SNR & COMPANY
CHARTERED ACCOUNTANTS

INCOME TAX BULLETIN

JANUARY 2026

Delhi, Pune, Bangalore

CONTENT

- Judicial Updates

1. Non-mention of Section 12AB Registration Number in ITR is a procedural issue, thereby cannot be used to disallow exemption u/s 11:

Case of: Vinayaka Education Trust v. ITO
Decision by: ITAT, Ahmedabad
Order Date: December 05, 2025
In favour of: Assessee
Appeal No.: ITA No. 1402/Ahd/2025

Facts:

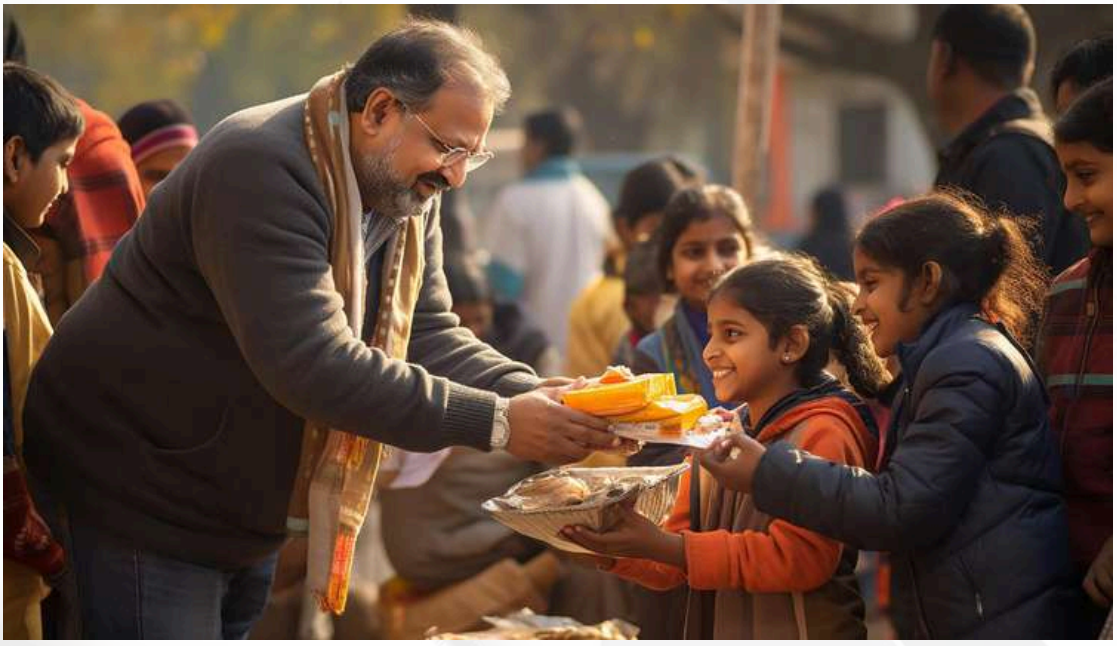
- The assessee, a charitable trust, had been duly registered under Section 12A of the Income-tax Act, 1961 and was eligible for exemption under Sections 11 and 12. Pursuant to the amendments introduced by the Finance Act, 2020, the assessee applied for re-registration under Section 12AB by filing Form 10A on 06 January 2022, within the extended timelines granted by CBDT through various circulars issued under Section 119.

- For AY 2021–22, while filing its return of income, the assessee inadvertently failed to mention the newly granted Section 12AB registration number. The Assessing Officer denied exemption under Section 11 on the ground that the new registration number was not quoted in the ITR and consequently disallowed the application and accumulation of income under Section 11(1)(a).

Issues Involved:

- Whether exemption under Sections 11 and 12 can be denied merely due to non-mention of the new Section 12AB registration number in the return of income.

- Whether the assessee had a valid and subsisting charitable registration for the relevant previous year so as to entitle it to exemption under Section 11.



