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Tax Digest

- Recent case laws

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E-Filing of ITR-1 and ITR-4 for AY 2026–27 Commences

The Income Tax Department has officially enabled the online filing capabilities and Excel utilities for ITR-1 and ITR-4 for the Assessment Year (AY) 2026–27 on the e-Filing portal. Taxpayers filing under regular salaries or opting for presumptive taxation under the new framework can now commence their filing and compliance cycles immediately. Assessee and professionals are advised to thoroughly cross-examine pre-filled parameters with updated AIS/TIS metrics prior to submission.

1. Addition under section 69C deleted where purchases were genuine and supported by banking channels

In the instant case¹, the assessee was engaged in the business of trading in diamonds and had imported diamonds through proper banking channels in compliance with applicable customs and statutory regulations. During the assessment proceedings, the Assessing Officer observed that the assessee had issued multiple cash sale bills aggregating to approximately Rs. 97 crores and accordingly treated the corresponding purchases as unexplained expenditure under section 69C of the Income-tax Act, 1961.

The Assessing Officer, while accepting the genuineness of the purchases, alleged that the source of expenditure remained unexplained since the amounts deposited in the bank accounts were generated out of cash sales transactions.

On appeal, both the Commissioner (Appeals) and the Hon'ble ITAT Delhi deleted the addition after observing that the purchases were fully supported by import documents, bills of entry, vouchers and banking records and that no defect had been pointed out in such evidences.

Thereafter, the matter was carried before the Hon'ble Delhi High Court. The Hon'ble High Court held that once the purchases had been accepted as genuine and were supported by proper documentary evidences and banking channels, the same could not be treated as unexplained expenditure merely because the sales were effected in cash. It was further observed that cash sales, in absence of violation of any statutory provision, could not by themselves justify disallowance under section 69C.

The Hon'ble High Court further observed that at best, the Revenue could dispute the identity or verifiability of the purchasers, however, the same would not render the purchases non-genuine or unexplained when the underlying transactions were otherwise duly substantiated.

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

2. Reopening beyond three years held invalid in absence of approval from PCCIT under section 151(ii)

In the instant case², reassessment proceedings were initiated against the assessee under section 147 of the Income-tax Act, 1961 on the basis of information received from the Investigation Wing alleging understatement in the purchase value of immovable property vis-à-vis the stamp duty valuation adopted by the Stamp Valuation Authority. During the reassessment proceedings, the Assessing Officer invoked the provisions of section 56(2)(vii)(b) and made addition on account of the difference between the purchase consideration and the stamp duty value of the property.

The assessee challenged the validity of reassessment proceedings before the Hon'ble ITAT Mumbai on the ground that the notice under section 148 had been issued beyond three years from the end of the relevant assessment year and therefore approval under section 151(ii) was required to be obtained from the PCCIT. However, in the present case, such approval had been granted by the PCIT.

¹ [Principal Commissioner of Income-tax v. Kross Diamonds \(P.\) Ltd. \[2026\] 186 taxmann.com 345 \(Delhi\)](#)

² [Joana Diago Dsouza v. Income-tax Officer \[2026\] 186 taxmann.com 771 \(Mumbai - Trib.\)](#)

The Hon'ble Tribunal observed that where reassessment proceedings are initiated beyond three years from the end of the relevant assessment year, prior approval of the specified authority under section 151(ii), namely the PCCIT, is mandatory. It was further observed that approval obtained from an authority lower in rank than the authority prescribed under the statute would render the reassessment proceedings invalid in law.

The Hon'ble Tribunal relied upon the decisions of the Hon'ble Bombay High Court in the cases of Mrs. Chitra Supekar v. ITO and Prakash Pandurang Patil v. ITO, wherein it was held that sanction under section 151(ii) must necessarily be obtained from the authority specifically prescribed under the Act in cases where reopening is undertaken beyond the prescribed period of three years. The Hon'ble Tribunal further noted that the decision of the Hon'ble Bombay High Court in Prakash Pandurang Patil v. ITO had also been affirmed by the Hon'ble Supreme Court.

Accordingly, the Hon'ble Tribunal held that approval obtained from the PCIT instead of the PCCIT was not in accordance with law and consequently quashed the reassessment proceedings initiated under section 147.

3. Revenue can challenge issue in subsequent years despite omission to file appeal in earlier year

In the instant case³, the assessee had claimed deduction in respect of remuneration paid to expatriate employees. The Hon'ble ITAT allowed the claim for Assessment Years 2020-21 and 2021-22 by following its earlier order passed in assessee's own case for Assessment Year 2014-15.

Aggrieved by the order of the Hon'ble Tribunal, the Revenue preferred appeal before the Hon'ble Delhi High Court. The assessee contended that since the Revenue had not challenged the issue relating to allowability of expatriate remuneration in Assessment Year 2014-15, the Department was precluded from disputing the same issue in subsequent years on the basis of the principle of consistency.

The Hon'ble High Court observed that the principle of consistency would apply only where a conscious decision had been taken by the competent authority to accept a particular position. It was further observed that while processing appeal for Assessment Year 2014-15, the Assessing Officer had inadvertently failed to mention the issue relating to expatriate remuneration in the scrutiny report and therefore the competent authority had no occasion to examine whether appeal should be preferred on such issue.

The Hon'ble High Court further held that inadvertent omission to file appeal in one assessment year could not amount to acquiescence or estoppel against the Revenue. It was observed that acquiescence requires a conscious and informed decision to forgo a legal right and cannot arise merely due to accidental non-filing of appeal.

Accordingly, the Hon'ble Delhi High Court held that the Revenue was entitled to challenge the issue in subsequent assessment years and the appeals filed by the Department were maintainable.

4. Appeal against assessment order maintainable notwithstanding pendency of appeal against intimation under section 143(1)

³ [Principal Commissioner of Income-tax-7 v. Samsung India Electronics \(P.\) Ltd. \[2026\] 186 taxmann.com 562 \(Delhi\)](#)

In the instant case⁴, the assessee's return was processed under section 143(1) of the Income-tax Act, 1961 and certain adjustments were made to the returned income. Subsequently, assessment was completed under section 143(3), wherein the Assessing Officer adopted the income determined under section 143(1) and also included an adjustment which had earlier been dropped by the CPC. The assessee challenged the assessment order before the Commissioner (Appeals).

The Commissioner (Appeals), however, dismissed the appeal as not maintainable on the ground that an appeal against the intimation issued under section 143(1) and rectification proceedings under section 154 were already pending.

The matter travelled to the Hon'ble Mumbai Tribunal. The Tribunal observed that while framing the assessment under section 143(3), the Assessing Officer had adopted the income determined in the intimation under section 143(1) and had also considered an adjustment which had already been deleted by the CPC. It was further observed that the issues raised by the assessee had not been adjudicated on merits by the Commissioner (Appeals).

Accordingly, the Hon'ble Tribunal held that pendency of appeal or rectification proceedings against an intimation under section 143(1) would not render an appeal against an assessment order under section 143(3) non-maintainable. The matter was restored to the file of the Commissioner (Appeals) for fresh adjudication after considering the submissions of the assessee. The appeal was allowed for statistical purposes.

⁴ [General Mills India \(P.\) Ltd. v. Deputy Commissioner of Income-tax \[2026\] 186 taxmann.com 834 \(Mumbai - Trib.\)](#)