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Direct Tax Newsletter

Tax Digest

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CBDT Notifies Income-tax (Fifth Amendment) Rules, 2026

[Notification No. 121/2026 dated September 22, 2026]

The Central Board of Direct Taxes (CBDT) has notified the *Income-tax (Fifth Amendment) Rules, 2026*, coming into force from October 1, 2026. The amendment updates the procedural and compliance framework governing Tax Deducted at Source (TDS) on consideration for the transfer of immovable property under Section 393(2). Amendments to Rules 215, 218, and 219 incorporate TDS obligations executed by resident Individuals or HUFs—including acquisitions of property from non-residents—into standardized filing and certificate mechanisms. Further, the notification amends Form No. 132 and introduces a dedicated "Schedule E" in Form No. 141. This new schedule mandates comprehensive disclosures regarding property details, stamp duty values, buyer-seller ownership proportions, payment schedules, and specific non-resident deductee identifiers such as overseas addresses, Tax Identification Numbers, and Tax Residency Certificates.

1. Interest-Free Housing Loans to the Needy Do Not Constitute Commercial Activity u/s 2(15)

In the instant case[1], the assessee-trust applied for renewal of registration under section 12AB. The trust provided interest-free loans to financially needy persons for acquiring residential accommodation. The assessee submitted that the beneficiaries were selected after examining their financial position and genuine need and that only the principal amount was recovered, without charging interest, commission, processing fee or other consideration. The CIT(E) rejected the application by treating the organised and repetitive lending activity as akin to micro-financing/commercial activity.

Aggrieved thereby, the assessee preferred an appeal before the Hon'ble Mumbai ITAT. The Hon'ble Tribunal held that an interest-free loan granted to a financially needy person for acquiring basic residential accommodation can constitute "relief of the poor" under section 2(15). It further observed that the fact that the assistance was repayable or that the trust followed a structured procedure for granting and recovering the loans would not, by itself, make the activity commercial.

The Hon'ble Tribunal noted that the year-wise loan balances broadly reconciled and the financial statements did not disclose any interest, commission or processing income from the housing loans. However, it held that these aggregate figures were not sufficient to establish the terms of every individual loan and directed the CIT(E) to carry out limited factual verification of the actual working of the scheme.

[1] Kutchi Jain Foundation v. Commissioner of Income Tax (Exemptions) [2026] 190 taxmann.com 223 (Mumbai - Trib.)

Accordingly, the Hon'ble Tribunal accepted the assessee's legal contention in principle and directed the CIT(E) to grant registration if the relevant parameters were found to be satisfied. The appeals were allowed for statistical purposes.

2. Ex-gratia compensation under BSNL VRS-2019 eligible for exemption under section 10(10B)

In the instant case[2], the assessees, employees of Bharat Sanchar Nigam Limited (BSNL), opted for the Government-approved VRS-2019 and received ex-gratia compensation. While filing their returns for A.Ys. 2020-21 and 2021-22, the assessees claimed exemption of ₹5 lakh under section 10(10C) and offered the balance amount to tax. The returns were processed under section 143(1). Subsequently, the assessees claimed that the entire ex-gratia compensation received under VRS-2019 was exempt under section 10(10B) and filed appeals against the intimations issued under section 143(1). However, the appeals were filed after substantial delay and the Learned Addl./JCIT(A) dismissed the same in limine without adjudicating the issue on merits.

Aggrieved thereby, the assessees preferred appeals before the Hon'ble Hyderabad ITAT. The Hon'ble Tribunal, while considering the claim of exemption, held that the ex-gratia compensation received by BSNL employees under VRS-2019 is eligible for exemption under section 10(10B), subject to fulfilment of the conditions prescribed under the said section.

However, the Hon'ble Tribunal observed that the eligibility of each assessee for exemption under section 10(10B) was required to be verified, including whether the concerned employee

[2] Gudla Rao v. Income Tax Officer [2026] 190 taxmann.com 807 (Hyderabad - Trib.)

qualified as a "workman". Accordingly, the matter was restored to the file of the Assessing Officer for verification of the prescribed conditions and to grant exemption in accordance with law after providing reasonable opportunity of being heard to the assesses.

Accordingly, the appeals were allowed for statistical purposes.

3. Reciprocal exchange of equivalent land was valid consideration and section 43CA was not applicable

In the instant case[3], the assessee-company, engaged in the business of development of land into plots, filed its return for A.Y. 2016-17 declaring total income of Rs. 20.09 lakhs. Subsequently, the Assessing Officer, based on information regarding certain sale deeds, treated seven registered conveyance deeds executed in favour of G. Ramji as independent transfers without consideration, as the deeds mentioned "Nil Consideration", and invoked section 43CA. The addition made by the Assessing Officer was confirmed by the Learned CIT(A).

Aggrieved thereby, the assessee preferred an appeal before the Hon'ble Chennai ITAT and submitted that the conveyance deeds were executed pursuant to an MOU dated 08.12.2014 providing for reciprocal exchange of equivalent plots between the original landowners. The Hon'ble Tribunal noted that the parties had agreed to exchange their respective undivided interests so that each could become the exclusive owner of complete and marketable plots. The land transferred by both parties was of equivalent extent and value and the arrangement was made only to facilitate better enjoyment of the plots.

[3] Tatia Developers (P) Ltd. v. Income-tax Officer [2026] 190 taxmann.com 130 (Chennai - Trib.)

The Hon'ble Tribunal held that the conveyances could not be treated as independent transfers without consideration, since the transfer by the assessee was matched by a corresponding transfer of equivalent land by G. Ramji pursuant to the same MOU. Thus, the reciprocal transfer of equivalent land constituted valid consideration, notwithstanding the mention of "Nil Consideration" in the individual conveyance deeds.

Further, the Hon'ble Tribunal observed that section 43CA applies where the consideration received or accrued is less than the value adopted by the stamp valuation authority. Since the value of the lands exchanged was equivalent and there was no understatement of consideration, the deeming fiction under section 43CA could not be invoked.

Accordingly, the Hon'ble Tribunal deleted the addition made under section 43CA and set aside the order of the Learned CIT(A). The appeal filed by the assessee was allowed.

4. Reassessment Proceedings for AY 2015-16 Initiated After 1 April 2021 Barred by Limitation

In the instant case[4], the assessee challenged the reassessment proceedings initiated for AY 2015-16, including the notice issued under section 148 and the consequential order passed under section 148A(d), on the ground that the same were barred by limitation. The first notice was issued on 30 June 2021 under the old regime and thereafter, an order under section 148A(d) was passed on 28 July 2022 under the new regime. The learned Single Judge dismissed the writ petition holding that the

[4] Appnell Holdings Ltd. v. Deputy Commissioner of Income-tax, International Taxation [2026] 190 taxmann.com 352 (High court of Madras)

reassessment proceedings were initiated within the period of limitation.

The Hon'ble High Court observed that the relevant cut-off date in respect of AY 2015-16 was 1 April 2021. Since the first notice was issued on 30 June 2021, i.e. after the said cut-off date, the reassessment proceedings were held to be beyond the prescribed period of limitation.

The Hon'ble High Court further observed that the subsequent order under section 148A(d) was passed on 28 July 2022, which was also after the cut-off date of 1 April 2021. Therefore, the entire reassessment exercise pertaining to AY 2015-16 was held to be out of time and unsustainable in law.

The Hon'ble High Court, therefore, allowed the writ appeal, set aside the order of the learned Single Judge and quashed the notice issued pursuant to the reassessment proceedings. There was no order as to costs.