Direct Tax Newsletter

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

October 6, 2025

CBDT Extends Tax Audit Report Due Date to 31 Oct 2025

The Central Board of Direct Taxes (CBDT) has announced an extension of the specified date for filing various audit reports for the Assessment Year (AY) 2025–26. This decision provides additional time for taxpayers and professionals to complete their statutory audit obligations under the Income-tax Act, 1961. The extension aims to address practical challenges being faced by stakeholders across the country.

1. AO to Provide Window for Correcting Updated ITR

In the instant case[1], the assessee was an individual carrying on the business of advertising and servicing contracts. The tax consultant filed the return of income for the relevant assessment year. The tax consultant incorrectly reported the amount of business income and TDS in the return of income. The assessee filed a revised computation of income but was unable to revise the return of income. The assessee filed an application under section 154 to rectify the mistake. However, it did not get any relief.

The matter reached the Pune Tribunal.

The Tribunal held that, despite the assessee knowing that incorrect income and incorrect claim of TDS were filed in the return by the tax consultant, there was no mechanism for revising it. Due to the provisions of the Income-tax Act, which do not provide any mechanism to revise the return after a particular time period, this situation had arisen.

The department cannot treat the return as invalid because it has been filed validly by the assessee, and a wrong claim of TDS was made in the return. On the other hand, the assessee was facing hardship due to the mistake, advertently or inadvertently, committed by the tax consultant.

At this juncture, the Tribunal took note of Article 265 of the Constitution of India, which states that no tax shall be levied or collected except by the authority of law. This fundamental principle ensures that taxes can only be imposed and collected if a specific law has been enacted by the appropriate legislative authority, allowing such actions.

The article sees that taxation is not arbitrary and is backed by legislation passed by either Parliament or state legislatures, depending on the subject matter.

The article serves as a check against unauthorised taxation, reinforcing the principle that all fiscal impositions must have a legal basis.
In the instant case, the contentions of the assessee were correct, and the assessee was heavily burdened for the extra tax liability on the income not earned by him. Merely because there was no mechanism to revise such a return, the assessee should not be penalised.

Under these given facts and circumstances, the matter needs to be restored to the learned Jurisdictional Assessing Officer (JAO), who shall either provide a window to the assessee to file the correct return of income or, in the alternative, provide the opportunity to the assessee to file the correct computation of income along with relevant details and documents. The JAO shall examine these details, carry out the necessary investigation, and then assess the correct income of the assessee.

2. HC Imposes ₹10,000 Cost on AO for Blind Use of Software Data

In the instant case[2], the assessee was a bank. Oriental Bank of Commerce (OBC) had merged with the assessee, and the PAN of OBC had been requested to be cancelled since 2013. However, the Assessing Officer (AO) passed the assessment order against the non-existent entity under the said PAN.

[1] Nararshabh Sharma v.Assessing Officer, Ward-7(3), Pune - [2025] (Pune - Trib.)

[2] Punjab National Bank vs. Income-tax Officer - [2025] (High Court of Gujarat)

The matter reached before the Gujarat High Court, where the High Court proposed the imposition of costs of Rs. 1 crore on the AO for negligent assessment action without independent verification and over-reliance on the software system.

On receipt of the notice, the AO filed an affidavit stating that the Systems were being continuously updated to address such issues and tendered an unconditional apology, seeking relief from the proposed costs.

The High Court held that instead of taking help from the software system, the AO was being directed by the software system as if the software system were the master of the AO. The AO was blindly following the information made available by the software system and taking action without verifying its veracity.

It may, therefore, happen that if someone enters false or wrong information in the software system, the AO would take action based on such information without verifying its correctness, resulting in multiple and protracted litigation. Furthermore, the Jurisdictional Assessing Officers were acting as a tool of the software system to initiate proceedings, rather than taking information as the sole basis, without conducting any inquiry or applying their mind.

