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Tax Digest

- Recent case laws

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CBDT Condones Delay in Filing Form No. 10AB for Section 80G Approval

[Circular No. 06/2026 / F. No. 300176/3/2026-ITA-1 dated July 2, 2026]

The CBDT has condoned the delay in filing Form No. 10AB by funds and institutions seeking renewal of approval under section 80G, where the prescribed application was furnished electronically between October 1, 2025 and March 31, 2026. The Circular also grants relief in cases where such applications were rejected solely on the ground of delay in filing. The jurisdictional Principal Commissioner of Income-tax or Commissioner of Income-tax has been authorised to dispose of such applications on merits on or before December 31, 2026. However, the Circular clarifies that condonation of delay shall not be construed as conferring any automatic entitlement to approval under section 80G.

1. Reassessment Proceedings Invalid Where Approval Is Obtained from an Authority Not Prescribed Under Section 151

In the instant case¹, the assessee was subjected to reassessment proceedings for Assessment Year 2019-20 pursuant to a notice issued under section 148 beyond three years from the end of the relevant assessment year. The notice was issued after obtaining approval under section 151 from the Principal Commissioner of Income-tax. Thereafter, the reassessment was completed and the Commissioner (Appeals) upheld the validity of the reassessment proceedings.

Aggrieved by the same, the assessee preferred an appeal before the Hon'ble ITAT contending that where more than three years had elapsed from the end of the relevant assessment year, approval for issuance of notice under section 148 was required to be obtained from the authority prescribed under section 151 and not from the Principal Commissioner of Income-tax.

The Hon'ble ITAT observed that the notice under section 148 had admittedly been issued beyond three years from the end of the relevant assessment year. It was further observed that section 151, as applicable at the relevant time, specifically required sanction from the Principal Chief Commissioner, Principal Director General, Chief Commissioner or Director General in cases where reassessment proceedings were initiated beyond the prescribed period of three years. However, in the present case, the approval had been granted by the Principal Commissioner of Income-tax.

Accordingly, the Hon'ble ITAT held that the sanction obtained under section 151 was not in accordance

with the provisions of the Act and was therefore invalid. Consequently, the notice issued under section 148 and the reassessment proceedings arising therefrom were held to be without jurisdiction and were quashed as void ab initio.

2. Revision Order Under Section 264 Liable to Be Set Aside Where Assessee's Contentions Are Cursorily Dealt With

In the instant case², the assessee filed a revision application under section 264 pursuant to the remedy indicated by the Assessing Officer and specifically requested a personal hearing. However, the Principal Commissioner of Income-tax rejected the revision application without granting a personal hearing and dealt with the contentions raised by the assessee in a cursory manner.

Aggrieved by the same, the assessee filed a writ petition before the Hon'ble Gujarat High Court contending that the revision application had been rejected without proper consideration of the submissions made therein.

The Hon'ble High Court observed that the assessee had availed the remedy under section 264 as suggested by the Assessing Officer and had specifically requested an opportunity of personal hearing. It was further observed that no personal hearing was granted and the various contentions raised by the assessee were dealt with cursorily. The Hon'ble High Court further observed that the revision application had been rejected merely on the ground that the Assessing Officer had referred to the remedy under section 264.

Accordingly, the Hon'ble High Court held that the impugned revision order could not be sustained in

¹ Vishesh Developers (P.) Ltd. v. Assistant Commissioner of Income-tax [2026] 188 taxmann.com 31 (Delhi - Trib.)

² Bhikhabhai Maneklal Patel v. Office of Principal Commissioner of Income-tax [2026] 187 taxmann.com 701 (High Court of Gujarat)

law since the contentions raised by the assessee had not been properly considered. Consequently, the order passed under section 264 and all consequential orders were quashed and the matter was remanded to the competent authority for fresh adjudication by a reasoned order in accordance with law.

3. Addition Under Section 69 Not Sustainable Where Source of Investment Is Established Through Documentary Evidence

In the instant case³, the assessee purchased a residential property and explained that the investment therein was funded through foreign inward remittances received from her husband through banking channels. However, the Assessing Officer treated the said investment as unexplained under section 69 on the ground that the supporting documentary evidences were not furnished within the time available during the assessment proceedings. The Commissioner (Appeals) deleted the addition.

Aggrieved by the same, the Revenue preferred an appeal before the Hon'ble ITAT contending that the assessee had failed to satisfactorily explain the source of investment and that the Commissioner (Appeals) had admitted additional evidences in contravention of Rule 46A.

The Hon'ble ITAT observed that the assessee had consistently maintained that the investment in the property was funded out of foreign inward remittances received from her husband through banking channels. It was further observed that the documentary evidences furnished by the assessee, including bank statements, remittance confirmations and payment receipts, established a clear nexus between the remittances received and

the payments made towards acquisition of the property and demonstrated a complete money trail. The Hon'ble ITAT further observed that the evidences furnished before the Commissioner (Appeals) were merely corroborative of the explanation already furnished before the Assessing Officer and, therefore, no violation of Rule 46A could be alleged.

Accordingly, the Hon'ble ITAT held that where the assessee satisfactorily establishes the source of investment and the movement of funds through documentary evidence and identifiable banking channels, the provisions of section 69 cannot be invoked merely on presumptions. Consequently, the order of the Commissioner (Appeals) deleting the addition was upheld and the appeal filed by the Revenue was dismissed.

4. No Further Addition on Sales in Absence of Evidence of Suppression of Sales

In the instant case⁴, the Assessing Officer treated certain purchases made by the assessee from specified entities as bogus and made addition under section 69. On appeal, the Commissioner (Appeals) restricted the addition to a percentage of the alleged bogus purchases. Subsequently, the Hon'ble ITAT sustained addition only to the extent of the profit element embedded in such purchases and rejected the Revenue's contention that a further addition was warranted in respect of the corresponding sales recorded by the assessee.

Aggrieved by the same, the Revenue preferred an appeal before the Hon'ble Gujarat High Court contending that once the purchases were held to be bogus, profit should also be estimated on the corresponding sales made with such parties.

³ [Income-tax Officer v. Priya Barbana Farrokh Irani \[2026\] 187 taxmann.com 1130 \(Mumbai - Trib.\)](#)

⁴ [Principal Commissioner of Income-tax \(Central\) v. Center Point Gems \(P.\) Ltd. \[2026\] 187 taxmann.com 619 \(High Court of Gujarat\)](#)

The Hon'ble High Court observed that the sales had already been credited in the books of account and no evidence had been brought on record to establish that the assessee had suppressed its sales. It was further observed that neither the Assessing Officer nor the appellate authorities had recorded any finding that the sales disclosed by the assessee were bogus. The Hon'ble High Court further observed that once addition had already been sustained in respect of the alleged bogus purchases, no further addition could be made on the sales in the absence of any evidence indicating suppression thereof.

Accordingly, the Hon'ble High Court held that where sales recorded in the books of account are not found to be bogus and there is no evidence of suppression of sales, no separate addition is warranted merely because the corresponding purchases are alleged to be non-genuine. Consequently, the appeal filed by the Revenue was dismissed.
