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Tax Digest

- Recent case laws

May 05, 2026

Offline Utility for Form 145 and Form 146 Enabled on the e-Filing Portal

To facilitate compliance under the new regulatory framework, the Income Tax Department has enabled the offline utility for Form 145 and Form 146 on the e-Filing Portal. These forms are part of the transition to the Income Tax Act, 2025 and the Income Tax Rules, 2026

Taxpayers can now download, fill, and submit Form 145 and Form 146 directly through the new offline utility available on the e-Filing portal under "Downloads → Income tax Forms → Income Tax Act 2025". This rollout facilitates compliance with the Income Tax Act, 2025, which replaced the 1961 Act effective 1 April 2026. For further technical details, taxpayers are encouraged to refer to the "Form Navigator" and "Notification No.- 22/2026"

1. Addition under Black Money Act for foreign asset-onus to prove source not discharged; matter remanded

In the instant case¹, the assessee, an individual and resident in India for the relevant assessment year, was subjected to assessment proceedings wherein the Assessing Officer noticed that the assessee maintained a foreign bank account in the USA. On being called upon, the assessee furnished details of the said account and credits therein, which included an amount of USD 4,05,000 received on sale of a house property situated in the USA.

The assessee submitted that the said property had been purchased in the year 1999 during his stay in the USA out of foreign earnings and mortgage loan proceeds, and was subsequently sold in the year 2016. It was further contended that the transaction had been duly disclosed before the US tax authorities and, upon computation under the Income-tax Act, 1961, the transaction resulted in a long-term capital loss.

However, the Assessing Officer did not accept the explanation and treated the amount received on sale of the said property as unexplained money, thereby making an addition as undisclosed foreign income under the provisions of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

The matter travelled to the Hon'ble Delhi Tribunal. The Tribunal observed that the burden was upon the assessee to establish that the foreign asset had not been acquired out of income chargeable to tax in India at the relevant point of time. In this regard, the assessee was required to furnish cogent

evidence substantiating, inter alia, (i) his residential status as non-resident when the property was acquired in 1999, (ii) source of funds utilised for acquisition of the property, and (iii) evidence of employment and earnings in the USA during the relevant period.

It was noted that the assessee had failed to place such material on record before the Tribunal. The assessee, however, pleaded that he was more than 70 years of age, suffering from ailments, and required further time to collect and produce the relevant documents in support of his contentions.

Considering the peculiar facts and circumstances of the case, the age and condition of the assessee, the stringent nature of the newly enacted statute, and in the interest of justice, the Tribunal held that one more opportunity ought to be granted to the assessee to substantiate his case. Accordingly, the matter was restored to enable the assessee to furnish conclusive evidence regarding the source of investment in the foreign asset, repayment of mortgage loans, and his residential status during the years in which such payments were made.

Accordingly, the appeal of the assessee was allowed for statistical purposes.

2. Bogus purchase addition deleted in absence of corroborative evidence

In the instant case², the assessee had filed his return of income for the relevant assessment year and assessment was originally completed under section 143(3) of the Income-tax Act, 1961. Subsequently, on the basis of information received from the Investigation Wing, reassessment

¹ *Atanu Banerjee vs. Deputy Director of Income-tax (Investigation) - [2026] 185 taxmann.com 533 (Delhi-Trib.)*

² *Principal Commissioner of Income-tax vs. Sunil Devkishan Panwar [2026] 185 taxmann.com 638 (High Court of Gujarat)*

proceedings were initiated by issuance of notice under section 148.

During the course of reassessment proceedings, the Assessing Officer alleged that the assessee was engaged in bogus purchases and sales of goods and accordingly made additions to the returned income.

Aggrieved by the same, the assessee preferred an appeal before the Commissioner (Appeals). It was submitted that complete details of purchases and sales had been duly furnished along with purchase bills, sale bills and supporting records. It was further contended that VAT had been duly paid, sales tax assessment had been completed, and input tax credit had also been allowed in favour of the assessee. The assessee also challenged the validity of reopening on the ground that no underlying material received from the Investigation Wing had been supplied and no opportunity of cross-examination had been granted. Accordingly, the Commissioner (Appeals) granted full relief to the assessee.