Thus, the present case was a classic example where little verification or application of mind by the Jurisdictional Assessing Officer would not have led to this litigation, and it could have been avoided by not taking any action, particularly given the merger of one National Bank with the petitioner bank. Ultimately, the petition was disposed of with token costs of Rs. 10,000 payable by the Revenue to the Gujarat State Legal Service Authority, in place of the initially proposed Rs. 1 crore.

3. ITAT Rules No Penalty for Underreporting Under Sec. 56(2)(x)

In the instant case[3], the assessee, an individual, filed his return of income for the relevant assessment year. During the assessment proceedings, the Assessing Officer (AO) noticed that the assessee had purchased two properties at a consideration lower than the value as per the stamp authority.

AO invoked the provisions of section 56(2)(x) and treated the difference between the stamp duty value and the purchase price as income of the assessee. AO also initiated penalty proceedings and levied a penalty under section 270A for under-reporting the income during the year.

On appeal, the CIT(A) upheld the order of the AO. Aggrieved by the order, the assessee filed the instant appeal before the Tribunal.

The Tribunal held that the assessee had disclosed all material facts and provided an explanation for the discrepancy between the purchase price of the property and its stamp duty value. However, the AO held that the assessee's explanation was not bona fide, as no supporting evidence for it was brought on record. It is pertinent to note that the addition made under section 56(2)(x) is not an absolute addition, as the assessee has an option to dispute the stamp value of the property on the grounds mentioned in section 50C, and the matter is then referred to the Valuation Officer.

Further, if the value determined by the Valuation Officer is within 20% of the purchase consideration, no addition is required to be made under section 56(2)(x). Therefore, no penalty under section 270A can be automatically levied for all the additions made under section 56(2)(x). It is also relevant to consider that the value determined by the DVO is

[3] Narayanbhai Shivabhai Patel v. Income-tax Officer - [2025] (Ahmedabad - Trib.)

also an estimate, based on the sale consideration of other properties in the same vicinity or on the basis of other yardsticks as prescribed.

Therefore, any addition made under section 56(2)(x) on the basis of the difference in the stamp duty value and the purchase price or between the value determined by the DVO and the purchase consideration cannot be considered as underreporting of income by the assessee to invoke the provisions of section 270A. Following the same rationale, the amount of under-reported income, as determined based on the DVO's report, also cannot qualify for the imposition of a penalty under Section 270A.

4. Income From Seed Sales Through Farmers Treated as Agricultural

In the instant case[4], the assessee was a company engaged in the business of research, production, and sale of agricultural/hybrid seeds. It entered into agreements with farmers to utilise their lands, under which the farmers performed normal agronomic practices for the production of seeds from foundation seeds supplied by the assessee under its supervision and control. For the relevant assessment year, the assessee claimed exemption under section 10(1). During the assessment proceedings, the Assessing Officer (AO) disallowed the exemption on the ground that the assessee was not directly involved in agricultural activity. On appeal, the CIT(A) allowed the assessee's claim. The Tribunal also allowed the claim, and the matter reached the High Court.

The High Court held that the parent seeds were produced through agricultural cultivation. The company undertook cultivation under its supervision and at its own cost and risk.

The production of these seeds and the farmer, wherein under the supervision, technical guidance, and control of the company, is in agreement for the production of the Hybrid seeds, since they have a direct nexus with the land owned by it or on the leased lands by supplying seeds to the farmers and getting them cultivated under its supervision and control and the company plays an active role of action of monitoring and nurturing the plants by the assessee cultivated by the farmers. Although the assessee may not be directly involved in the cultivation activity, it was indirectly involved through farmers in the production of hybrid seeds yielding high yields for various types of hybridisation, which were used in agriculture to produce high-yielding seeds. Therefore, the assessee was indirectly involved in the said activity. Accordingly, the Tribunal was justified in allowing deduction under section 10(1) of the Income-tax Act by taking the income of the assessee as agricultural income.

[4] Principal Commissioner of Income-tax v. Nuziveedu Seeds Ltd - [2025] (High Court of Telangana)