

FIN-O-SCOPE

15th April, 2026



https://media.licdn.com/dms/image/v2/D5612AQG0K2uVSgs5FA/article-cover_image-shrink_720_1280/B56ZUKDA9LHEAI-/0/1739630318071?e=2147483647&v=beta&t=2e84pNR3vqFZuvU-12Q_2auwngYNxzUKI9bCt8R5DoE

Table of Contents

Particulars	Page Number
Notifications & Circular	1-11
Judicial precedents and case law analysis	12-13

Top Trends

- India's GDP growth outlook for FY26 remains strong amid resilient domestic demand.
- RBI continues its cautious stance balancing inflation and growth.
- Inflation shows signs of moderation but food prices remain volatile.
- Government capex push continues to drive infrastructure growth.

Top Trends

- Fiscal deficit consolidation remains a key policy priority.
- Banking sector NPAs are at multi-year lows.
- Credit growth remains robust across retail and MSME sectors.
- Digital payments volume continues exponential growth in India.
- UPI transactions hit new record highs.
- Global interest rates remain elevated amid inflation concerns.
- Oil price volatility continues to impact import-dependent economies.
- Rupee shows relative stability against global currency fluctuations.
- India's forex reserves remain comfortable.
- Manufacturing PMI indicates expansionary trends.
- Services sector continues to lead economic growth.
- Startup funding shows signs of gradual recovery.
- Private investment cycle is gaining momentum.
- FDI inflows remain steady despite global uncertainty.

Post-Tiger Global SC Ruling: GAAR Rule 128 Amendment

Notification No.: [Notification No. 55/2026/F. No. 370142/15/2026-TPL]

Date: 31st March 2026

In the landmark Supreme Court verdict on January 15, 2026 (Authority for Advance Rulings vs. Tiger Global International II/III/IV Holdings), the apex court upheld GAAR invocation against Mauritius entities in the 2018 Flipkart share sale (indirect transfer via Singapore SPV), denying India-Mauritius DTAA benefits despite TRCs and pre-2017 grandfathering claims. SC ruled the structures as "conduits lacking substance," with tax benefits accruing post-April 1, 2017 taxable in India; GAAR overrides treaties (s.90(2A)), TRCs not conclusive, and grandfathering scrutinized via "without prejudice" clause in then-Rule 128.

Amendment as Legislative Response

CBDT's Income-tax Amendment Rules, 2026 (G.S.R. 241(E), March 31, 2026; Gazette No. 222) codify SC's substance-over-form stance by amending Rule 128 of Income-tax Rules, 2026 (G.S.R. 198(E), March 20). Effective April 1, 2026 (under ss.533/183, Income-tax Act 2025), it refines Chapter XI (GAAR) scope amid Tiger fallout, limiting challenges while affirming post-2017 benefit taxation.

Precise Rule Tweaks

- **Sub-rule 128(1)(d):** Substituted to: "any income... from transfer of such investments which were made before the 1st April, 2017 by such person." Explicitly excludes pre-2017 investment transfers from GAAR, addressing SC's reading of "without prejudice" (Tiger paras on grandfathering).
- **Sub-rule 128(2):** Substituted to apply Chapter XI "to any arrangement, irrespective of [entry] date... in respect of the tax benefit obtained... on or after 1st April, 2017," barring pre-2017 transfer income. Locks in Tiger principle: GAAR keys on benefit date, not structure age—curtailing conduit defenses.
- **Sub-rule 128(1)(d) Substitution:** Now reads: "any income accruing or arising to, or deemed to accrue or arise to, or received or deemed to be received by, any person from transfer of such investments which were made before the 1st April, 2017 by such person."

