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- Circular No. 249/06/2025-GST, dated June 9, 2025.

DIRECT TAX

A. Recent Case Laws

N.G. Gangadevi v. Commissioner of Income Tax (ITA No. 35 of 2024)

Kerala HC declines to intervene in disallowance of Section 10(10C) exemption for voluntary retirement benefits, citing employer scheme's non-conformity with Rule 2BA and absence of substantial question of law.

In this case, the Kerala High Court held that exemption under Section 10(10C) of the Income Tax Act, 1961, ("Act") was not allowable as the Exit Option Scheme (EOS) of the employer, the State Bank of Travancore, did not strictly adhere to the conditions prescribed under Rule 2BA of the Income Tax Rules ("Rules"). The Court found that the Scheme failed to meet multiple essential requirements, such as applicability to all employees, eligibility criteria, quantum of ex gratia, restriction on future employment, and conditions for reducing workforce strength, rendering the scheme ineligible under the said provision.

The Assessee, a retired employee of the State Bank of Travancore, received ₹10.25 lakhs under the EOS during Assessment Year (AY) 2007–08. She initially filed her return claiming exemption under Section 10(10C) of the Act, which was accepted, and a refund was issued. However, upon reassessment, the exemption was disallowed on the ground that the scheme did not qualify under Rule 2BA. The key deviations included limited applicability of the scheme, restrictive eligibility criteria, non-conforming ex gratia calculation, allowance for future employment within the same management, and lack of a clause mandating reduction in workforce.

Upholding the findings of the Assessing Officer (AO), the First Appellate Authority, and the Income Tax Appellate Tribunal, the High Court dismissed the Assessee's appeal, observing that the EOS failed to meet the mandatory statutory conditions under Rule 2BA. Since these were findings of fact and not perverse or unsupported by evidence, no substantial question of law was found to arise.

Shital Fibres Ltd. v. Commissioner of Income Tax (Civil Appeal No. 14318 of 2015) and Connected Matters

SC clarifies that Section 80-IA(9) restricts the allowability—not the computability—of deductions under Chapter VI-A, ensuring aggregate deductions do not exceed profits.

In this case, the Supreme Court clarified the interpretation of Section 80-IA(9) of the Income Tax Act, 1961 ("Act") holding that while deductions under various provisions (like Sections 80-HHC and 80-IB) can be computed independently, Section 80-IA(9) of the Act only restricts the total allowable deduction (not the computation of each deduction) to avoid exceeding the actual business profits. That is, deductions allowed under other sections cannot exceed the profits and gains already claimed under Section 80-IA, thereby avoiding multiple claims on the same income.

The issue arose from reassessment proceedings initiated against Shital Fibres Ltd. for AY 2002–03. The company had claimed deductions under both Section 80-IA (for infrastructure business profits) and Section 80-HHC of the Act (for export profits). The Assessing Officer (AO) disallowed the overlapping deduction based on interpretation of Section 80-IA(9) of the Act, which was upheld by the Commissioner of Income Tax (Appeals), the Income Tax Appellate Tribunal, and the Punjab and Haryana High Court.

The Supreme Court upheld the Bombay High Court's reasoning in Associated Capsules (P) Ltd. v. CIT, 2011 SCC OnLine Bom 27: (2011) 332 ITR 42 (Bom), holding that Section 80-IA(9) affects the allowability of deductions—not their computability. It does not reduce gross total income for computing other deductions, but prevents total deductions under heading 'C' of Chapter VI-A of the Act from exceeding profits of the eligible business. The case was remitted to the appropriate Bench for disposal in line with this interpretation.

Jagdish Rasiklal Dave v. ITO (R/SCA No. 5904 of 2022)

Gujarat HC holds reassessment beyond four years to be invalid where there was full disclosure and no fresh tangible material.

In this case, the Gujarat High Court held that where the Assessee had made a full and true disclosure of all material facts during the original assessment, the reassessment beyond four years was not valid in the absence of any fresh tangible material. The Court observed that reopening the case on a mere change of opinion did not satisfy the jurisdictional requirement under the proviso to Section 147 of the Income Tax Act, 1961 ("Act").

The Assessee filed returns for Assessment Year (AY) 2016–17, which were scrutinized, and an assessment order under Section 143(3) of the Act was passed. Later, the AO issued a notice under Section 148 of the Act, alleging unexplained investment of ₹4.78 crores in immovable properties. However, during the original assessment, the Assessee had already furnished all relevant documents, including ledger accounts and purchase deeds. The reassessment notice was challenged on the ground that it was based on the same set of facts, without any new or tangible material.

