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Tax Digest

- Recent case laws

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New ITR-4 now asks presumptive taxpayers to disclose investment details

For the Assessment Year 2026-27 (Financial Year 2025-26), the Central Board of Direct Taxes (CBDT) has updated the ITR-4 (Sugam) form to mandate the disclosure of investment details for small taxpayers and professionals opting for the presumptive taxation scheme.

The new requirement aims to tighten scrutiny on potential tax evasion by enabling the Income Tax Department to compare a taxpayer's declared income with their actual investment patterns. This allows authorities to flag cases where asset creation or spending appears disproportionate to reported income.

1. Self-generated trademark transfer before 1 April 2002 not taxable as capital gains

In the instant case¹, the assessee, Zydus Lifesciences Ltd. had entered into a 50:50 joint venture with Ambalal Sarabhai Enterprise Ltd. for its animal health business. As part of this arrangement, Zydus assigned 22 veterinary trademarks / brand names to the joint venture company, Sarabhai Zydus Animal Health Ltd., under a deed dated 15 June 2000, for a consideration of ₹29.10 crore. The trademarks were valued by KPMG, and Zydus took the position that the receipt was a capital receipt not chargeable to tax, because the trademarks were self-generated assets with no ascertainable cost of acquisition.

The Assessing Officer did not agree. According to the AO, the trademarks had been transferred “along with goodwill”, and therefore the ₹29.10 crore should be taxed. The AO sought to tax it as capital gains, by taking the cost of acquisition as nil, and alternatively also tried to bring it to tax as business income under section 28(iv) and section 41(1). The AO’s main argument was that the Finance Act, 2001 amendment to section 55(2)(a), which covered trademarks and brand names, was merely clarificatory and should apply retrospectively.

The matter travelled through appeal. The CIT(A) held the amount taxable as capital gains, but the Tribunal reversed this finding. The Tribunal held that the assets transferred were self-generated trademarks / brand names, not purchased assets. Since there was no ascertainable cost of acquisition, and since the transaction took place before the

amendment became effective, the machinery provisions for capital gains could not apply.

The Gujarat High Court agreed with the Tribunal. It noted that the amendment to section 55(2)(a) inserting the words “trademark or brand name associated with a business” was brought in by the Finance Act, 2001 with effect from 1 April 2002. Therefore, only from AY 2002-03 onwards could the cost of acquisition of such self-generated trademarks/brand names be deemed as nil. Since Zydus had transferred the trademarks on 15 June 2000, before the cut-off date, the amendment could not be applied to tax the receipt.

2. Protective addition without determining correct person liable to tax and denial of TDS credit due to PAN mismatch not sustainable; matter remanded

In the instant case², in this case, the assessee’s wife had sold a residential house for ₹75 lakh during FY 2014-15. However, in the assessee’s own return for AY 2015-16, he offered the capital gains of around ₹47.06 lakh arising from this sale and claimed exemption under section 54F. Separately, he also claimed TDS credit, but part of the TDS of ₹1.66 lakh was appearing in his wife’s PAN, so CPC did not allow the full credit.

The matter was reopened after the Pr. CIT passed an order under section 264 to examine the capital gains exemption. In reassessment, the AO disallowed the section 54F claim on the ground that the asset sold was a residential house, and therefore section 54F may not apply. The AO also noted that the assessee had not furnished enough supporting evidence. But importantly, the AO made

¹ Zydus Lifesciences Ltd. v. Commissioner of Income-tax [2026] 185 taxmann.com 644 (Gujarat High Court)

² Sundararaman Narayanan v. Deputy Commissioner of Income Tax [2026] 185 taxmann.com 531 (Chennai - Trib.)

the addition only on a protective basis, which itself showed uncertainty about whether the income should be taxed in the husband's hands or the wife's hands.

On appeal, the CIT(A) went a step further and converted this protective addition into a substantive addition in the assessee's hands. The ITAT held that this was not sustainable. If the property stood in the wife's name, the authorities first had to examine ownership of the asset, flow of consideration, and legal entitlement to the income. A protective addition cannot simply be converted into a substantive addition without a clear finding as to why the husband, and not the wife, was the correct person to be taxed.

The Tribunal also held that the section 54F/54 exemption issue required fresh factual verification - including the nature of the asset sold and whether the investment conditions were satisfied. On TDS credit, the Tribunal observed that credit cannot be denied merely because of a PAN mismatch, if the corresponding income has been offered to tax, subject to verification of the link between the income and TDS. Accordingly, the matter was sent back to the AO for fresh adjudication.