- **Sub-rule 128(1)(d) Substitution:** Now reads: "any income accruing or arising to, or deemed to accrue or arise to, or received or deemed to be received by, any person from transfer of such investments which were made before the 1st April, 2017 by such person."
- **Sub-rule 128(2) Substitution:** Now reads: "The provisions of Chapter XI shall apply to any arrangement, irrespective of the date on which it has been entered into, in respect of the tax benefit obtained from the arrangement on or after the 1st April, 2017, except for that income which accrues or arises to, or deemed to accrue or arise to, or is received or deemed to be received by, any person from transfer of such investments which were made before the 1st April, 2017 by such person. "GAAR triggers on tax benefits realized post-April 1, 2017—even from older arrangements—but excludes the same pre-2017 investment transfer income."

India–Japan Double Taxation Avoidance Agreement: Article 26A Tax Collection Assistance Memorandum of Understanding

Notification No.: 56/2026 F. No. 500/22/2022-FT&TR-V

Date: 02nd April 2026

The Notification number 56 of 2026, bearing serial number S.O. 1715(E), was issued by the Ministry of Finance, Department of Revenue, Government of India, on 2nd April 2026. This notification gives effect to the Memorandum of Understanding for Assistance in Collection of Taxes, which serves as the detailed procedure for implementing Article 26A of the Convention between the Government of the Republic of India and the Government of Japan for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. The Memorandum of Understanding was signed in Tokyo on 30th June 2025 and in New Delhi on 8th July 2025.

Top Trends

- Affordable housing remains a policy focus.
- Global trade growth remains subdued.
- Supply chain diversification continues globally.
- Semiconductor investments rise in India.
- AI and tech investments shape future economic growth.
- Banking digitization improves efficiency and outreach.
- Fintech sector continues to disrupt traditional finance.
- Insurance penetration gradually increases.
- Pension reforms remain under discussion.
- Labor market shows improving employment trends.
- Wage growth remains moderate.
- Consumption demand remains a key growth driver.
- Rural demand shows gradual improvement.
- Agricultural output remains stable.
- Monsoon outlook remains critical for rural economy.

Top Trends

- Commodity prices remain unpredictable.
- Gold prices remain elevated amid global uncertainty.
- Equity markets show cautious optimism.
- Market volatility driven by global macro factors.
- IPO activity shows selective revival.
- Corporate earnings growth remains stable.
- Debt markets attract institutional investors.
- Bond yields remain sensitive to policy changes.
- Sovereign borrowing remains within planned limits.
- Inflation targeting remains RBI's key objective.
- Financial inclusion initiatives continue expansion.
- Digital lending faces regulatory tightening.
- Cybersecurity concerns rise in financial sector.
- ESG investing gains traction globally.
- Climate finance becomes a policy priority.

Background and Legal Basis

The India-Japan Double Taxation Avoidance Agreement was originally signed on 7th March 1989 and entered into force on 29th December 1989. Article 26A of this agreement specifically provides for mutual assistance between the tax authorities of India and Japan in the collection of taxes. The Memorandum of Understanding operationalizes this article by laying down the precise procedures, timelines, and safeguards for such assistance. The Central Government has invoked sub-section (1) of section 90 of the Income-tax Act, 1961, to notify that all provisions of this Memorandum of Understanding shall be implemented throughout the Union of India.

Date of Effectiveness

Paragraph 21 of the Memorandum of Understanding states that its provisions shall apply to any request for collection of taxes made after the later of the dates of signature by the two competent authorities. Since the signing in New Delhi on 8th July 2025 is the later date, the Memorandum of Understanding has effect in India for all tax collection requests made after 8th July 2025.

Detailed Operational Mechanism

The Memorandum of Understanding establishes a structured framework for tax collection assistance:

1. Competent Authorities: In India, the Central Board of Direct Taxes acts as the competent authority. In Japan, the National Tax Agency under the Ministry of Finance serves this role.
2. Types of Taxes Covered: The assistance covers taxes on income as defined under the respective domestic laws of both countries, including income tax and corporation tax in Japan, and income tax (including surcharge) in India.
3. Scope of Assistance: The requested authority will undertake measures to collect the tax claim as if it were its own domestic tax liability. This includes attachment of bank accounts, garnishee proceedings, sale of property, and other recovery measures available under domestic law.
4. Request Procedure: Requests must be in writing and contain specific information about the taxpayer, the tax debt amount, nature of tax, and legal basis. Requests are transmitted through secure diplomatic channels or electronic platforms designated by the competent authorities.

