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July 13, 2026

Central Government Approves 'Core Settlement Guarantee Fund' Set Up by NCCL

[Notification No. 79/2026-CBDT / S.O. 3684(E) dated July 7, 2026]

The Central Government has notified the "Core Settlement Guarantee Fund" (PAN: AAAJN1263G) set up by National Commodity Clearing Limited (NCCL) for tax exemption under Schedule III [Table: Sl. No. 30] read with Section 11 of the Income-tax Act, 2025, from Tax Year 2026-2027 onwards. This exemption is subject to NCCL retaining its SEBI recognition and the Fund electronically filing its return under Section 263. Additionally, any untaxed amount shared with a specified person will be deemed taxable income in the year of distribution. Non-compliance will result in the immediate withdrawal of the exemption and initiation of tax proceedings.

1. Compensation Received on Surrender of Allotment Rights Taxable as Capital Gains

In the instant case[1], the assessee had acquired allotment rights in a flat from a builder and subsequently surrendered such rights in favour of another purchaser. In consideration thereof, the assessee received compensation from the builder and claimed the resultant long-term capital loss under the head "Capital Gains". However, the Assessing Officer treated the compensation as "Income from Other Sources" on the ground that tax had been deducted at source under section 194A and disallowed the claim of long-term capital loss.

On appeal, the Commissioner (Appeals) upheld the action of the Assessing Officer by observing that, in the absence of a registered agreement or any enforceable instrument, the allotment rights could not be regarded as a capital asset. The Commissioner (Appeals) further held that deduction of tax at source under section 194A supported the view that the receipt was taxable as "Income from Other Sources". Aggrieved by the same, the assessee preferred an appeal before the Hon'ble Tribunal.

The Hon'ble Tribunal observed that the right to obtain conveyance of an immovable property constitutes "property" within the meaning of section 2(14) and, therefore, qualifies as a capital asset. It was further observed that surrender or relinquishment of such right amounts to a transfer within the meaning of section 2(47). The Hon'ble Tribunal also observed that the provision under which tax is deducted at source is merely a machinery provision and does not determine the nature of the receipt or the head under which it is taxable.

Accordingly, the Hon'ble Tribunal held that the compensation received on surrender of the allotment rights constituted consideration for transfer of a capital asset and was chargeable under the head "Capital Gains". Consequently, the addition made by treating the receipt as "Income from Other Sources" was deleted and the assessee's claim of long-term capital loss was allowed.

2. Reassessment Based Solely on Uncorroborated Seized Material Held Unsustainable

In the instant case2, the assessee, along with co-purchasers, had purchased a parcel of land through a registered sale deed. Subsequently, based on an entry in an inquiry register seized during search proceedings conducted in the case of a broker, the Assessing Officer alleged that the assessee had paid on-money over and above the consideration recorded in the sale deed and, accordingly, initiated reassessment proceedings under section 148.
Aggrieved by the same, the assessee filed a writ petition before the Hon'ble High Court contending that the seized material neither related to the assessee nor established any nexus with the impugned transaction.

The Hon'ble High Court observed that the seized inquiry register merely reflected an asking rate of the land and the relevant entry pre-dated the assessee's purchase transaction by a considerable period. It was further observed that neither the seized register nor the statement of the broker contained any reference to the assessee or the co-purchasers, and no independent inquiry had been

[1] Ketan Pravinchandra Kamdar v. Deputy Commissioner of Income-tax [2026] 187 taxmann.com 667 (Mumbai - Trib.)

[2] Vinod Parsotam Rabara v. Income-tax Officer [2026] 188 taxmann.com 167 (High Court of Gujarat)

conducted by the Revenue to establish any connection between the assessee and the seized material. The Hon'ble High Court held that before invoking reassessment proceedings, the Revenue is required to establish a live nexus between the seized material and the alleged escapement of income.

Accordingly, the Hon'ble High Court held that the reassessment proceedings had been initiated merely on the basis of conjectures and surmises without any direct or indirect link between the seized material and the assessee. Consequently, the notice issued under section 148 was quashed.

3. Fresh Assessment Beyond Scope of Section 170A(2)(a) Held Unsustainable

In the instant case[3], the assessee filed a modified return under section 170A of the Act pursuant to an order of amalgamation approved by the NCLT. Since the assessment for the relevant assessment year had already been completed on the date of filing of the modified return, the Assessing Officer was required only to give effect to the order of business reorganisation.

However, the Assessing Officer issued notices under sections 143(2) and 142(1) seeking information beyond the scope of the modified return and subsequently passed a fresh assessment order. Aggrieved by the same, the assessee filed a writ petition before the Hon'ble High Court.

The Hon'ble High Court observed that section 170A(2) makes a clear distinction between cases where the assessment stands completed and those where the assessment is pending on the date of filing of the modified return. It was further observed that where the assessment has already been completed, the Assessing Officer is empowered only to modify the completed assessment by giving effect to the order of business reorganisation after taking into account the modified return. The power to undertake a fresh assessment by issuing notices under sections 143(2) and 142(1) is available only where the assessment proceedings are pending.

Accordingly, the Hon'ble High Court held that the impugned notices were beyond the scope of section 170A(2)(a) as they sought to reopen the completed assessment instead of merely giving effect to the order of amalgamation and the modified return. Consequently, the notices issued under sections 143(2) and 142(1), along with the assessment order passed pursuant thereto, were quashed, with a direction to the Assessing Officer to modify the completed assessment in accordance with section 170A.

4. Appellate Authorities May Entertain Fresh Claim Without Revised Return Where Relevant Facts Are Already on Record

In the instant case4, the assessee had created a provision for commission expenditure and, while filing its return of income, appended a note stating that the deduction would be claimed upon actual payment. Subsequently, during the course of assessment proceedings, the assessee claimed deduction of the said expenditure without filing a revised return. The Assessing Officer disallowed the claim. Pursuant to the directions of the Hon'ble Tribunal in the earlier round of proceedings, the matter was remanded to the Assessing Officer for verification of the quantum of commission expenditure and the nature of services rendered.

[3] Technoforce Solutions (I.) (P.) Ltd. v. Deputy Commissioner of Income-tax [2026] 186 taxmann.com 1138 (High Court of Bombay)

[4] Principal Commissioner of Income-tax v. Gujarat Gas Trading Company Ltd. [2026] 187 taxmann.com 731 (High Court of Gujarat)

However, despite the assessee furnishing the requisite details, the Assessing Officer reiterated the disallowance.

The Commissioner (Appeals), following the appellate orders passed in the assessee's own case for the subsequent assessment years, deleted the addition. The Hon'ble Tribunal upheld the order of the Commissioner (Appeals). Aggrieved by the order of the Hon'ble Tribunal, the Revenue preferred an appeal before the Hon'ble High Court.

The Hon'ble High Court observed that the Assessing Officer had not rejected the assessee's claim on the ground that no revised return had been filed. It was further observed that all the material necessary to examine the claim was already available on record and, despite specific directions issued by the Hon'ble Tribunal, the Assessing Officer failed to verify the evidences furnished by the assessee. The Hon'ble High Court held that where the relevant facts are already available on record, the appellate authorities are competent to entertain and adjudicate a fresh claim, notwithstanding the absence of a revised return.

Accordingly, the Hon'ble High Court held that the Hon'ble Tribunal was justified in upholding the allowance of the assessee's claim. Consequently, the appeal preferred by the Revenue was dismissed.