Accordingly, the order of the Commissioner (Appeals) was set aside and the matter was restored to the file of the Assessing Officer for fresh adjudication in accordance with law.

3. Agricultural land as per revenue records cannot be treated as non-agricultural: Revenue records prevail over guideline values

In the instant case³, the assessee company, engaged in commercial as well as agricultural activities, had purchased land in the year 2005 and sold the same

³ [Pallava Resorts \(P.\) Ltd. v. Deputy Commissioner of Income Tax. \[2026\] 185 taxmann.com 632 \(Madras High Court\)](#)

in the year 2008. The assessee claimed that the land was agricultural in nature and therefore not a capital asset within the meaning of section 2(14), and consequently, the gains arising on sale were not liable to capital gains tax.

To support this, it relied on revenue records such as patta, adangal, VAO report, DVO report, photographs showing casuarina plantation, purchase/sale deeds, and agricultural income disclosed in its books/return.

The AO treated the land as non-agricultural, mainly on the ground that the assessee failed to prove agricultural activity or agricultural income from the land. The CIT(A) partly accepted the assessee's case by treating income from sale of casuarina trees as agricultural income, but still upheld the capital gains addition. The Tribunal also held against the assessee, observing that the land could not be treated as agricultural merely because casuarina trees existed on it, and relied partly on Registration Department guideline values / surrounding commercial features.

The assessee first appealed before the CIT(A) against the AO's action of taxing the land sale as capital gains. The CIT(A) gave only partial relief: he accepted that the income from sale of casuarina trees on the land was agricultural income and deleted that portion of the addition. But he still upheld the main capital gains tax addition on the sale of land.

The assessee challenged the capital gains addition, while the Department also filed a cross-appeal with the Hon'ble Tribunal. The Hon'ble Tribunal held that the land was non-agricultural / commercial in nature, saying that mere existence of casuarina trees did not prove that the land was agricultural. It therefore confirmed the taxability of short-term capital gains.

The High Court observed that classification of land is within the domain of the State authorities and the revenue records maintained by the competent authorities carry significant evidentiary value in determining the nature of land. It was noted that the assessee had produced patta, adangal and other supporting documents evidencing agricultural operations and sale of produce, which had not been properly appreciated by the authorities. It was further observed that reliance placed on guideline values issued by the Registration Department was misplaced, as such values are relevant only for the purpose of stamp duty and cannot determine the character of land.

The Court held that the findings of the Tribunal were contrary to the material available on record and based on incorrect appreciation of evidence. In absence of any material to establish that the land had ceased to be agricultural in nature, the same could not be treated as a capital asset within the meaning of section 2(14).

Accordingly, the High Court held that the Tribunal had ignored material evidence and committed a serious factual error. The land retained its agricultural character and was therefore outside the definition of “capital asset” under section 2(14). As a result, gains from its sale were not chargeable to capital gains tax. The appeal was allowed in favour of the assessee.

4. Deemed dividend: Reopening against director not just a “change of opinion”, rules Karnataka High Court

In the instant case⁴, the assessee was a director of Sensegiz Technologies Pvt. Ltd. The company had

filed its return for AY 2014-15 declaring nil income, and the case was selected for scrutiny. During the company’s assessment, an addition of ₹14.49 lakh was made towards deemed dividend. The company appealed, and the CIT(A) deleted the addition from the company’s hands on the ground that deemed dividend, if taxable, should be assessed in the hands of the shareholders/directors, and not in the hands of the company.

After this, the Assessing Officer initiated reassessment proceedings against the assessee-director in his individual capacity, treating him as the alleged recipient of the deemed dividend. The assessee challenged the reopening notices before the Karnataka High Court, arguing that the issue had already been examined in the company’s assessment and that reopening against him was merely a change of opinion, which is not permissible.

The Revenue argued that the CIT(A)’s order in the company’s case itself showed that the addition was deleted only because the amount was assessable in the hands of the shareholders/directors. Therefore, proceedings against the assessee as an individual recipient were not based on a change of opinion, but on the correct person being brought to tax. The High Court accepted this reasoning and held that the notices were issued to the assessee in his individual capacity, not merely as director of the company.

Accordingly, the High Court refused to interfere in writ jurisdiction and rejected the writ petition. However, it clarified that the assessee could still participate in the reassessment proceedings and raise all legal and factual contentions available to him, which the Revenue must consider independently in accordance with law.

⁴ [Abhishek Khemant Latthe v. Income-tax Office, National E-assessment Center \[2026\] 185 taxmann.com 521 \(High Court of Karnataka\)](#)