physical envelope of the returned notice was not on record, the presumption of service under Section 114(f) of the Indian Evidence Act, 1872, applied.

The Court's Analysis and Ruling:

The High Court allowed the assessee's appeal and quashed the reassessment, based on a strict interpretation of the statutory provisions:

- Strict Interpretation of Taxing Statutes: The Court emphasized that the provisions of a taxing statute, especially those that are a precondition to assuming jurisdiction (like Section 148), must be construed strictly.
- Service Must Be Personal, Not Just to an Address: Analyzing Sections 148 and 282 of the Act, the Court held that a notice sent by post must be delivered to the addressee personally, not merely to the address.
- Presumption u/s 27 of General Clauses Act is for Registered Post Only: The Court drew a critical distinction between "registered post" and "speed post" based on the Indian Post Office Rules, 1933, which were in force at the time.
- Registered Post is addressee-specific and requires the signature of the addressee or their agent upon delivery.
- Speed Post is address-specific and can be delivered to any person present at that address.
- The legal presumption of service under Section 27 of the General Clauses Act, 1897, and Section 114(f) of the Evidence Act is explicitly triggered only for a letter sent by "registered post". This presumption cannot be extended to notices sent by speed post.
- Distinguishing Precedent: The Court expressly disagreed with the contrary view taken by the Jharkhand High Court in Milan Poddar, which had held that speed post is included in the generic term "registered post". The Allahabad HC held that such a liberal interpretation is not permissible for a taxing statute.

Conclusion:

The Allahabad High Court's judgment establishes a vital procedural safeguard for taxpayers. It clarifies that for the legal presumption of service to apply to a notice under Section 148, it must be sent via registered post, as specifically mentioned in Section 27 of the General Clauses Act. Sending a notice via speed post, especially without an acknowledgement due, is insufficient to invoke this presumption and does not constitute valid service. Consequently, the reassessment proceedings initiated based on such an invalid notice were quashed. The appeal of the assessee was allowed.

Top Trends

- Demand for logistics, warehousing infrastructure given growth of e-commerce.
- Digitization of supply chains: IoT, blockchain, traceability, smart procurement.
- Companies diversifying into adjacent businesses (conglomeration, vertical integration).
- MNCs relocating or diversifying supply chains into India (China+1).
- Focus on circular economy and recycling practices in manufacturing.
- Shift to servitization — selling services / subscriptions over products.
- Increased use of data analytics and AI in operations, demand forecasting.
- Manufacturing adopting robotics, additive manufacturing (3D printing).
- Resilience planning — supply chain redundancy, nearshoring strategies.

Top Trends

- Households diversifying into alternate asset classes (art, crypto, collectibles, REITs).
- Continued strong demand in real estate (residential / logistics).
- Rise in fractional investing (fractional shares, fractional real estate).
- Financial literacy campaigns boosting adoption of formal finance instruments.
- Caution among retail investors — shifting to safer assets amid volatility.
- Millennials / Gen Z investing earlier via digital platforms.
- Focus on ESG, impact investing by retail investors.
- Shift in savings from fixed deposits to higher-yielding but riskier assets.
- Longer investment horizons — investor looking for 3–5 year bets.
- Retirees / pre-retirees diversifying into annuities, guaranteed income products.
- Greater demand for health / medtech / insurance products.

Reassessment Proceedings u/s 148A & 148 Must Be Conducted in Faceless Manner Post 01.04.2021: Telangana HC

Mallesh Goud Donkeni v. Income-tax Officer [2025] | HIGH COURT OF TELANGANA | Writ Petition No.: 22793 of 2025 | Assessment Year: 2020-21 | Date: August 4, 2025

The Telangana High Court has reiterated a crucial procedural mandate, quashing reassessment proceedings initiated by a Jurisdictional Assessing Officer (JAO) instead of a Faceless Assessing Officer (FAO), and expressed grave concern over the Income Tax Department's continued disregard for established judicial precedent.

The Core Dispute:
The petitioner challenged the validity of notices issued under Sections 148A and 148 of the Income-tax Act, 1961. The core issue was that these notices and the subsequent proceedings were initiated by the Jurisdictional Assessing Officer (JAO) in a non-faceless manner. The petitioner contended that, pursuant to the amendments introduced by the Finance Act, 2021, which came into effect from April 1, 2021, all such proceedings must be conducted in a faceless manner through the Faceless Assessment scheme.

The Court's Analysis and Ruling:
The High Court allowed the writ petition, quashing the impugned notices and consequential orders. The ruling was based on the following key points:

- Issue Squarely Covered by Precedent: The Court noted that this identical issue had already been conclusively decided by its own Division Bench in Kankanala Ravindra Reddy v. ITO (2023) and subsequently followed in a large number of cases. The same legal position had been affirmed by multiple other High Courts across India, including Bombay, Punjab & Haryana, Gujarat, and Himachal Pradesh.
- Mandate of Faceless Procedure: The Court reaffirmed that after the amendments effective from April 1, 2021, the procedure under Sections 148A (inquiry before issuance of notice) and 148 (issuance of notice) must be carried out in a faceless manner as per the scheme notified by the CBDT. Initiation of these proceedings by a JAO is invalid.

- Criticism of Department's Conduct: The Court expressed strong disapproval of the Income Tax Department's conduct. Despite a clear and consistent judicial position established over 16 months, the Department continued to issue notices in violation of the law, leading to an "alarming trend of docket explosion" with over 600-700 identical petitions piling up. The Court criticized this as a "calculated move to buy time and circumvent limitation periods," which undermines judicial precedent and strains court resources.
- Liberty to Revenue Protected: The Court clarified that its decision to quash the proceedings was subject to the outcome of the Special Leave Petitions (SLPs) filed by the Revenue on this issue, which are pending before the Supreme Court. The liberty granted to the Revenue in the Kankanala Ravindra Reddy case to initiate fresh proceedings in a faceless manner was reiterated.

Conclusion:
The Telangana High Court's order reinforces the mandatory nature of the faceless assessment procedure for reassessment proceedings initiated after April 1, 2021. It serves as a stern reminder to the tax administration to adhere to binding judicial pronouncements. The Court quashed the notices issued under Sections 148A and 148, holding them to be without jurisdiction as they were not issued in a faceless manner. The decision was made subject to the final outcome of the pending SLPs before the Supreme Court.

Disclaimer

Top Trends

- Use of analytics / adaptive budgeting by households.
- India easing rules to allow diaspora / NRIs to invest more seamlessly in Indian markets.
- Real-time FX settlement for domestic banks via GIFT City & RBI to attract foreign capital.
- Greater foreign institutional flows into Indian equity / debt as valuations look attractive.
- Foreign direct investment (FDI) into sectors like clean energy, manufacturing, fintech.
- Global spillovers: US interest rates / China demand affecting India's external sector.
- Currency hedging / derivatives usage increasing among corporates to guard against forex risk.