5. Execution and Safeguards:

- The requested authority executes the request in accordance with its domestic laws.
- The taxpayer retains all rights of appeal and defense available under the domestic law of the requested state.
- No assistance will be provided if it would disclose confidential commercial information or violate public policy.
- Costs incurred in collection are recoverable from the taxpayer and reimbursed to the requested authority.

6. Remittance of Collections: Amounts collected are converted to the currency of the requested state and remitted promptly, after deducting recoverable costs.

Order Specifying Procedure for Permanent Account Number Correction

Order No: ADGS-IPANM3699/2026-AD-DD SYSTEMS

Dated: 01st April 2026

The Order titled "Order for Specifying Forms and Procedures in Relation to Furnishing Application for Permanent Account Number Correction" was issued by the Director General of Income-tax (Systems), Central Board of Direct Taxes, Ministry of Finance, Government of India. The file number is ADGS-IPANM3699/2026-AD-DD SYSTEMS, and it was issued from Delhi. This order exercises powers under Rule 158 sub-rule (1) sub-rule (2) of the Income-tax Rules, 2026, read with Section 262 sub-section (4) of the Income-tax Act, 2025. The order takes effect from 1st April 2026.

Purpose and Legal Framework

This order prescribes the specific application forms, submission methods, and guidelines for individuals and non-individuals seeking corrections or changes to their Permanent Account Number data. It standardizes the process for maintaining accurate taxpayer identification records, which is critical for compliance under the Income-tax Act, 2025, and facilitates seamless integration with Aadhaar-based verification systems.

Top Trends

- Carbon markets evolve gradually.
- Urbanization continues to drive economic activity.
- Smart city investments increase.
- Logistics sector sees infrastructure upgrades.
- E-commerce growth remains strong.
- Consumer sentiment shows cautious optimism.
- Credit card usage continues to rise.
- Household savings patterns are shifting.
- Mutual fund inflows remain strong.
- SIP contributions hit record levels.
- Wealth management industry expands rapidly.
- Global recession fears persist but soften.
- China's growth slowdown impacts global trade.
- US monetary policy influences emerging markets.
- Europe faces mixed economic signals.
- Currency markets remain volatile.
- Capital flows remain selective toward emerging markets.

Top Trends

- Fiscal stimulus globally becomes more targeted.
- Infrastructure bonds gain popularity.
- Corporate deleveraging trends continue.
- Private equity investments remain selective.
- Venture capital cautiously re-enters markets.
- Public sector banks improve profitability.
- NBFC sector stabilizes post regulatory tightening.
- Credit risk remains contained.
- Retail lending continues expansion.
- Housing finance sector shows resilience.
- Inflation expectations gradually anchor.
- Food inflation remains a key risk.
- Energy transition reshapes economic priorities.
- Green hydrogen investments rise.
- Export diversification remains a policy focus.
- Trade agreements aim to boost exports.
- Services exports remain strong.
- IT sector growth moderates slightly.

Specified Application Forms

The order mandates two distinct forms:

- PAN-CR-01: Request for Changes or Correction in Permanent Account Number Data for an Individual. This form is used by individual taxpayers, including natural persons, Hindu Undivided Families, and other individual entities.
- PAN-CR-02: Request for Changes or Correction in Permanent Account Number Data for Non-Individual. This form applies to companies, partnerships, limited liability partnerships, trusts, associations of persons, body of individuals, and other non-individual entities.

Both forms are provided in PDF format as Annexure-1 to the order, along with comprehensive filling guidelines.

