



DIRECT TAXES | GST | WRITS | ECONOMIC OFFENCES

LATEST JUDGEMENT UNDER THE INCOME-TAX ACT

Organiser:

Direct Tax Committee of ICAI

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Forvex Legal

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Jyoti Sareen & Connected Matters v. Union of India & Ors.

Punjab & Haryana High Court | CWP No. 15791 of 2024 & connected matters | 10.09.2026

Section 147A of the Income-tax Act, 1961

1. FACTS

- The petitioners **challenged reassessment** proceedings **initiated** through the **JAO** rather than the **faceless**/automated mechanism under Section **151A** and the **29.03.2022 Scheme**.
- Section **147A** was **retrospectively** inserted to prescribe the Assessing Officer for Sections **148/148A** and **validate** the reassessment framework.
- The petitioners contended that the amendment could not retrospectively cure the jurisdictional defect identified in earlier constitutional-court decisions.
- The High Court declared Section 147A unconstitutional.

2. ISSUE

Whether retrospective Section 147A validly cures the defect concerning the authority/manner of issuing Sections 148 and 148A notices, or whether the faceless/automated procedure under Section 151A continues to govern.

Jyoti Sareen & Connected Matters v. Union of India & Ors.

Punjab & Haryana High Court → Supreme Court | 10.09.2026 → 18.09.2026

Section 147A — present position

3. RATIO

- Section 147A was held unconstitutional; a validating provision must cure the underlying constitutional defect and cannot merely neutralise the effect of earlier judgments.
- Section 151A and the 29.03.2022 Scheme continued to prescribe the faceless/automated route for reassessment notices.
- The retrospective insertion of Section 147A therefore did not validly confer the disputed jurisdiction upon the JAO.

4. SUPREME COURT UPDATE

- The Union of India challenged the judgment in SLP(C) No. 33196/2026. The Supreme Court identified three principal questions concerning Sections 148/148A, faceless jurisdiction and the validating effect of Section 147A.
- On 18.09.2026, the Supreme Court granted leave and stayed operation of the High Court judgment. Assessment and reassessment proceedings shall not proceed further until final disposal.
- The appeal is listed for final hearing on 03.12.2026. The High Court ratio is therefore presently subject to the Supreme Court's interim stay.

BALA SREENIVAS RAO SOMISETTY v. Income Tax Officer, Ward 1, Eluru & Others, along with connected writ petitions

IN THE HIGH COURT OF ANDHRA PRADESH | WP Nos.28520 of 2023 and batch |12.10.2026

3. RATIO

- The High Court held Section 147A unconstitutional/invalid, finding that the retrospective amendment could not validly displace the faceless reassessment framework under Section 151A and the 29.03.2022 Scheme.
- The Court treated the prescribed automated allocation and faceless procedure as mandatory; a legislative clarification cannot merely neutralise prior judgments without curing the underlying legal defect.
- Result: the challenge to Section 147A succeeded and the impugned JAO reassessment action was liable to be set aside in accordance with the operative directions.

4. PRACTICAL APPLICATION/SUPREME COURT UPDATE

- For taxpayers: examine whether notices under Sections 148A/148 and resulting reassessment were initiated by a JAO instead of following the applicable automated/faceless scheme.
- For practitioners: preserve the notice, approval, order, DIN and assessment-year record; plead the interaction of Sections 147, 148, 148A, 151A and 144B, and the 29.03.2022 Scheme.
- Caution: verify subsequent appellate or Supreme Court orders before relying on this High Court ruling in a live matter.

Vijay Ghanshyam Gadiya v. Union of India & Anr.

Supreme Court of India | Civil Appeal arising out of SLP (C) No. 15605 of 2026
| 02.09.2026 2026 SCC OnLine SC 1741

1. FACTS

- Customs authorities imposed a penalty of ₹425.27 crore on the appellant under Section 114 of the Customs Act, 1962.
- Allegation: Natural diamonds were misdeclared as lab-grown diamonds to avail a lower tariff.
- The Gujarat High Court upheld the penalty.
- Before the Supreme Court, the appellant argued that the adjudicating authority relied on AI-generated judgments and articles, some of which were non-existent or falsely cited.

2. ISSUE

Whether an adjudicatory order can be sustained when it relies on AI-generated, hallucinated, or non-existent legal authorities and precedents.

Vijay Ghanshyam Gadiya v. Union of India & Anr.

3. RATIO

- Courts and adjudicating authorities must adopt zero tolerance toward reliance on unverified AI-generated precedents.
- Decisions based on fake, hallucinated, or misrepresented legal authorities undermine the integrity of adjudication.
- AI may be used only as an assistive tool; it cannot replace independent legal reasoning and verification.
- Any decision influenced by hallucinated AI-generated material is liable to be set aside.

4. PRACTICAL APPLICATION

- Judges, tribunals, tax authorities, and lawyers must independently verify all AI-generated citations before relying on them.
- AI tools may assist in research and drafting but cannot substitute professional legal judgment.
- Institutions should establish verification protocols for AI-assisted legal work.
- The case serves as a warning against blind reliance on AI outputs in litigation, compliance, and administrative decision-making

Assistant Commissioner of Income Tax & Anr. v. M/s. Omaxe Limited

Supreme Court of India | Civil Appeal No. 9190 of 2013 | 16.09.2026

2026 INSC 1000

1. FACTS

- Omaxe claimed deduction under Section **80IB**(10) for AY 2006-07.
- It subsequently approached the **Settlement Commission** under Section **245C** for AYs 2000-01 to 2006-07; the ITSC passed a final order under Section **245D(4)** on 17.03.2008 and allowed the deduction.
- After a later **survey**, the Revenue alleged excess commercial area and **issued notice** under Section 148. The AO **reassessed** the income and disallowed the deduction, making an addition of Rs. 65.65 crore.
- The Revenue also invoked Section **245D(6)**, alleging misrepresentation; the ITSC rejected that application.

2. ISSUE

Can the AO reopen under Section 148 an issue already covered by a final Settlement Commission order under Section 245D(4), or must the Revenue proceed under Section 245D(6)?

Assistant Commissioner of Income Tax & Anr. v. M/s. Omaxe Limited

Supreme Court of India | 16.09.2026

RATIO + PRACTICAL APPLICATION

3. RATIO

- A final Settlement Commission order under Section 245D(4) has statutory finality under Section 245-I in respect of matters covered by the settlement.
- The AO cannot use Section 148 to independently reopen a matter already settled by the ITSC; doing so would defeat the finality of Chapter XIX-A.
- Where the Revenue alleges fraud or misrepresentation in obtaining the settlement, the specific statutory remedy is Section 245D(6).
- The Revenue cannot bypass the settlement mechanism by resorting to ordinary reassessment proceedings.

4. PRACTICAL APPLICATION

For any post-settlement Section 148 notice, compare the proposed reassessment issue with the Section 245D(4) order. If the issue was settled, raise a jurisdictional objection under Section 245-I. If fraud/misrepresentation is alleged, examine whether the Revenue has followed Section 245D(6).

DCIT, CPC & Ors. v. M/s Om Siddhakala Associates

| Supreme Court of India | Civil Appeal No. 10175 of 2026 | SLP (C) No. 27302 of 2026 |
Diary No. 48823 of 2025 | 05 August 2026

1. FACTS

- The assessee filed a self-assessment return, which was processed by CPC under Section 143(1); a demand notice followed under Section 156.
- The assessee sought revision under Section 264 before the Principal Commissioner, relying on a tolerance-limit claim not made in the original return.
- The revision was rejected, citing delay, the prospective operation of the Section 43CA tolerance limit, and an attempt to revise the return after the statutory period.
- The Bombay High Court remanded the matter for fresh consideration; the Department challenged that remand before the Supreme Court.