The High Court found that the purchase details were part of the original assessment record and that the reopening was purely due to a change of opinion. Relying on the Supreme Court's judgment in Commissioner of Income Tax, Delhi v. M/s. Kelvinator of India Limited [320 ITR 560 (SC)], the Court reiterated that reassessment in such cases is impermissible. Accordingly, the notice issued under Section 148 of the Act and the consequential order were quashed.

Chennai Corporate Club (P) Ltd. v. ACIT (TCA Nos. 498–502 of 2011)

Entrance fees paid for club membership are capital receipts, not taxable income: Madras HC.

In this case, the Madras High Court held that entrance fees collected by the Assessee, a private club company, for admission as members constituted capital receipts and not revenue receipts liable to tax. The Court reiterated that such payments confer an enduring right of membership and do not constitute income arising from the club's regular operations.

The Assessee collected one-time, non-refundable entrance fees from individuals seeking life membership during AYs 2001–02 to 2005–06. While the Assessee treated the fees as capital receipts, the Assessing Officer treated them as revenue receipts and taxed the same. Both the Commissioner of Income Tax (Appeals) and the Income Tax Appellate Tribunal("ITAT") upheld the assessment. On appeal, the Assessee relied on the Bombay High Court's ruling in Principal Commissioner of Income-Tax v. Royal Western India Turf Club Limited (RWITC) [[2023] 450 ITR 707 (Bom)], affirmed by the Supreme Court, where such entrance fees were held to be capital in nature.

The Madras High Court accepted the Assessee's contention, noting that the nature of the payment—non-refundable and non-transferable—was for acquiring membership rights, not in the course of business. Following the RWITC precedent, the Court overruled the ITAT's decision and allowed the appeals, holding the receipts to be capital in nature and not taxable.

Panch Tatva Promotors Pvt. Ltd. v. ACIT Circle 25, Delhi (W.P.(C) 17394/2024)

No reassessment under Section 153C without incriminating material related to the relevant year: Delhi HC.

In this case, the Delhi High Court held that reassessment proceedings under Section 153C of the Income Tax Act, 1961 ("Act"), were unsustainable as the seized material relied upon did not pertain to the relevant assessment years in question. The Court emphasized that only documents or material having a bearing on the income assessable for the relevant year can justify invoking Section 153C.

The petitioner challenged a notice dated 28.08.2024 under Section 153C of the Act for Assessment Year (AY) 2021–22. The basis of the notice was a satisfaction note referring to a pen drive seized during a search on third parties, containing tally data from Financial Year (FY) 2014–15 to Financial Year (FY) 2020–21. The only transaction attributed to the petitioner related to FY 2014–15. Despite this, proceedings were initiated for AY 2021–22. The petitioner contended that there was no material linking it to any undisclosed income in that year.

The Court agreed with the petitioner, observing that there was no indication in the satisfaction note that any document pertained to AY 2021–22. Citing the Supreme Court's decision in Commissioner of Income Tax-III, Pune v. Sinhgad Technical Education Society ([2017] 84 taxmann.com 290) and its own ruling in Saksham Commodities Ltd. v. Income Tax Officer Ward 22 (1) (Delhi & Anr.: 2024:DHC:2836-DB), the Court held that reassessment can be triggered only if the material has a nexus with the year in question. Consequently, the impugned notice under Section 153C of the Act was quashed.

B. Notifications/Circulars

Notification No.49 of 2025, dated May 19, 2025

The Central Board of Direct Taxes (CBDT) has notified the revised Form ITR-U. This new form replaces the earlier version of ITR-U found in Appendix II of the Income-tax Rules, 1962. The updated income tax return form, applicable u/s 139(8A) of the Income-tax Act, 1961, allows the taxpayers to update their income in 48 months from the end of the relevant assessment year.

Click here to read the notification.

Circular No.6 of 2025, dated May 27, 2025

The Central Board of Direct Taxes (CBDT), in the exercise of its powers under Section 119 of the Income-tax Act, 1961, has extended the due date for furnishing Return of Income under Sub-section (1) of Section 139 of the Act for the Assessment Year 2025-26 in the case of assessees referred in clause (c) of Explanation 2 to Sub-section (1) of Section 139 of the Act, which is July 31, 2025, to September 15, 2025.

Click here to read the circular.

INDIRECT TAX

Goods & Services Tax

A. Recent Case Laws

KR Agencies v. State Tax Officer (W.P.(MD) No. 15665 of 2025)

Madras HC sets aside order rejecting rectification application filed under Section 161 of the GST Act for not affording opportunity of being heard.