Submission Channels:

Applications can be submitted through two modes:

- Physically at Permanent Account Number Centres operated by UTI Infrastructure Technology and Services Limited (UTIITSL) or Protean eGov Technologies Limited (formerly National Securities Depository Limited e-Governance Services).
- Online through the official websites of UTIITSL (www.utiitsl.com) or Protean eGov (www.tinpan.proteantech.in).

Detailed Structure of PAN-CR-01 (Individuals)

Part A: Personal Information

- Name (either as per existing records or as per Aadhaar).
- Gender (Male, Female, or Transgender).
- Date of Birth.
- Address (Residence or Office, with full details including Flat/Door/Block, Road/Street/Sector, Post Office, Area/Locality/Town/City, District, State/Union Territory, Country/Region, PIN/ZIP Code).
- Passport Number (mandatory for non-residents or residents but not ordinarily resident).
- Taxpayer Identification Number in the Country of Residence (mandatory for non-Indian citizens).
- Contact Details (Mobile Number with Country Code, Email ID, Landline Number with Country/ISD Code and Area/STD Code).

Part B: Details of Parents

- Father's Name (First, Middle, Last).
- Mother's Name (First, Middle, Last).
- Selection of parent's name to be printed on the Permanent Account Number card.

Part C: Declaration

- List of supporting documents (Proof of Identity, Proof of Address, Proof of Date of Birth, Documentary proof for other changes, Copy of Permanent Account Number card).
- Requirement for recent colour photograph (4.5 cm x 3.5 cm) with signature/left thumb impression across the photo.
- Verification declaration by applicant or representative assessee.

Detailed Structure of PAN-CR-02 (Non-Individuals)

Part A: Personal Information

- Name of the entity.
- Date of Incorporation/Agreement/Partnership or Trust Deed/Formation of Body of Individuals or Association of Persons.
- Office Address (complete details similar to individual form).
- Taxpayer Identification Number in the Country of Residence.
- Contact Details (same as individual form).

Part B: Declaration

- List of supporting documents (Proof of Identity, Proof of Address, Proof of Date of Incorporation etc., Proof of Permanent Account Number).
- Verification declaration by authorized signatory.
- Comprehensive Filing Guidelines
- Common Instructions for Both Forms:
- Fill legibly in BLOCK LETTERS using black ink, in English only.
- Provide copy of Permanent Account Number card; if lost, attach First Information Report copy.
- Each box accepts one character only, with blank box after each word.
- Aadhaar Number is mandatory except for exempt categories.
- No prefixes like Shri, Smt, Dr., etc.; expand initials from Aadhaar.
- For reprint without changes, use dedicated websites.
- Individual-Specific:
 - Two recent colour photographs (white background, 4.5 cm x 3.5 cm); signature/thumb impression across left photo.
 - Thumb impressions must be attested by Magistrate, Notary Public, Oath Commissioner, or Gazetted Officer. Married women provide father's name, not husband's.
- Non-Individual-Specific:
 - Registration Number mandatory for companies and limited liability partnerships.
 - Full entity name without abbreviations.

Top Trends

- Tourism sector continues recovery.
- Aviation sector demand rises.
- Freight and logistics costs stabilize.
- Public debt levels remain manageable.
- Tax reforms focus on simplification.
- Compliance digitization improves transparency.
- Corporate governance standards strengthen.
- Startup ecosystem matures gradually.
- Skill development becomes policy focus.
- Education sector reforms support workforce readiness.
- Healthcare spending increases steadily.
- Pharma exports remain strong.
- Biotechnology investments grow.
- Inflation-adjusted income growth remains moderate.
- Interest rate transmission improves.
- Deposit growth supports banking liquidity.
- Financial markets deepen with reforms.
- Bond market participation widens.