The matter was thereafter carried in appeal by the Revenue before the Hon'ble Tribunal. The Tribunal, after considering the rival submissions and examining the material available on record, upheld the order passed by the Commissioner (Appeals). It was observed that no adverse material had been brought on record to substantiate the allegation that the assessee had made purchases from the alleged hawala party. The Tribunal further noted that the Assessing Officer had made the addition without rejecting the books of account or recasting the trading results. Accordingly, it was held that the assessee had duly discharged the onus cast upon him.

Thereafter, the Revenue carried the matter before the Hon'ble Gujarat High Court. The High Court observed that the additions were made merely on the basis of information received from the

Investigation Wing without any independent corroborative material. It was further held that both the Commissioner (Appeals) and the Tribunal had appreciated the facts in proper perspective while deleting the additions.

Accordingly, the Hon'ble High Court upheld the order of the Tribunal and dismissed the appeal filed by the Revenue.

3. Delay in filing return condoned where disputes between directors prevented finalisation of accounts

In the instant case³, the assessee-company filed an application under section 119(2)(b) of the Income-tax Act, 1961 seeking condonation of delay in filing its return of income for the relevant assessment year. It was submitted that disputes had arisen between the directors of the company regarding certain contents of the financial statements and other management issues, which subsequently resulted in proceedings before the National Company Law Tribunal (NCLT). Owing to such disputes, the accounts could not be finalised within the prescribed time, resulting in delay in filing the tax audit report and return of income.

The application for condonation of delay was, however, rejected by the Chief Commissioner on the ground that the assessee had failed to establish genuine hardship or reasonable cause for such delay.

Aggrieved by the same, the assessee preferred a writ petition before the Hon'ble Bombay High Court. It was contended that except for the year under consideration, there had been no default in filing returns in earlier or subsequent years. It was further submitted that unless the delay was

³ [Teksons \(P.\) Ltd. v. Chief Commissioner of Income-tax, Mumbai \[2026\] 185 taxmann.com 814 \(Bombay\)](#)

condoned, the assessee would be deprived of legitimate tax claims available under law.

The Hon'ble High Court observed that the delay had occurred on account of genuine disputes between the directors, which had directly affected the finalisation of financial statements. It was further noted that the assessee had been regular in compliance for other assessment years, thereby supporting the bona fides of the explanation offered.

Accordingly, the Hon'ble High Court held that the assessee had shown reasonable cause for delay in filing the return and was entitled to condonation under section 119(2)(b). The impugned orders were quashed and set aside, and the Department was directed to reopen the e-filing portal to enable the assessee to upload the return, which was to be treated as filed under section 139(4).

4. Compensation paid to encroachers allowable as cost of improvement while computing capital gains

In the instant case⁴, the assessee-company claimed deduction towards compensation paid to encroachers as cost of improvement while computing long-term capital gains arising on sale of land. During the course of assessment proceedings, the Assessing Officer disallowed the claim on the ground that complete supporting evidence and particulars had not been furnished.

The assessee challenged the said disallowance before the Commissioner (Appeals). However, the Commissioner (Appeals) upheld the addition made by the Assessing Officer.

Thereafter, the matter was carried in appeal before the Hon'ble ITAT Ahmedabad. It was submitted that

the land had remained under encroachment for several years and, despite pursuing various legal and administrative remedies, the assessee was unable to secure vacant possession thereof. Accordingly, compensation was paid to the encroachers for removal of such encumbrances and to facilitate sale of the property. The assessee also placed on record agreements executed with the encroachers, correspondence with the concerned authorities, litigation records and details of payments made.

The Hon'ble Tribunal observed that the factum of encroachment over the land was not disputed by the Revenue. It was further noted that the Revenue had not disputed either the payments made to the encroachers or the commercial necessity of such payments for obtaining vacant possession of the property.

The Hon'ble Tribunal held that expenditure incurred for removal of encumbrances and for securing clear and marketable possession of the property prior to sale would constitute cost of improvement for the purpose of computation of capital gains. In absence of any specific defect in the evidences furnished, the claim could not be disallowed merely on general observations regarding insufficiency of documents.

Accordingly, the Hon'ble Tribunal set aside the order of the Commissioner (Appeals), deleted the addition and allowed the appeal of the assessee.

⁴ [Kailas Kalyan Creators \(P.\) Ltd. v. Income tax officer \[2026\] 185 taxmann.com 518 \(Ahmedabad - Trib.\)](#)