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Maharashtra Electricity Regulatory Commission Notified Under Section 11

[[Notification No. 117/2026 / S.O. 4707(E) dated August 25, 2026]

The Central Government has notified the 'Maharashtra Electricity Regulatory Commission' (PAN: AAAGM0004R), a statutory commission constituted under the Electricity Regulatory Commissions Act, 1998, for tax exemption under Schedule VII [Table: Sl. No. 42] read with Section 11 of the Income-tax Act, 2025. This notification is effective starting from Tax Year 2026-2027, provided the assessee continues to operate as a statutory commission under the Electricity Regulatory Commissions Act, 1998, fulfilling one or more of the specified purposes outlined under Schedule VII [Table: Sl. No. 42] of the Act.

1. Section 40(a)(i) disallowance restored pending determination of TDS liability

In the instant case[1], the assessee, engaged in its business activities, had made a payment of ₹2,35,72,409 to M/s Ashland Singapore Pte. Ltd. towards consulting and professional services. The Assessing Officer, relying on the order passed under sections 201(1) and 201(1A) read with section 195, wherein the payment was held liable to tax deduction at source, reopened the assessment and disallowed the said payment under section 40(a)(i).

Aggrieved thereby, the assessee preferred an appeal before the CIT(A), wherein it was submitted that the order under sections 201(1) and 201(1A), which formed the basis of the reassessment and consequential disallowance, was itself under appeal and remained pending. However, the CIT(A) confirmed the disallowance.

Aggrieved thereby, the assessee preferred appeal before the Hon'ble Mumbai ITAT.

The Hon'ble Tribunal observed that the issue as to whether the payment made to the Singapore entity was chargeable to tax in India and, consequently, whether the assessee was liable to deduct tax under section 195, was the foundational issue for the disallowance under section 40(a)(i). Since the appeal against the order under sections 201(1) and 201(1A) was pending before the same appellate forum, its outcome would have a direct bearing on the sustainability of the disallowance.

The Hon'ble Tribunal further observed that deciding the consequential disallowance independently while the foundational proceedings were pending could result in inconsistent conclusions. Accordingly, the entire appeal was restored to the file of the CIT(A) for fresh adjudication after disposal of the appeal against the order under sections 201(1) and 201(1A), or simultaneously therewith. The CIT(A) was also directed to adjudicate all legal and factual grounds raised by the assessee in accordance with law.

Accordingly, the appeal filed by the assessee was allowed for statistical purposes

2. Refund under section 244A to be adjusted first against interest

In the instant case[2], the assessee, a public sector bank, was entitled to refund arising pursuant to the assessment, appellate and rectification proceedings, along with interest under section 244A. While granting the refund, the Assessing Officer adjusted the refund against the principal tax component without first adjusting the interest component. The CIT(A), however, directed that the refund be adjusted first against the interest payable under section 244A and thereafter against the principal tax component.

Aggrieved thereby, the Revenue preferred appeal before the Hon'ble Mumbai ITAT.

The Hon'ble Tribunal observed that interest under section 244A is intended to compensate the assessee for the period during which the excess tax remained with the Revenue. It further observed that where the amount refundable to the assessee comprises the principal tax amount as well as interest payable under section 244A, the interest

[1] International Specialty Products (India) Private Limited v. Deputy Commissioner of Income-tax, Circle 15(1)(2) – ITA No. 5817/Mum/2025(Mumbai - Trib.)

[2] Deputy Commissioner of Income-tax v. Bank of Baroda [2026] 189 taxmann.com 575 (Mumbai - Trib.)

component is required to be adjusted before the principal tax component.

The Hon'ble Tribunal, after considering the provisions of section 244A and the judicial precedents relied upon, upheld the direction of the CIT(A) that the interest component of the refund should be adjusted first, followed by the principal tax component.

Accordingly, the appeals filed by the Revenue were dismissed.

3. TDS credit dispute arising from mismatch in Form 26AS and books remanded for verification

In the instant case[3], the assessee, a partnership firm engaged in the business of clearing and forwarding agency, filed its return for A.Y. 2021-22 declaring total income of ₹42,93,670 and claimed TDS credit of ₹6,73,371 as reflected in Form 26AS. The return was processed under section 143(1), wherein the CPC restricted the TDS credit to ₹4,10,618 by applying Rule 37BA. The assessee thereafter filed a rectification application under section 154, which was dismissed. The appeal filed before the CIT(A), NFAC was also dismissed for non-prosecution.

Aggrieved thereby, the assessee preferred appeal before the Hon'ble Mumbai ITAT.

During the course of hearing, the assessee submitted that the receipts reflected in Form 26AS comprised agency income, brokerage income, interest on fixed deposits and reimbursement of expenses. It was contended that the receipts had been duly accounted for in the books, while reimbursement of expenses had been reduced from the corresponding expenses instead of being credited to the Profit & Loss Account, resulting in a mismatch between Form 26AS and the books.

The Hon'ble Tribunal observed that the claim of TDS credit was based on the taxes deducted and reflected in Form 26AS and that the limited dispute was regarding reconciliation of the receipts disclosed by the assessee with those appearing in Form 26AS. The Hon'ble Tribunal found prima facie merit in the assessee's contention that the reimbursement receipts had been duly accounted for by way of deduction of expenditure and had no impact on the net profit.

Accordingly, the Hon'ble Tribunal held that the matter required necessary verification and restored the issue to the file of the Assessing Officer for verification in accordance with law, after providing reasonable opportunity to the assessee. The appeal was accordingly allowed for statistical purposes.

4. Penalty Under Section 272A(2)(e) to Be Computed Only Up to Due Date Prescribed Under Section 139(4)

In the instant case[4], the assessee, a charitable trust registered under section 12A of the Income-tax Act, 1961, failed to furnish its return of income within the prescribed time. Subsequently, pursuant to a notice issued under section 148, the assessee filed its return of income claiming exemption under section 10(23C)(iiiad), which was accepted by the Assessing Officer. Thereafter, penalty under section 272A(2)(e) was levied by computing the period of default up to the date of filing of return in response to the notice issued under section 148. The

[3] S R Pusalkar & Co. v. Commissioner of Income-tax (Appeals) ITA No.: 5806/Mum/2026 (Mumbai - Trib.)

[4] Swamy Vivekanandha Vidhyala Trust v. Income-tax Officer (Exemptions) [2026] 189 taxmann.com 515 (Chennai - Trib.)

Commissioner of Income-tax (Appeals) upheld the penalty.

Aggrieved by the same, the assessee preferred an appeal before the Hon'ble Income-tax Appellate Tribunal (ITAT).

The Hon'ble ITAT observed that although section 272A(2)(e) provides for levy of penalty for every day during which the default continues, such default cannot be regarded as continuing indefinitely. The Hon'ble ITAT held that once the time limit prescribed under section 139(4) expires, the assessee loses the statutory right to voluntarily furnish a valid return of income. Consequently, the failure to file the return cannot be treated as a continuing default beyond such date. The Hon'ble ITAT further observed that a return filed pursuant to a notice under section 148 is governed by an independent statutory mechanism and cannot be relied upon to extend the period of default for the purposes of computing penalty under section 272A(2)(e).

Accordingly, the Hon'ble ITAT held that penalty under section 272A(2)(e) is liable to be computed only up to the last date available for furnishing the return under section 139(4) and not up to the date of filing of return in response to notice under section 148. Consequently, the matter was restored to the file of the Assessing Officer for re-computation of penalty in accordance with law.