Tribunal Observations:

- The Tribunal noted that the assessee's registration under Section 12A was valid and subsisting throughout the previous year relevant to AY 2021–22.
- The assessee had applied for re-registration under Section 12AB within the extended timelines permitted by CBDT, and such application was ultimately approved.
- The ITAT emphasized that the proviso to Section 12A(2) safeguards charitable trusts from denial of exemption merely due to procedural or timing-related issues, provided the objects and activities of the trust remain unchanged.
- The Tribunal held that the continuity of charitable status cannot be disrupted merely because the new registration number was not mentioned in the return, especially when the foundational requirement of valid registration stood satisfied.
- It was observed that procedural or technical lapses cannot override substantive rights, particularly when eligibility conditions are otherwise fulfilled.

Tribunal Decision:

The Ahmedabad ITAT allowed the assessee's appeal and held that:

- Exemption under Sections 11 and 12 was rightly available to the assessee for AY 2021–22.
- The disallowance of application and accumulation of income under Section 11(1)(a) was unjustified and was accordingly deleted.
- Non-mention of the new Section 12AB registration number in the ITR was a technical lapse and not a substantive defect warranting denial of exemption.

Full Judgement: Vinayaka Education Trust

Key Takeaways

- *The ruling reinforces the principle that tax exemptions for charitable trusts should be interpreted pragmatically and not defeated by hyper-technical objections.*
- *Procedural or technical omissions in the return of income, such as non-mention of the new registration number, cannot defeat substantive statutory benefits.*

2. Subsequent Superior Court ruling cannot be a ground for ITAT to invoke Sec. 254(2) as it is not a mistake apparent:

Case Name: Sila Solutions Pvt. Ltd. vs ITO
Decision by: Bomby High Court
Order Date: 09th December 2025
In favour of: Assessee
Appeal No.: Writ Petition No. 3161 of 2023

Facts:

- The assessee's appeal was decided by the Income Tax Appellate Tribunal (ITAT) by a reasoned order which was correct and in consonance with the legal position prevailing on the date of its pronouncement. Subsequently, a superior court (Supreme Court / High Court) rendered a judgment taking a different view on the legal issue involved.
- Relying on this subsequent judicial pronouncement, the Revenue filed a rectification application under Section 254(2) before the ITAT, contending that the Tribunal's earlier order suffered from a "mistake apparent from the record." The ITAT allowed the rectification application and modified its original order.
- Aggrieved, the assessee challenged the rectification order before the Bombay High Court by way of a writ petition.

Issues Involved:

- Whether a subsequent judgment of a superior court can constitute a "mistake apparent from the record" so as to justify rectification under Section 254(2).
- Whether the ITAT can effectively revisit or alter its concluded order by invoking Section 254(2) on the basis of a later judicial development?

Tribunal Observations:

- The High Court reiterated that the scope of Section 254(2) is extremely limited and confined to rectifying patent, obvious, and self-evident errors which are apparent from the record as it existed on the date of the original order.
- A subsequent judgment of a superior court does not retrospectively render an earlier order erroneous, if such order was correct in law when it was passed.
- The Court relied upon its coordinate bench decisions in Infantry, Vaibhav Maruti, and Prakash D. Koli, wherein it was consistently held that Section 254(2) confers a power far narrower than even a review under Order XLVII Rule 1 of the Code of Civil Procedure.
- The Court observed that even under CPC review jurisdiction, a subsequent change in law is not a valid ground for review, and therefore, a fortiori, it cannot be a ground for rectification under Section 254(2).
- The High Court held that the ITAT had acted without jurisdiction in invoking Section 254(2) to alter its original order on the basis of a subsequent judicial pronouncement..

High Court Decision:

The Bombay High Court:

- Quashed and set aside the ITAT's rectification order passed under Section 254(2).
- Held that no "mistake apparent from the record" existed in the original ITAT order.
- Clarified that the Revenue, if so advised and permissible in law, was free to challenge the original ITAT order by filing an appeal under Section 260A before the High Court.
- Allowed the assessee's writ petition.

Full Judgement: Sila Solutions Pvt. Ltd.