Top Trends

- Retail investors increase market participation.
- Stock market valuations remain elevated.
- Risk appetite remains cautious.
- Global energy demand continues to rise.
- Oil import dependency remains a concern.
- Strategic reserves policy gains importance.
- Currency stability supports investor confidence.
- Export competitiveness remains a challenge.
- Import substitution policies expand.
- Domestic manufacturing gains policy support.
- Industrial output shows steady growth.
- Capex cycle strengthens gradually.
- Productivity improvements drive long-term growth.
- Data economy becomes a growth driver.
- Digital infrastructure expansion continues.
- 5G rollout boosts economic activity.
- AI adoption increases across industries.

The Corporate Laws (Amendment) Bill, 2026:

The Corporate Laws (Amendment) Bill, 2026 was introduced in the Lok Sabha of the Parliament of India on March 23, 2026. It proposes amendments to two key legislations: the Companies Act, 2013 and the Limited Liability Partnership Act, 2008. On the same date, the Bill was referred to a Joint Parliamentary Committee for detailed examination and recommendations. The Bill aims to simplify compliance requirements, decriminalize minor offences, ease business operations particularly for small and medium enterprises, and strengthen regulatory oversight mechanisms.:

Key Objectives and Philosophy

The amendments focus on three primary goals:

- 1.Reduction of compliance burden through simplified processes and exemptions.
- 2.Decriminalization of technical and procedural violations by replacing imprisonment or fines with civil monetary penalties.
- 3.Enhancement of regulatory efficiency for bodies like the National Financial Reporting Authority and Insolvency and Bankruptcy Board of India.

Major Amendments to Companies Act, 2013

1. Decriminalization of Offences

Several offences are converted from criminal (imprisonment/fine) to civil liabilities (penalty):

- Wilful failure to furnish information related to producer company affairs.
- Contravention of rules made under the Act.
- Failure to provide information or documents required by the Registrar of Companies.
- Violations concerning maintenance of books of account.
- Non-compliance with Registrar's requisition (except formal summons).

2. Corporate Social Responsibility (CSR) Reforms

Current thresholds mandating 2% average net profit contribution:

- Net worth: ₹500 crore or more, or
- Turnover: ₹1,000 crore or more, or
- Net profit: ₹5 crore or more.

Changes:

- Net profit threshold raised to ₹10 crore (or prescribed amount).
- Exemption for companies fulfilling prescribed conditions from CSR compliance entirely.

3. Compliance Simplifications

- Electronic service of documents mandatory for prescribed company classes.
- Annual General Meetings permissible physically, via video conferencing, or audio-visual means; mandatory physical meeting at least once every three years.
- Exemption from auditor appointment for companies meeting prescribed conditions.
- Replacement of affidavits with self-declarations by directors.

4. Redefinition of Small Companies

Current definition:

- Paid-up share capital ≤ ₹50 lakh (or higher ≤ ₹10 crore), and
- Turnover ≤ ₹2 crore (or higher ≤ ₹100 crore).

Revised:

- Paid-up share capital threshold increased to ₹20 crore.
- Turnover threshold increased to ₹200 crore.
- This expansion benefits more Micro, Small, and Medium Enterprises with relaxed governance norms.

5. Merger and Amalgamation Thresholds

For fast-track mergers (small companies, holding-wholly owned subsidiary):

- Shareholder approval: From 90% shareholding to majority present and voting holding ≥75% shares.
- Creditor approval: From 90% to 75% in value.

6. Buy-back of Shares Flexibility

Current limit: ≤25% of aggregate paid-up capital + free reserves.

New: Prescribed company classes eligible for higher prescribed percentages; additional flexibilities for employee schemes.

7. Valuation Framework

Insolvency and Bankruptcy Board of India designated as Valuation Authority:

- Issues registration/recognition to valuers. Recommends valuation standards to Central Government. Ensures compliance monitoring.

Top Trends

- Financial literacy initiatives expand.
- Household debt remains under control.
- Inflation-adjusted returns become a focus for investors.
- Pension fund investments increase in equities.
- Sovereign wealth funds show interest in India.
- Strategic sectors attract foreign investment.
- Export-led growth strategies evolve.
- Domestic consumption remains resilient.
- Policy stability supports economic growth.
- Government reforms continue gradually.
- Ease of doing business improves incrementally.
- Regulatory frameworks adapt to new technologies.
- Financial stability remains a core objective.
- Banking capital adequacy remains strong.
- This contributes to inflationary pressures.
- Strategic industries are receiving increased government support and protection.
- This is shaping global trade dynamics.

Top Trends

- Risk management practices improve across institutions.
- Global economic uncertainty remains a key challenge.
- India remains one of the fastest-growing major economies.
- Long-term growth outlook remains positive driven by reforms and demographics
- Cybersecurity risks are increasing with greater digitalization of economies.
- Companies are investing heavily in protecting data and systems.
- Data analytics is becoming central to decision-making in modern businesses.
- This enhances efficiency but requires strong data infrastructure.
- Rising input costs are putting pressure on corporate profit margins globally.
- Companies are focusing on cost control and efficiency.
- Core inflation shows gradual easing across key sectors.
- Retail credit demand remains strong in Tier-2 and Tier-3 cities.
- Government revenue collections exceed budget estimates.
- Infrastructure pipeline projects.

8. National Financial Reporting Authority (NFRA) Empowerment

Expanded powers include:

- Regulations for investigation procedures.
- Issuance of advisories, censures, warnings.
- Enhanced disciplinary actions against professionals.

9. Employee Compensation Expansion

Recognizes beyond Employee Stock Options: schemes linked to share capital value (Restricted Stock Units, Stock Appreciation Rights).

Major Amendments to Limited Liability Partnership Act, 2008

Conversion of Specified Trusts to Limited Liability Partnerships

Enables trusts meeting criteria to convert:

- Established under Indian Trusts Act, 1882 or Central/State Acts.
- Registered with Securities and Exchange Board of India or International Financial Services Centres Authority.
- Engaged in prescribed activities (likely Alternative Investment Funds).

CBDT Circular No. 04/2026

– Referencing by Document Identification Number (DIN)

Date: 31st March 2026

Issued by: Central Board of Direct Taxes (CBDT)

1. Background & Objective

The CBDT introduced the Document Identification Number (DIN) system to enhance:

- Transparency in tax administration
- Accountability of income-tax authorities
- Authenticity and traceability of communications

This circular reiterates and strengthens the mandatory requirement of quoting DIN in all official communications issued by the Income Tax Department.

2. Mandatory Requirement of DIN

- Every communication issued by any Income-tax authority must mandatorily contain a DIN.
- This applies to:
 - Notices
 - Orders
 - Letters
 - Summons
 - Any correspondence with taxpayers
- The DIN must be generated through the prescribed ITBA/official system.

3. Invalidity of Communications Without DIN

- Any communication issued without a valid DIN shall be treated as:
 - Invalid, and
 - Deemed to have never been issued
- Taxpayers can disregard such communications, except in specified exceptional cases.

4. Exceptional Circumstances (Manual Communication Allowed)

In rare situations where generating DIN is not possible, manual communication may be issued, such as:

- Technical/system issues
- Urgent situations requiring immediate action

Top Trends

- Export incentives aim to boost manufacturing competitiveness.
- Global commodity cycles remain uncertain.
- Interest rate cuts remain dependent on inflation trajectory.
- Banking liquidity conditions remain adequate.
- Financial sector reforms continue to deepen markets.
- Real income growth supports consumption recovery.
- Digital banking adoption reaches new highs.
- Cashless economy initiatives gain further traction.
- Credit penetration improves in underserved regions.
- Industrial credit growth rebounds steadily.
- Export-oriented sectors face currency volatility risks.
- Import costs fluctuate due to global price movements.
- Government subsidies remain targeted and controlled.
- Fiscal prudence remains central to economic policy.
- Tax compliance improves through technology integration.

