



A.C. Bhuteria & Co.
Chartered Accountants

16, Strand Road, Diamond Heritage,
Room No. H-703,
Kolkata – 700001

Ph: 033-46002382/ 40032841
Email id: info@acbhuteria.com

Tax Digest

- Recent case laws

August 4, 2025



CBDT Extends Time to Process Invalidated ITRs by CPC

[Circular No. 10/2025](#), dated 28-07-2025

The Central Board of Direct Taxes (CBDT) has acknowledged receiving several grievances from taxpayers regarding the erroneous invalidation of electronically filed Income Tax Returns (ITRs) by the Centralized Processing Centre (CPC) in Bengaluru. These invalidations affected returns for multiple assessment years, including AY 2023–24, where the statutory time limit for processing under Section 143(1) lapsed on December 31, 2024. Recognizing the widespread nature of this issue and the genuine hardship caused to taxpayers, the CBDT has stepped in to provide relief. Through its latest circular, the Board has decided to relax the statutory time limit for processing those returns that were rejected by the CPC due to technical or procedural anomalies.

1. AIFs Can't Name Investors in Trust Deed Due to SEBI Norms

In the instant case¹, the assessee, an Alternative Investment Fund (AIF), filed the instant writ petition, seeking to declare the Circular no. 13/2014 dated 28.07.2014 as ultra vires the provisions of sections 160 and 164 and further seeks to quash the order passed by the Board for Advance Rulings (BAR) under section 245R(4).

BAR, relying upon circular no. 13/2014, holds that if the names of the beneficiaries are not set out in the original Trust Deed, then such Trust would be treated as “indeterminate” and resultantly be subject to Maximum Marginal Rate (MMR) under the provisions of section 164.

The High Court held that the CBDT's clarification that the entire income of the fund would be taxed at the maximum marginal rate if the trust deed does not name the investors or specify their beneficial interests is contrary to the well-settled principles of law.

The Court applied the doctrine that the law does not compel the doing of impossibilities, holding that Category III AIFs cannot be mandated to name beneficiaries in their original Trust Deeds. This is due to SEBI regulations prohibiting the acceptance of investments or identification of specific beneficiaries prior to SEBI registration, which itself requires prior Trust Deed registration.

A Category III AIF cannot comply with the provisions of Section 164 and the SEBI Act simultaneously. Section 164 mandates the necessary mentioning of the names of the investors or their beneficial interests in the original Trust Deed, and the SEBI Act and Regulations prohibit the same. Thus, it would lead to an anomalous and incongruous situation.

The CBDT's clarification was issued in response to a request for a ruling, and as per Para 6 of the circular, it would not be operative in the jurisdiction of a high court that has taken or takes a contrary decision on the issue, which is baffling and contrary to the well-settled judicial principles of law.

An issue of law settled by a Constitutional Court, neither challenged nor set aside by a higher Constitutional Court, would be binding upon the Revenue authorities all over the country and cannot be implemented State-specific or area-specific. Moreover, it appears that the said paragraph has been deliberately inserted keeping in view the judgments in the case of India Advantage Fund [2017] 89 taxmann.com 209 and TVS Shriram Growth Fund [2020] 121 taxmann.com 238.

Consequently, the writ petition was allowed, the order of the Board for Advance Rulings was quashed, and simultaneously the clarification contained in CBDT Circular No. 13/2014 was directed to be read down to conform to the above analysis and conclusion.

2. Criminal case can't be initiated for not signing Swiss bank consent form

In the instant case², the assessee filed its return of income, which was accepted and finalised under section 143(1). Later, the Assessing Officer (AO) received information from the French Government that the assessee held bank accounts in HSBC Private Bank (Suisse), SA, Switzerland. Based on this information, a search and seizure operation was conducted, and the assessee was asked to sign a consent form for the information available to the Swiss authorities.

¹ Equity Intelligence Aif Trust vs. Central Board of Direct Taxes - [2025] (High Court of Delhi)

² Anurag Dalmia vs. Income-tax Office - [2025] (High Court of Delhi) [2025]

The assessee refused to sign the consent form and furnish the information available with the Swiss authorities. Subsequently, the AO issued a notice under section 153A and made additions to the assessee's income based on the alleged undisclosed foreign bank accounts. Furthermore, a criminal complaint was filed under sections 276C, 276D and 277 against the assessee for attempting to evade tax willfully.

The Delhi High Court held that the information about alleged Swiss unauthenticated documents/Bank accounts was received from the French Government, rather than from the original or primary source, namely the Swiss Government, which raises doubts about its authenticity. No prima facie evidence has been placed on record to establish ownership or linkage of any funds in foreign bank accounts to the assessee. Mere presence of the assessee's name in an unauthenticated document obtained indirectly through a Foreign Government about alleged Swiss Bank Accounts does not shift the burden of proof onto the assessee to rebut the allegations as mentioned therein.

The assessee cannot be held responsible for verifying the correctness of the information received. AO has no cogent evidence to establish that the assessee has any Swiss Bank accounts, and the unauthenticated documents have no evidentiary value to make out a prima facie case against the assessee. Furthermore, a raid was conducted on the assessee's premises based on these unauthenticated documents, but no incriminating document, even remotely suggesting the existence of a foreign Account, was discovered. In the absence of any evidence of concealment of the income or non-disclosure of the complete income for the two Financial Years, it cannot be said that the income assessment as submitted by the

assessee was fraudulent or there was any concealment of true income. Thus, the criminal complaints under Sections 276C(1)(i), 277(1) and 276D were to be quashed.

3. Section 54EC Deduction Allowed on Slump Sale Involving Land

In the instant case³, the assessee, a company, was engaged in the business of manufacturing crop protection chemicals. During the relevant year, the assessee entered into a slump sale of its manufacturing unit situated at the SEZ. While furnishing the return of income, the assessee claimed a deduction under section 54EC against the profits arising from the slump sale. Dissatisfied with the claim, the Principal Commissioner of Income Tax (PCIT) exercised his power under Section 263 and held that the claim was invalid. According to him, the assessee had sold its ongoing business concern, i.e., the SEZ unit, as a slump sale, attracting the provisions of Section 50B. Therefore, it was not entitled to claim a deduction under section 54EC. The PCIT directed the Assessing Officer (AO) to pass a fresh assessment order after affording the assessee an opportunity to be heard. Aggrieved by the order, the assessee filed an appeal to the Hyderabad Tribunal.

The Tribunal held that a claim for deduction under Section 54EC presupposes a capital gain arising from the transfer of a long-term capital asset, i.e., land or a building. On the other hand, the profits/gains arising from the slump sale are chargeable to income tax as capital gains arising from the long-term capital asset, except for a case where the capital asset, i.e., undertaking, is owned and held by the assessee for not more than 36 months

³ **Net Matrix Corp Care (P.) Ltd. vs. Deputy Commissioner of Income-tax - [2025] (Hyderabad - Trib.)**

immediately preceding the date of transfer. In the instant case, the sale of the SEZ unit by the assessee as a slump sale included land of Rs. 7,00,10,000/- (book value). Thus, the profits/gains from the slump sale, though restricted to the extent of the book value of the land, were to be allowed as a deduction to the assessee under section 54EC. Therefore, the Tribunal held that the PCIT was not justified in declining the assessee's claim for deduction under section 54EC.

4. ITAT Denies Section 13A Exemption to INC for Late ITR

In the instant case⁴, the assessee, a political party, filed its return of income for the relevant assessment year after the due date. The return was filed after the due date, as per section 139(1), but within the extended due date as per section 139(4).

The Assessing Officer (AO) contended that the assessee failed to satisfy the conditions specified in Section 13A, as its return was filed after the due date. Thus, its voluntary contributions would be included in its taxable income.

The assessee contended that although the return was filed after the 'due date' under section 139(1), it was still within the permissible time under section 139(4), and hence the exemption should not be denied.

The CIT(A) upheld the additions made by the AO, and the matter reached the Delhi Tribunal.

The Tribunal held that it is a well-settled principle that special dispensation will prevail over general dispensation. Section 13A of the Act provides for a special dispensation for political parties. The 3rd

proviso to Section 13A of the Act was inserted vide Finance Act 2017. It is well-settled that a proviso added by way of amendment is the last will of the legislature.

Furthermore, a provision introduced by way of an amendment with a proviso is often construed as a non-obstante clause. The terminal point under the third proviso for filing a return to get the benefit of Section 13A is "on or before the due date". The term "due date" is defined specifically in Explanation 2 to Section 139(1).

Once a word has been defined in a statute, the same meaning has to be accorded to the word when it is used in more than one place, else the object of the definition clause would be defeated. A proviso cannot be interpreted in a manner that renders it otiose.

Further, the assessee's interpretation of the term "due date" as per Section 139(4) would render the term "due date" as per Section 139(1) redundant. It would also be against the well-settled principle of interpretation that a proviso cannot be interpreted in a manner that renders it otiose. Therefore, the assessee's interpretation of the term "due date" as per Section 139(4) cannot be accepted.

⁴ [Indian National Congress All India Congress Committee v. Deputy Commissioner of Income-tax \[2025\] \(Delhi-Trib.\)](#)