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Tax Digest

- Recent case laws

May 11, 2026

E-Filing of Form No. 105 for Charitable Trusts and Institutions Commences

Pursuant to the implementation of the Income Tax Act, 2025, effective from 1 April 2026, the Income Tax Department has enabled the e-Filing of Form No. 105 on the e-Filing portal. This new form supersedes the erstwhile Form No. 10AB for seeking registration or approval of charitable trusts and institutions.

This rollout is essential for entities especially those with modified objects or seeking fresh registration to maintain their tax-exempt status under the new framework. It supports the Department's goal of providing a unified interface for a seamless transition from the 1961 Act to the 2025 Act.

1. Deduction under section 54F allowable on residential farmhouse and appurtenant land

In the instant case¹, the assessee sold his share in a residential house and invested the capital gains in another property consisting of a residential house, servant quarter, driveway and surrounding land. He claimed deduction under sections 54/54F. The Revenue, however, denied part of the claim by treating the land appurtenant to the house as agricultural land, thereby excluding it from the benefit available for investment in a residential house.

The matter had already gone through one round of litigation. In the earlier round, the Tribunal had specifically remanded the case to determine the actual nature and use of the land. Yet, on remand, the Assessing Officer again denied the deduction. The Inspector's report noted that the property had a residential building, guard room, semi-constructed parking, boundary trees and driveway, while some portion had vegetables like spinach, radish, tomato and coriander. But the report did not quantify the cultivated area or show any substantial agricultural operations.

The Tribunal held in favour of the assessee. It found that the Inspector's report did not establish any significant agricultural activity so as to sever the land from the residential house and classify it separately as agricultural land. On the contrary, the overall character of the property remained that of a residential house with appurtenant land, and therefore the deduction under section 54F was available.

This ruling is useful because it reiterates that for section 54/54F purposes, the enquiry is one of substance and dominant character, not isolated features. The mere presence of trees, grass, or even

a small kitchen garden does not automatically convert appurtenant land into agricultural land. Unless there is evidence of real, substantial agricultural use, the residential character of the property should prevail.

2. Section 10(26) Claim Cannot Be Rejected Without Pragmatic Enquiry

In the instant case², the petitioner, a member of the Mizo Tribe residing in Lunglei, Mizoram, claimed exemption under section 10(26) and filed a nil return. Her case was selected for scrutiny due to large cash deposits, a mismatch between turnover reported in the income-tax return and GST records, and a substantial exempt-income claim. The Assessing Officer ultimately denied the exemption and made a massive addition under section 69A for unexplained cash credits/deposits, resulting in a very large tax demand and penalty initiation.

The assessee's case was that the exempt income figure had been wrongly reported due to an error, and that the large cash deposits were explainable because she and her sister, who also ran a similar business, used the same bank account for depositing cash sales. She claimed to have uploaded bank statements, financial statements, tribal-status documents and other records during the faceless proceedings. Even then, the revisional authority under section 264 refused to interfere.

The Guwahati High Court found this approach unsustainable. It held that if the authorities genuinely doubted the source of income or the correctness of the exemption claim, they ought to have conducted - or caused to be conducted - a proper enquiry instead of mechanically rejecting the claim in a faceless, document-upload driven manner.

¹ [Ashish Bhatia v. Income-tax Officer- \[2026\] 185 taxmann.com 882 \(Delhi-Trib.\)](#)

² [Jennyfar Lalarliani Hrahse v. Union of India \[2026\] 185 taxmann.com 928 \(High Court of Guwahati\)](#)

The Court set aside the revisional order and remanded the matter for fresh consideration, while also observing that verification could even be done at the assessee's place of business if logistical issues prevented production of voluminous records elsewhere.

3. Section 56(2)(x): Allotment-Date Stamp Value Benefit Depends on Banking-Channel Proof

In the instant case³, the assessee and her husband had booked a flat in 2010 at a price far lower than the stamp duty value prevailing when the sale agreement was ultimately registered in 2017. The Assessing Officer invoked section 56(2)(x) and taxed the differential between the registered sale consideration and the higher stamp duty value as income from other sources, bringing 50% of the difference to tax in the assessee's hands because the property was jointly owned.

The assessee argued that the real bargain had been struck at the time of booking/allotment in 2010 and that the stamp duty value as on that earlier date should be considered. The difficulty, however, was evidentiary. The first proviso to section 56(2)(x)(b) allows adoption of the stamp duty value as on the date of agreement where the agreement and registration dates differ, but the second proviso requires that at least part of the consideration must have been paid through prescribed banking channels on or before that date. Both the AO and the CIT(A) found that this condition had not been properly substantiated.

The Hon'ble Tribunal did not give final relief straightaway. Instead, it restored the matter to the Assessing Officer for a limited factual verification - namely, whether any part of the consideration had

in fact been paid through the prescribed banking modes on or before the allotment/agreement date, and whether the allotment letter could be treated as having the character of an agreement to sell.

4. Delay in 12AB Appeal Condoned Where Trust Was Otherwise Law-Compliant

In the instant case⁴, the assessee-trust had sought fresh registration under section 12AB after modifying its objects. The Commissioner (Exemptions) rejected the application on the ground that the trust had not participated in the proceedings and had not furnished sufficient proof regarding the change in objects. The trust then filed an appeal before the Tribunal, but with a substantial delay of 759 days.

The trust explained that the lapse was caused because its accountant, whose e-mail was registered with the Department, failed to regularly check the e-mail account and therefore missed both the notice and the rejection order. Affidavits were filed by both the trust and the accountant explaining the circumstances. The trust also pointed out that it had otherwise been compliant throughout - it was an old trust, had long-standing registration under the earlier law, had obtained provisional registration under the new regime, and had approached the Department again after modification of objects as required by law.

The Tribunal accepted the explanation, condoned the delay, and restored the matter to the file of the CIT(E) for fresh consideration after giving due opportunity of hearing. The appeal was thus allowed for statistical purposes.

³ Neeta Sanjay Poddar v. Income-tax Officer, [2026] 185 taxmann.com 1001 (Mumbai - Trib.)

⁴ Parsee Education Society v. Commissioner of Income-tax (Exemption) [[2026] 185 taxmann.com 960 (Ahmedabad - Trib.)

The significance of the ruling lies in the Tribunal's approach: it did not treat the delay mechanically. Instead, it looked at the overall conduct of the trust and found that a consistently law-compliant assessee would not ordinarily ignore statutory proceedings deliberately. The case is a reminder that while procedural defaults can be serious, courts and tribunals may still grant relief where the explanation is credible and the surrounding conduct supports bona fides.