Top Trends

- AI-driven automation impacts workforce productivity.
- Capital markets attract increased retail participation.
- Alternative investment funds gain popularity.
- Global financial conditions remain tight.
- Emerging markets compete for limited capital inflows.
- Sovereign ratings outlook remains stable.
- External debt levels remain manageable.
- Trade deficit shows signs of narrowing.
- Services sector exports offset goods trade pressures.
- Domestic tourism contributes to economic growth.
- Consumption patterns shift toward discretionary spending.
- Financial innovation continues to reshape markets.
- Regulatory oversight increases for fintech companies.
- Cross-border payments become more efficient.
- Currency settlement agreements expand globally.
- Inflation-linked instruments gain investor interest.

However, such communications must:

- Clearly state the reason for not generating DIN
- Be regularized within the prescribed time by generating DIN post-facto

5. Post-Facto Regularization

- Where manual communication is issued:
 - DIN must be generated subsequently
 - The communication must be uploaded/recorded in the system
 - Proper audit trail must be maintained

6. Responsibilities of Income-tax Authorities

- अधिकारियों (tax officers) must ensure:
 - Strict compliance with DIN requirements
 - No unauthorized/manual communication without valid justification
 - Proper documentation of exceptions
 - Non-compliance may lead to:
 - Administrative action
 - Questioning of validity of proceedings

7. Implications for Taxpayers

- Taxpayers should:
 - Verify DIN on all communications received
 - Use DIN to authenticate notices/orders on the income-tax portal
 - Challenge communications not bearing DIN (unless valid exception applies)

8. System & Verification

- DIN enables:
 - Online verification of documents
 - Prevention of fake/unauthorized notices
 - Improved trust in tax administration

9. Effective Compliance

- The circular reinforces earlier instructions and mandates strict adherence across all field formations.
- Supervisory authorities are expected to monitor compliance regularly.

Conclusion:

This circular strengthens the legal enforceability and transparency of tax communications by making DIN a critical and non-negotiable requirement, thereby safeguarding taxpayer rights and ensuring procedural discipline within the department.

ITAT Bangalore holds no fresh notice u/s 143(2) required in assessment pursuant to Section 263

DCIT vs. G Corp Pvt. Ltd.

Case Citation: ITA No. 2484/Bang/2025 (A.Y. 2014–15)

Court/Tribunal: Income Tax Appellate Tribunal (ITAT), Bangalore Bench

Date of Order: 01 April 2026

Counsel:

- For the Appellant (Revenue): Shri N. Balusamy, JCIT
- For the Respondent (Assessee): None appeared

Statutory Provisions Involved:

Section 143(2), 143(3), 263 of the Income-tax Act, 1961

Key Facts:

The assessee, engaged in the business of real estate and property management, originally underwent scrutiny assessment under Section 143(3), wherein due process including issuance of notice under Section 143(2) was duly complied with.

Subsequently, the Principal Commissioner of Income Tax invoked revisionary jurisdiction under Section 263 on the ground that the assessment order was erroneous and prejudicial to the interests of revenue. The Assessing Officer (AO) was directed to reassess a specific issue relating to taxation of annual value of a commercial property under the head "Income from House Property." Pursuant to such directions, the AO passed an order under Section 143(3) read with Section 263 without issuing a fresh notice under Section 143(2).

The assessee challenged the validity of the reassessment before CIT(A), contending that absence of notice under Section 143(2) renders the assessment void. The CIT(A) accepted this contention and quashed the assessment relying on the Supreme Court decision in ACIT vs. Hotel Blue Moon.

