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CBDT Notifies ITR Form 7 for AY 2025-26 – Key Changes

Notification no. 46/2025, dated 09-05-2025
The Central Board of Direct Taxes (CBDT) has officially notified **Income-tax Return (ITR) Form 7** for the Assessment Year 2025-26.

Most of the changes in the notified Form are aligned with the recent amendments introduced through the **Finance (No. 2) Act, 2024** :

- Mandatory Reporting of Exempt Income Sources
- Specific reporting requirements, including donor-wise disclosures, application of income, and accumulated income tracking.
- Additional Schedules and Validation Checks – New schedules, validation rules strengthened, to improve accuracy in reporting and reduce the scope for errors or omissions
- The updated form prompts for mandatory reporting of audit reports, registration details under various laws, and CSR disclosures (where applicable).

1. Capital Gains Tax Limited to Firm-Owned Assets

In the instant case[1], Punjab National Bank auctioned immovable property to recover a loan from the assessee firm. The secured assets included the firm's building, structure, and plant & machinery, along with land owned by the partner, Smt. Shakuntla Devi.

The auction was held on 26.04.2016, fetching ?5,28,97,000. The Assessing Officer treated the entire amount as long-term capital gains of the firm, since no return had been filed for that year.
The assessee appealed, arguing that the land did not belong to the firm, so proceeds related to it couldn't be taxed in the firm's hands. It also claimed depreciation and WDV weren't deducted for the firm-owned assets. The assessee submitted land ownership proof to show that the land belonged to the partner.

The CIT(A) accepted this and held that only proceeds related to the building and machinery could be taxed after proper deductions. The matter reached before the Tribunal.

The Tribunal held that the sale deed showed that the land in question, which formed part of the auctioned assets, belonged to Smt. Shakuntla Devi, the partner of the firm and not to the firm. In view of this, the firm could not be charged with long-term capital gain on the alienation of an asset that did not belong to it.

The only gains attributable to the firm could be on account of building structure and plant and machinery, which were owned by the firm and depicted in its schedule of fixed assets. For the same, the AO was required to arrive at the figures of amounts realised on sale of building structure and plant and machinery and compute the profits on the sale of the same after deducting the written down value as it stood in the books of the assessee. No other amount could be taxed in the hands of the assessee as capital gains, for assets which did not belong to it. In the circumstances, ITAT were inclined to agree with the ultimate decision of the CIT(A) in granting relief to the assessee.

2. Business Expediency ITAT – Interest-Free Advances to Farmers

In the instant case[2], the assessee was operating a cold storage facility. During the year, the assessee raised interest-bearing loans from banks and claimed a deduction for the interest paid on these loans. The Assessing Officer (AO) disallowed the interest paid to the banks on the ground that interest-free advances were given by the assessee to the farmers out of interest-bearing loans raised by it and made an addition to the assessee's income.

On appeal, CIT(A) upheld the order of AO. The aggrieved assessee filed the instant appeal before the Tribunal. Before the Tribunal, the assessee contended that it was running a cold storage facility and had to keep the farmers tied up with it so that these farmers could store their potatoes in its cold storage. It could earn rent from the potatoes stored in its cold storage.

The Tribunal held that the assessee had given complete details of the advances paid to the

[1] Deputy Commissioner of Income-tax vs. Shree Bhawani Mills - [2025] (Lucknow-Trib.)

[2] Girraj Cold Storage (P.) Ltd. vs. Income-tax Officer - [2025] (Agra-Trib.)

farmers during assessment proceedings. The AO asked the assessee to produce 20 farmers, and the assessee claimed to have produced 17 farmers, as two farmers had died, and one was army personnel on duty. These farmers have also given affidavits. The assessee claimed that the AO recorded the statement of three farmers produced by the assessee before the AO, but did not record the statements of the remaining farmers produced by the assessee, as the AO held that the farmers were tutored.

The assessee asked the AO to issue a summons to the farmers. The AO did not issue a summons to the farmers to unravel the truth. Nor did CIT(A) make any enquiry and/or verification with the farmers. The powers of CIT(A) are co-terminus with the powers of the AO, including the power of enhancement.

The ITAT held that the assessee had duly explained the business expediency of providing interest-free advances to potato growers, i.e., to tie up with the farmers so that they store their potato crop or produce in the assessee's cold storage. The assessee can earn rent from potatoes that the farmers keep in the assessee's cold storage. Revenue cannot sit in the armchair of a business person and then decide how the business will be run.

Rather, business people have to arrange their affairs, keeping in view business expediencies, to maximize their revenues and profits. Thus, the addition made by the Assessing Officer was directed to be deleted.

3. Section 50C Extends to Leasehold Rights via Assignment

In the instant case[3], the assessee held land through lease rights assigned to it by a previous lessee. MIDC transferred the land in question in favour of VVI through a lease. The rights under the lease were assigned by VVI, the lessee, in favour of the assessee by way of a deed assignment. The assessee claimed that section 50C did not apply to a property held in leasehold right and thus, tax would not be payable on sale consideration.

The Assessing Officer (AO) rejected the claim of the assessee. On appeal, the Commissioner (Appeals) upheld the order of the AO. The Tribunal also upheld the order of the Commissioner (Appeals). The matter reached the Bombay High Court.

The High Court held that the expression used in section 50C is "consideration received or accruing as a result of transfer of a capital asset, being land or building or both". This must be related to the definition of "capital asset", as in section 2(14). A perusal of the definition of "capital asset" in section 2(14) would indicate that it includes property of any kind, held by an assessee. What is material to note is that the expression is "held by an assessee" and not owned by an assessee.

Insofar as the immovable property, i.e. land or building, is concerned, there are several ways in which it can be held. The holding can be either as an owner, lessee, sub-lessee, allottee, tenant, licensee, gratuitous licensee or any other mode, permissible or recognised by law. Therefore, the expression "held by an assessee" does not restrict how the land or building can be held. The holding of land is merely a method by which rights to the land can be held or acquired by a person. That cannot be equated with

[3] Vidarbha Veneere Industries Ltd. vs. Income-tax Officer - [2025] (High Court of Bombay)

land or building but rather would be a species of the right to have it, which, as indicated above, are of multiple natures.

Therefore, it is found that merely because the MIDC originally allotted the land by way of a lease to the predecessor of the assessee, who in turn has received the same by way of an assignment, that being one of the modes of transfer, of land or building, the mere use of a particular mode of transfer cannot create any exception vis-à-vis the holding of the land or building by the assessee.

The word ”transfer” as used in section 50C(1) also cannot be used in a restricted sense and will have to be given the widest amplitude, considering the nature and purpose of the section. Thus, it would include all modes and methods of transfer that are permissible and recognisable in law.

4. Form 10-IE | ITAT Says Re-Filing Not Needed Next Year

In the instant case[4], the issue before the Tribunal was as follows:

“Form No. 10-IE was not filed by the assessee in the relevant previous year. However, the same was filed by the assessee in the preceding year along with his return of income, but since the form was not been filed within the prescribed time, the assessee had not been granted the benefit of paying taxes in the new regime in the preceding year.

Against this backdrop, the issue to be decided is whether the assessee was also required to file Form 10-IE in the relevant previous year to opt for the new tax regime under section 115BAC?”

The Tribunal held that the assessee’s option is treated as invalid only if it does not fulfil the conditions prescribed under sub-section (2) of section 115BAC of the Act, which is of computing its income without claiming any exemption, deduction, loss or depreciation specified in sub-section (2). The failure to file Form No. 10-IE within the prescribed due date as per sub-section (5) does not invalidate the assessee’s claim of the option.

The mandate of filing the Form No. 10-IE is only directory. What invalidates the exercise of option has been clearly mentioned in the first proviso to section 115BAC of the Act.

In the instant case, the assessee had filed Form No. 10-IE in the preceding year while exercising its option of paying taxes as per the new regime. The option was not invalidated as per section 115BAC of the Act. Therefore, when the assessee again opted for paying taxes under the new regime in the relevant previous year, there was no requirement for the assessee to file a fresh Form No. 10-IE at all.

The denial of the exercise of this option in the relevant previous year for failure to file Form No. 10-IE was not in accordance with the law. Thus, the AO was directed to allow the assessee’s option of paying taxes as per the new regime under section 115BAC.

[4] Arun Gopilal Samnani vs. Income-tax Officer - [2025] (Ahmedabad-Trib.)