Key Takeaways

- *This judgement reinstates that ITAT cannot use rectification proceedings as a substitute for review or appeal. Finality of appellate orders cannot be unsettled by later changes in judicial interpretation.*

3. Integrated leasing of educational infrastructure with bundled operational services constitutes business income and not income from House Property:

Case of: Nord Anglia Education Infrastructure Pvt. Ltd. vs DCIT
Decision by: ITAT Visakhapatnam
Order Date: 26 November 2025
In favour of: Assessee
Appeal No.: ITA No. 314/Viz/2025

Facts:

- The Assessee develops and operates bespoke educational infrastructure and provides a bundled package of operational services (security, maintenance, sports facilities, CCTV, utilities, etc.) to educational institutions. The Assessing Officer treated the receipts, including lease rentals, as Income from House Property.

Issues Involved:

- Whether receipts from integrated leasing of educational infrastructure along with operational services constitute business income or income from house property.

Tribunal Observations:

- The Assessee is not a passive landlord; it commercially exploits educational infrastructure through a composite and integrated service model.
- The nature of income cannot be determined by TDS certificates describing payments as "rent"; TDS characterisation is not conclusive.
- Reliance placed on Rayala Corporation (SC) and Oberon Edifices (Kerala HC), holding that integrated facilities and services result in business income.

- Revenue's contention that the infrastructure business stood transferred pursuant to a scheme of arrangement was rejected as factually incorrect.
- Financial statements demonstrated separate disclosure of service streams, supporting the business character of receipts.

Tribunal Decision:

- Receipts from integrated educational infrastructure and bundled operational services are taxable as Income from Business and not as Income from House Property. Revenue's appeal was dismissed.

Full Judgement: Nord Anglia Education Infrastructure Pvt. Ltd.

Key Takeaways

- *This ruling affirms that Integrated infrastructure leasing with continuous services constitutes business income.*

4. TDS credit on salary undeniable to employee where employer deducted but failed to deposit tax:

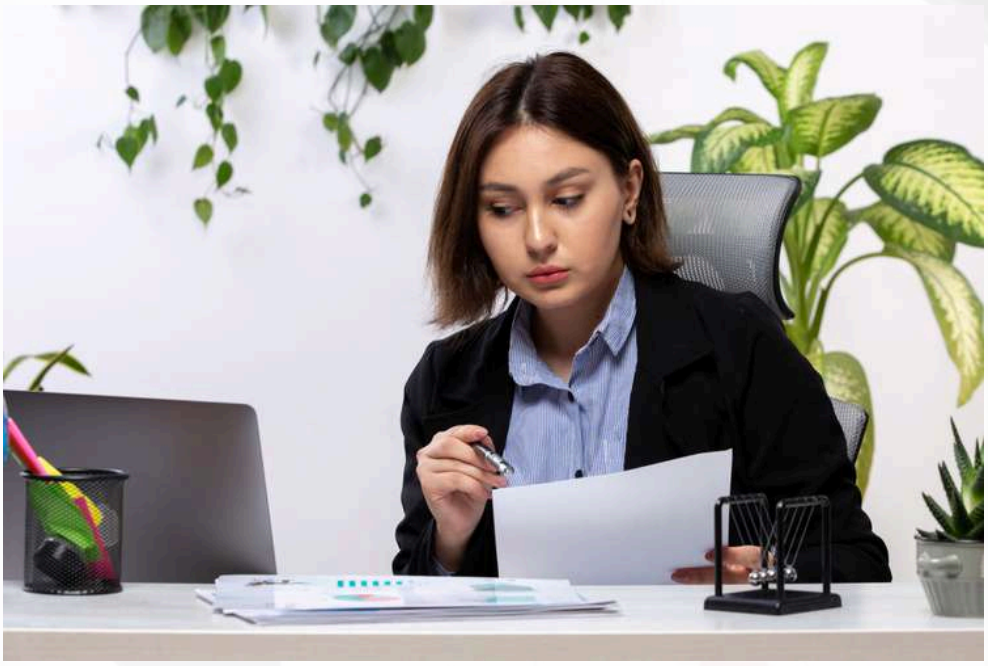
Case Name: Ramita Chaudhuri vs ITO
Decision by: ITAT, Delhi
Order Date: 5 December 2025
In favour of: Assessee
Appeal No.: ITA No. 4392/Del/2025

Facts:

- The Assessee, an employee, claimed credit for TDS deducted from her salary/bonus. While the employer had deducted TDS, it failed to deposit the same with the Government, resulting in denial of TDS credit by the Assessing Officer.