Top Trends

- Developing countries face higher risks of debt distress due to currency depreciation.
- External borrowing costs are rising significantly.
- Government spending is shifting towards defense, infrastructure, and energy security.
- This reflects changing global priorities.
- Global trade growth is slowing due to weaker demand and rising protectionism.
- This marks a shift away from decades of globalization.
- Supply chains are being diversified to reduce reliance on single regions.
- Companies are investing in resilience and redundancy.
- Logistics costs are rising again due to disruptions in global shipping routes.
- This contributes to inflationary pressures.
- Strategic industries are receiving increased government support and protection.
- This is shaping global trade dynamics.
- Trade policies are increasingly.

Top Trends

- Infrastructure investment trusts (InvITs) expand.
- REIT market gains traction among investors.
- Urban consumption remains a strong growth driver.
- Rural credit access improves with digital initiatives.
- Climate risks increasingly factor into financial decisions.
- Sustainable finance frameworks evolve rapidly.
- Public-private partnerships gain momentum.
- Import diversification reduces supply chain risks.
- Domestic supply chains strengthen resilience.
- Credit rating upgrades reflect stronger balance sheets.
- Corporate profitability remains stable across sectors.
- Inflation volatility remains a key policy concern.
- Economic resilience improves amid global uncertainties.
- India's medium-term growth story remains structurally strong.
- Rising input costs are putting pressure on corporate profit margins globally.
- Companies are focusing on cost control and efficiency.

Tribunal's Detailed Analysis:

The Tribunal examined the legal framework governing revisionary proceedings under Section 263 and the procedural requirements under Section 143(2).

It observed that proceedings initiated pursuant to Section 263 are not akin to fresh or de novo assessments in entirety but are in the nature of continuation or modification of the original assessment, restricted strictly to the issues identified by the Principal Commissioner.

The Tribunal emphasized that in such cases:

- No fresh return of income is filed by the assessee
- The scope of assessment is confined to specific directions issued under Section 263
- The Assessing Officer does not get jurisdiction to re-examine the entire return

Further, the Tribunal clarified that the requirement of issuance of notice under Section 143(2) arises primarily in cases where the Assessing Officer seeks to scrutinize a return of income, especially where a fresh return is filed (e.g., reassessment or search cases).

Distinguishing the reliance placed by CIT(A), the Tribunal held that the judgment in Hotel Blue Moon applies to block assessment proceedings involving fresh returns and cannot be extended to revisionary proceedings under Section 263.

Key Findings and Final Ruling:

The Tribunal held that:

- Issuance of fresh notice under Section 143(2) is not mandatory in assessment proceedings carried out pursuant to Section 263.
- Such proceedings are continuation of original assessment, where notice under Section 143(2) had already been issued.
- The CIT(A) erred in quashing the assessment solely on procedural grounds without examining the merits.

Accordingly, the order of the CIT(A) was set aside, and the matter was restored for adjudication on merits. The appeal of the Revenue was allowed.

Disclaimer

This newsletter is intended for private circulation only. The views expressed are those of the editorial team and are based on publicly available information and Government portal platforms. Aman Satish & Company does not accept any liability, direct or indirect, for any consequences arising from the use of the information contained herein. Reproduction of any content from this newsletter is prohibited without prior consent from Aman Satish & Company. While every effort has been made to ensure the accuracy of the information, Aman Satish & Company does not accept responsibility for any errors or omissions. Aman Satish & Company 2026. All rights reserved.

Top Trends

- Developing countries face higher risks of debt distress due to currency depreciation.
- External borrowing costs are rising significantly.
- Government spending is shifting towards defense, infrastructure, and energy security.
- This reflects changing global priorities.
- Global trade growth is slowing due to weaker demand and rising protectionism.
- This marks a shift away from decades of globalization.
- Supply chains are being diversified to reduce reliance on single regions.
- Companies are investing in resilience and redundancy.
- Logistics costs are rising again due to disruptions in global shipping routes.
- This contributes to inflationary pressures.
- Strategic industries are receiving increased government support and protection.
- This is shaping global trade dynamics.