2. ISSUE

Can Section 264 be used to obtain relief on a claim omitted from the original return, where the assessee did not file a revised return within the prescribed time?

DCIT, CPC & Ors. v. M/s Om Siddhakala Associates

RATIO + PRACTICAL APPLICATION

3. RATIO

- Section 264 could not, in the circumstances, be used as a backdoor route to revise the return after the statutory time limit.
- The assessee had the opportunity to raise the claim in the original return or revise the return within the time allowed by law.
- The High Court's remand was set aside; any reassessment dependent on that remand had no effect. Tax remained payable on the basis of the filed return and the resulting intimation/demand.

4. PRACTICAL APPLICATION

In an ITC notice, establish genuineness through invoices, receipt/transport evidence, e-way bills, stock/consumption records and banking trail. Then test whether the SCN identifies the supplier default, relied-upon material and the factual link to the purchaser. A mere supplier cancellation or non-payment should not be treated as conclusive.

Commissioner of Income Tax v. Amazon Web Services, Inc.

Delhi High Court | ITA 150/2025 & 154/2025 | 29.05.2025

Cloud computing receipts — India–US DTAA

1. FACTS

- Amazon Web Services Inc. (US tax resident) received payments from Indian customers for standardised, automated cloud-computing services.
- For AYs 2014–15 and 2016–17, the Assessing Officer treated receipts as royalty/equipment royalty and fees for technical or included services (FTS/FIS), raising substantial reassessments.
- The ITAT set aside the assessments. The Revenue appealed under Section 260A, arguing that access to infrastructure, software, support and AWS content attracted tax under the Act and India–US DTAA.

2. ISSUE

Whether fees for standard cloud-computing services are taxable in India as royalty (including equipment/software royalty) or as FTS/FIS under Section 9 of the Income-tax Act, 1961 and Article 12 of the India–US DTAA, where customers receive access but no transfer of IP rights, equipment control or technical know-how.

Commissioner of Income Tax v. Amazon Web Services, Inc. Revenue's SLPs(17045/2026) Dt. 04.08.2026

3. RATIO

- Cloud-service fees are not royalty under Article 12(3) merely because AWS uses its own servers, software and infrastructure to provide the service.
- Customers receive limited access to standard, automated services; they do not control or obtain exclusive use of equipment, receive source code, commercially exploit AWS IP, or acquire copyright rights.
- Support that helps customers use the platform does not, by itself, “make available” technical knowledge, skill, know-how or processes under Article 12(4)(b). The ITAT’s view was upheld; the Delhi HC found no substantial question of law.

4. PRACTICAL APPLICATION

- **Review the contract and actual rights:** distinguish service access from a transfer/licence of copyright, IP exploitation rights or equipment placed at the customer’s disposal.
- **Apply the DTAA where more beneficial:** analyse Article 12’s royalty and “make available” tests separately; technical assistance alone does not automatically qualify as FIS.
- **For withholding-tax review (Section 195):** document the service scope, customer control, source-code/IP restrictions and support deliverables before concluding whether tax must be withheld. Consider facts and treaty wording in each case.
- **Procedural update:** on 04.08.2026, the Supreme Court dismissed the Revenue’s SLPs(17045/2026) against the Delhi HC judgment, stating that no case for interference was made out.

FinDoc Finvest (P.) Ltd. v. Deputy Commissioner of Income-tax, Central

HIGH COURT OF PUNJAB & HARYANA | CWP-9658 OF 2024 (O & M)| 07.03.2025

1. FACTS

- The assessee challenged an assessment order passed under Section 143(3) of the Income-tax Act for AY The assessee alleged that the Assessing Officer (AO) acted under the influence of superior officers rather than exercising independent judgment.
- Notices were sent to the email address of a former Chartered Accountant despite the assessee having informed the department of updated email IDs.
- The assessee requested a personal hearing, but no such opportunity was granted.
- The assessment order was uploaded on the e-filing portal on 04.04.2024, whereas the statutory deadline for passing the order was 31.03.2024. and adjudicating authorities must adopt zero tolerance toward reliance on unverified AI-generated precedents.

2. ISSUE

- Whether an assessment order is valid when the AO is influenced by consultations and directions from superior officers.
- Whether failure to serve notices properly and provide a requested personal hearing violates principles of natural justice
- Whether an assessment order uploaded after the statutory limitation period is barred by limitation under Section 153 of the Income-tax Act.

FinDoc Finvest (P.) Ltd. v. Deputy Commissioner of Income-tax, Central

[2025] 172 taxmann.com 773 (Punjab & Haryana)

3. RATIO

- An Assessing Officer must independently exercise statutory discretion; consultation that effectively results in directions from superior officers amounts to abdication of authority and vitiates the assessment.
- When an assessee specifically requests a personal hearing, denial of such opportunity violates the principle of audi alteram partem and renders the assessment arbitrary.
- For AY 2022-23, an assessment order must be made within the limitation period prescribed under Section 153; an undated order not shown to have been made by 31.03.2024 is time-barred.
- Service of notices on an incorrect email address, despite prior intimation of updated details, constitutes a breach of natural justice.

4. PRACTICAL APPLICATION

- Tax authorities must ensure that assessment orders reflect the AO's independent application of mind and are not influenced by superior officers.
- Updated contact details provided by taxpayers must be used for statutory communications.
- Whenever a taxpayer requests a personal hearing, authorities should provide a definite opportunity before finalizing an assessment.
- Revenue authorities must strictly comply with statutory limitation periods; delayed or improperly documented assessment orders are liable to be quashed

VIMAL KUMAR vs DCIT CC-28, New Delhi, Delhi

INCOME TAX APPELLATE TRIBUNAL| ITA 4830/DEL/2026| 12.08.2026

1. FACTS

- The assessee filed a return declaring income of ₹2.46 crore for AY 2022-23. Subsequently, a search under Section 132 was conducted on 26.09.2023 and additions were made, increasing assessed income to ₹40.14 crore.
- The assessment was completed under Section 143(3) on 30.03.2025 and specifically recorded that it was passed with the prior approval of the Additional Commissioner of Income Tax.
- The assessee challenged the validity of the assessment, contending that there is no statutory requirement for obtaining such approval in a Section 143(3) assessment and that the Assessing Officer's independence stood compromised.
- The assessee relied on the ITAT decision in Chemical Agencies, which involved similar facts

2. ISSUE

Whether an assessment order passed under Section 143(3) is valid when the Assessing Officer obtains prior approval from a superior authority despite there being no statutory requirement for such approval.

3. RATIO

- An Assessing Officer must independently exercise quasi-judicial powers vested under the Income-tax Act.
- Where the Act does not require approval from a superior authority, obtaining such approval indicates external influence and amounts to interference with the Assessing Officer's independent decision-making.
- If a statute prescribes a particular procedure, it must be followed strictly and cannot be supplemented by an unauthorized procedure.
- An assessment made under the influence or approval of superior officers, without statutory sanction, is vitiated in law and liable to be quashed.
- Applying the ratio of Chemical Agencies and relying upon Findoc Finvest Private Limited, the Tribunal set aside and quashed the assessment order.

4. PRACTICAL APPLICATION

- Assessing Officers should not seek approvals from superior authorities for Section 143(3) assessments unless expressly mandated by law.
- Taxpayers can challenge assessment orders where records reveal unauthorized supervisory approval or external dictation.
- The decision reinforces the principle that quasi-judicial authorities must exercise independent judgment and cannot abdicate their statutory functions.
- The ruling may be cited in cases where administrative interference affects the validity of assessment proceedings

QUERIES?

Questions • Case-specific applications • Practice issues



Feel free to call for:

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THANK YOU

For queries, discussions or case-specific issues:

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