Issues Involved:

- Whether TDS credit can be denied to an employee when the employer has deducted tax from salary but failed to deposit it with the Central Government.



Tribunal Observations:

- The Assessee is not a passive landlord; it commercially exploits educational infrastructure through a composite and integrated service model.
- The nature of income cannot be determined by TDS certificates describing payments as "rent"; TDS characterisation is not conclusive.
- Reliance placed on Rayala Corporation (SC) and Oberon Edifices (Kerala HC), holding that integrated facilities and services result in business income.

- The ITAT held that the nature of default shifts from employee to employer once deduction is established.
- The condition imposed by CIT(A) linking TDS credit to actual deposit by the employer was held to be legally untenable.
- The AO was directed to verify factual deduction of TDS based on salary slips, bank statements, and employer records.

Tribunal Decision:

- The ITAT allowed the Assessee's appeal in full, holding that If it is established that TDS was deducted but not deposited, full TDS credit must be granted to the employee. The Revenue is at liberty to initiate recovery, interest, and penalty proceedings against the defaulting employer as per law.

Full Judgement: Ramita Chaudhuri

Key Takeaways

- *TDS credit cannot be denied to an employee where deduction is proved.*
- *Employer alone bears responsibility for deposit of TDS after deduction.*
- *Recovery mechanisms must be directed against the employer, not the employee.*

5. Mere 3-days' time for responding to SCN is inadequate. CBDT's 7-day time limit is mandatory:

Case of: Dhiraj Lakhamshi Shah vs NFAC
Decision by: Bombay High Court
Order Date: 17 December 2025
In Favour of: Assessee
Appeal No.: WP No. 2856 of 2025

Facts:

- The assessee was issued a show cause notice (SCN) under the faceless assessment regime on 24 March 2022, granting only three days to respond. The assessment order was thereafter passed on the premise that proceedings were becoming time-barred, although the statutory time limit was later extended up to 30 September 2022. The assessee challenged the assessment on grounds of violation of natural justice and non-compliance with procedural safeguards.

Issues Involved:

- Whether granting only three days to respond to an SCN under Section 144B violates principles of natural justice.
- Whether the CBDT-prescribed minimum seven-day response period is mandatory.
- Whether limitation-related concerns can justify denial of reasonable opportunity.

Observations of the High Court:

- The Court held that three days' time is inherently inadequate and fails to provide a meaningful opportunity of hearing.
- Once the assessment timeline stood extended, the Assessing Officer was obliged to comply with procedural requirements, including granting reasonable response time.
- The Court rejected the Revenue's contention regarding prospective applicability of the CBDT SOP, holding that even otherwise, seven days is a bare minimum.
- Faceless assessment procedures cannot dilute the requirement of natural justice.

Decision:

The Bombay High Court quashed the assessment order and remanded the matter to the Revenue, directing:

- Fresh opportunity to the assessee to file objections, and
- Compliance with Section 144B, including opportunity of hearing.

Key Takeaways

- *Limitation concerns cannot override procedural fairness. Therefore, granting only three days to respond to an SCN under Section 144B is violative of natural justice.*

SNR & COMPANY
CHARTERED ACCOUNTANTS

SNR is a firm of Chartered Accountants offering assurance, tax, accounting and consulting services to its national and international clients across the globe. The firm has its head office at New Delhi with branches at Pune & Bengaluru. SNR has experienced a considerable growth since its inception in 1996 and is empanelled with reputed banks and with the office of the comptroller and auditor general of India. The firm through it's team of experts consisting of Chartered Accountants, Company Secretaries and Management professionals provides professional services to a large number of clients viz Companies, Banks and NGO's etc.

OUR LOCATION

DELHI

A-15, Second Floor, Hauz Khas,
New Delhi- 110016

Tel: +91-11 41655801, 41655802

PUNE

B 609, Nyati Empress,
Viman Nagar, Pune,
Maharashtra – 411014 (India)

Tel No. +91-20-45104304

BANGALORE

No. 5A, Second Floor, 6th Main,
KHB Colony, Basaveshwaranagar,
Bangalore - 560079

Tel: +91 80 42064178

Disclaimer: