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Tax Digest

- Recent case laws

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E-Filing Utility for ITR-3 for AY 2026-27 now Live on E-Filing Portal

The Income Tax Department has enabled both the online filing module and Excel Utility for ITR-3 for Assessment Year 2026-27 on the e-Filing portal. Taxpayers having income from business or profession can now access the utilities for preparation and filing of their income-tax returns for AY 2026-27. The release of the utility facilitates timely compliance and enables taxpayers to commence return filing under the applicable provisions of the Income-tax law.

1. Reassessment Notice Invalid Where Revenue Fails to Establish Live Link Between Seized Material and Assessee

In the instant case¹, the assessee challenged the notice issued under section 148 on the ground that the same was based on a loose paper allegedly indicating payment of on-money in respect of a land transaction. The Revenue alleged that the assessee had paid on-money for purchase of land by relying upon a rate mentioned in the loose paper and comparing the same with the consideration recorded in the registered sale deed.

Aggrieved by the same, the assessee filed a writ petition before the Hon'ble Gujarat High Court contending that the loose paper neither contained his name nor established any connection with him and that the entire transaction had been undertaken through banking channels.

The Hon'ble High Court observed that the loose paper relied upon by the Revenue did not contain any names or identifiable particulars linking the assessee with the alleged transaction. It was further observed that the Revenue had failed to establish any connection between the assessee and the broker whose name appeared in the loose paper or with the entities searched during the search proceedings. The Hon'ble High Court further observed that before reopening an assessment, the Revenue is required to establish a live link between the seized material and the assessee and form a prima facie opinion regarding escapement of income based on such material.

Accordingly, the Hon'ble High Court held that the information derived from the seized material was vague, unspecific and incapable of establishing a live link with the assessee. Consequently, the notice

issued under section 148 and the consequential reassessment proceedings were quashed.

2. Bona Fide Error in Claiming Exemption Does Not Preclude Relief

In the instant case², the assessee-HUF claimed exemption under section 54B in respect of long-term capital gains arising from the sale of land. Subsequently, revision proceedings were initiated under section 263 on the ground that exemption under section 54B was not available to an HUF. In response, the assessee submitted that the claim under section 54B had been made under a mistaken belief and requested that the exemption claim be considered under section 54EB.

However, the Assessing Officer denied the exemption without examining the assessee's alternative claim under section 54EB. The said view was subsequently upheld by the Commissioner (Appeals) and the Hon'ble Tribunal.

Aggrieved by the order of the Hon'ble Tribunal, the assessee preferred an appeal before the Hon'ble Madras High Court.

The Hon'ble High Court observed that although the assessee had specifically requested that its claim be examined under section 54EB, none of the authorities had considered whether the assessee was otherwise entitled to exemption under any other applicable provision of law. It was further observed that the authorities had failed to consider the assessee's plea seeking rectification of a bona fide error.

Accordingly, the Hon'ble High Court held that the orders passed by the authorities suffered from non-

¹ [Love Dharminkumar Patel v. Income-tax Officer](#) [[2026] 187 taxmann.com 41 (High Court of Gujarat)

² [K. Devarajulu \(HUF\) v. Deputy Commissioner of Income Tax](#) [2026] 187 taxmann.com 38 (High Court of Madras)

application of mind. Consequently, the matter was restored to the file of the Assessing Officer for fresh consideration of the assessee's exemption claim in accordance with law.

3. Fresh Show-Cause Notice Not Required Where Final Addition Is Consequential to Issues Already Raised

In the instant case³, the assessee had claimed certain immovable properties as its assets and furnished explanations and supporting documents during the course of assessment proceedings. Pursuant to a show-cause notice proposing addition under section 69 read with section 115BBE, the Assessing Officer, while completing the assessment, brought the amount to tax under section 68 read with section 115BBE.

Aggrieved by the same, the assessee filed a writ petition before the Hon'ble High Court contending that, in the absence of a fresh show-cause notice, the assessment order was passed in violation of the principles of natural justice.

The Hon'ble High Court observed that the assessee had been afforded adequate opportunity to furnish explanations and supporting documents during the course of assessment proceedings. It was further observed that the addition made under section 68 was merely a natural consequence of the discrepancies already pointed out to the assessee and did not amount to taking a completely different stand.

Accordingly, the Hon'ble High Court held that the assessment order did not suffer from any violation of the principles of natural justice and that issuance of a fresh show-cause notice was not warranted.

4. Notional Interest Addition Deleted in Absence of Any Change in Facts

In the instant case⁴, the assessee had advanced interest-free funds to its subsidiary company. Since no interest income was recognised by the assessee, the Assessing Officer held that notional interest had accrued and made an addition under section 5.

On appeal, the CIT(A) deleted the addition by following the appellate orders passed in the assessee's own case for the earlier years.

Aggrieved by the same, the Revenue preferred an appeal before the Hon'ble Tribunal.

The Hon'ble Tribunal observed that the issue arising on identical facts had been a matter of dispute between the Revenue and the assessee for several years. However, the issue had consistently been decided in favour of the assessee by the first appellate authority as well as by the coordinate bench of the Hon'ble Tribunal in the assessee's own case. It was further observed that though the Revenue had challenged the earlier orders before the Hon'ble High Court, no distinguishing facts had been brought on record in the year under consideration.

Accordingly, the Hon'ble Tribunal held that no infirmity existed in the order of the CIT(A) deleting the addition made on account of notional interest and upheld the appellate order. Consequently, the appeal filed by the Revenue was dismissed.

³ [Seyadu Beedi Company v. Assistant Commissioner of Income-Tax \[2026\] 187 taxmann.com 192 \(High Court of Madras\)](#)

⁴ [Deputy Commissioner of Income Tax v. Shoppers Stop Ltd. \[2026\] 187 taxmann.com 16 \(Mumbai - Trib.\)](#)