



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

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New Challan Forms Operationalized for Tax Year 2026-27

To facilitate compliance under the new regulatory framework, the Income Tax Department has operationalized new challan forms on the e-Filing portal effective from April 1, 2026. Taxpayers are advised that these new challans are specifically designed for payments governed by the Income Tax Act, 2025.

For the Tax Year 2026-27, it is imperative for assesses to utilize these newly deployed challans to ensure accurate credit against tax liabilities. Professionals should ensure the correct selection of payment utilities on the portal to maintain regulatory consistency and avoid procedural discrepancies during the transition from the 1961 Act.

1. TDS Credit Cannot Be Denied Merely Due to Mismatch if Deduction and Deposit can be demonstrated

In the instant case¹, the assessee had claimed credit of TDS deducted on its business receipts while filing the return of income for AY 2019-20. However, while processing the return under section 143(1), CPC Bengaluru allowed TDS credit only to the extent reflected in Form 26AS and denied the balance TDS claim on account of mismatch in TDS details, thereby raising a demand against the assessee.

During appellate proceedings, the CIT(A) upheld the action of CPC by observing that credit of TDS under section 199 read with Rule 37BA is allowable only where the deduction is reflected in Form 26AS and supported by prescribed records. It was held that grant of TDS credit is linked with proper deduction, deposit by the deductor and corresponding reflection in the tax records maintained by the Department.

Before the Hon'ble Tribunal, the assessee furnished Form 16A, Form 26AS and other supporting documents to demonstrate that the deductor had actually deducted and deposited the TDS with the Central Government on behalf of the assessee. It was contended that merely because there was a mismatch in Form 26AS, legitimate TDS credit could not be denied where the fact of deduction and deposit of tax stood established through documentary evidence.

The Hon'ble Tribunal observed that the records placed before it demonstrated that the deductor had deducted and deposited the TDS with the Central Government in favour of the assessee. It was held that where the assessee is able to establish actual deduction and deposit of tax, mere

mismatch in Form 26AS cannot be the sole ground for denial of TDS credit. Since proper factual verification was required, the matter was liable to be restored.

Accordingly, the Hon'ble Tribunal set aside the impugned order and remanded the matter to the file of the Assessing Officer for the limited purpose of verification of Form 16A, Form 26AS and related records. The AO was directed to verify the claim and grant appropriate TDS credit and consequential relief in accordance with law. The ruling recognises that a mere system mismatch should not defeat a genuine TDS credit claim where the assessee can demonstrate deduction and deposit through supporting records.

2. Depreciation on Leased Assets Allowable Even where Lease Has Features of Finance Transaction

In the instant case², the assessee-company had entered into various lease transactions in respect of its assets and claimed depreciation under section 32 on such leased assets. The Assessing Officer disallowed the claim by holding that the lease transactions were merely financial transactions and not genuine lease arrangements, and therefore the assessee was not entitled to claim depreciation under section 32. The Revenue contended that the assessee had only financed the purchase of assets and that the lessee was the real owner in substance. The CIT(A) upheld the disallowance.

The Hon'ble Tribunal deleted the disallowance by following its earlier orders in assessee's own case as well as the decision of the Supreme Court. It was observed that where the assessee is the legal owner of the leased assets and the lease rentals are offered to tax as business income, the requirement

¹ Shree G. T. Sales v. Deputy Commissioner of Income-tax / Assistant Commissioner of Income-tax [2026] 186 taxmann.com 355 (Indore - Trib.)

² Commissioner of Income-tax (LTU) v. Tata Motors Ltd. [2026] 186 taxmann.com 353 (SC)

of “use for the purposes of business” under section 32 stands satisfied. Accordingly, depreciation on such leased assets was held to be allowable.

The Hon’ble High Court upheld the order of the Tribunal and held that for claiming depreciation under section 32, the assessee is only required to satisfy two conditions, namely ownership of the asset and its use for the purposes of business. It was held that actual physical use by the assessee itself is not necessary. Since the assessee was engaged in the business of leasing, the condition of business use stood fulfilled. Merely because the lessee enjoyed the economic benefit of the asset or the transaction had features of a finance lease, depreciation could not be denied where legal ownership remained with the assessee.

The Hon’ble Supreme Court dismissed the Special Leave Petition filed by the Revenue against the order of the High Court and thereby affirmed that depreciation under section 32 is allowable on leased assets where the assessee retains legal ownership and leasing forms part of its business activity.

3. Section 148 Notice Valid Even Without Signature if Name and Designation of AO are mentioned

In the instant case³, the assessee challenged the reassessment order passed under section 147 for AY 2022-23 on the ground that the notice issued under section 148 was invalid as it did not contain the handwritten or digital signature of the Assessing Officer. The assessee contended that in absence of signature, the notice was not properly authenticated under section 282A and therefore the entire reassessment proceedings were without jurisdiction.

³ [Asro Arcade v. Income-tax Officer \[2026\] 186 taxmann.com 313 \(Delhi High Court\)](#)

The Revenue contended that although the notice did not bear a handwritten or digital signature, it clearly mentioned the name and designation of the issuing officer and therefore satisfied the requirement of section 282A(2).

The Hon’ble High Court upheld the validity of the notice and held that under section 282A(2), a notice shall be deemed to be authenticated if the name and office of the designated income-tax authority is printed, stamped or otherwise written thereon. Since the impugned notice contained the name and designation of the Assessing Officer, no separate signature was required.

The Hon’ble High Court further observed that in the present digital era, computer-generated notices and orders are regularly issued and the mention of name and designation is sufficient compliance with the statutory requirement. Merely because the notice did not bear a handwritten or digital signature, it could not be treated as invalid when the statutory requirement stood fulfilled.

Accordingly, the notice under section 148 was held to be valid and the reassessment proceedings were sustained.

4. TDS provisions not applicable on compensation paid pursuant to compulsory acquisition of land

In the instant case⁴, land belonging to the claimants was compulsorily acquired for irrigation projects undertaken by Karnataka Neeravari Nigam Limited (KNNL). Since disputes relating to compensation had remained pending for a considerable period and execution proceedings had also been initiated by the land losers, the Hon’ble Karnataka High

⁴ [Executive Engineer v. State \[2026\] 186 taxmann.com 74 \(Karnataka HC\)](#)

Court referred the matter to mediation under section 89 of the Code of Civil Procedure for facilitating an amicable and expeditious settlement between the parties.

Pursuant to multiple rounds of mediation proceedings, the parties entered into a detailed mediation agreement resolving all disputes relating to compensation amount, statutory benefits, interest component, timelines for payment and withdrawal of pending proceedings. The settlement agreement was thereafter placed before the High Court for passing appropriate orders in terms thereof.

During the course of proceedings, the claimants raised apprehension regarding deduction of tax at source from the compensation amount at the time of payment and issuance of Form 16A. The Revenue authorities proposed to release the compensation amount in accordance with the terms of the mediation agreement.

The Hon'ble High Court observed that in its earlier order dated 20.08.2025 passed in W.P. No. 102884/2025, it had already held that compensation received on compulsory acquisition of land is not liable to deduction of tax at source under the provisions of the Income-tax Act. Accordingly, the Court directed that all payments made pursuant to the mediation agreement, whether to joint accounts or individual accounts, shall be released without any deduction of tax at source.