In this case, the Madras High Court held that the impugned order rejecting a rectification application under Section 161 of the Goods and Services Tax Act, 2017 ("GST Act") without granting a personal hearing constituted a violation of the principles of natural justice. The Court emphasized that even procedural rectifications require an opportunity for representation, especially when the application involves substantive tax matters.

KR Agencies, a GST-registered entity, filed a rectification application on 21.05.2025 to correct an assessment order dated 17.02.2025 for FY 2020–21. The petitioner had attempted to file the application earlier on 18.05.2025 but was unsuccessful due to technical glitches on the GST portal. The department rejected the rectification request stating that: (i) the errors cited were not apparent on the face of the record, and (ii) the application was filed beyond the three-month statutory window. No hearing was granted prior to the rejection.

The Court found the rejection order to suffer from non-application of mind and breach of due process. It set aside the impugned order and remanded the matter to the assessing officer to pass a fresh order under Section 161 of the GST Act, after affording the petitioner an opportunity of hearing, preferably within three months of receiving the Court's order.

Kishor Kumar Mondol v. Union of India & Ors. (WPA (P) 86 of 2021)

Calcutta HC upholds GST levy on PDS kerosene, says negligible price impact not a ground for judicial review.

In this case, the Calcutta High Court dismissed a challenge to the imposition of 5% Goods and Services Tax ("GST") on superior kerosene oil (SKO) supplied through the Public Distribution System (PDS), holding that decisions of the GST Council are based on expert committee evaluations and judicial intervention is unwarranted unless the decision is arbitrary or irrational.

The petitioner, Kishor Kumar Mondol, sought exemption or further reduction of GST on SKO supplied under the PDS, contending that even a minimal GST component burdens the economically weaker sections. The Court noted that the GST Council had deliberated this issue in its meeting dated 20th September 2019 and consciously applied a concessional rate of 5% (reduced from the general rate of 18%) following expert committee recommendations.

Observing that the price impact on kerosene was “very negligible” and that the GST Council had duly considered the economic implications, the Court refused to interfere. The writ petition and connected application were dismissed, with no order as to costs.

Gillette India Ltd. v. State Tax Officer, Intelligence-II (W.P. Nos. 15997 of 2025) and Connected Matters

Adverse tax orders passed without personal hearing violate Section 75(4) of the CGST Act and principles of natural justice: Madras HC.

In this case, the Madras High Court held that where a taxpayer specifically requests a personal hearing in response to a show cause notice, failure to provide such an opportunity renders the resultant order invalid. The Madras High Court emphasized the mandatory nature of Section 75(4) of the Central Goods and Services Tax Act, 2017/Tamil Nadu Goods and Services Tax Act, 2017 (CGST/TNGST Act), which requires a personal hearing before passing an adverse order.

The petitioner, Gillette India Ltd., engaged in the manufacturing and trading of grooming products, received multiple show cause notices under Section 74 of the TNGST Act following an inspection. The company sought additional time to respond and specifically requested a personal hearing, citing ongoing GST litigation across various states. Despite this, the department issued final orders dated 12.03.2025 confirming the proposals without granting a hearing. The petitioner challenged these orders on the grounds of procedural irregularity and violation of natural justice.

The Madras High Court accepted the petitioner’s contention, noting that Section 75(4) mandates a personal hearing where an adverse decision is contemplated. Since the department admitted no hearing was granted after receipt of the reply, the Court quashed the impugned orders. It remanded the matter back, treating the prior orders as show cause notices and directed the department to allow additional replies and ensure a proper hearing before passing fresh orders.

SICPA India Pvt. Ltd. & Anr. v. Union of India & Ors. (WP(C) No. 54 of 2023)

Sikkim HC allows refund of unutilized ITC on business closure; holds that Section 49(6) read with Section 54 supports claim.

In this case, the Sikkim High Court held that a refund of unutilized Input Tax Credit (ITC) is permissible upon closure of business, even though such a scenario is not expressly listed under Section 54(3) of the Central Goods and Services Tax Act (“CGST Act”). The Sikkim High Court emphasized that retention of tax without authority of law is impermissible and

interpreted Section 49(6) of the CGST Act as allowing such refund when read with Section 54 of the CGST Act.

The petitioner, SICPA India Pvt. Ltd., engaged in manufacturing security inks, discontinued its Sikkim operations in 2019 and claimed a refund of ₹4.37 crore of unutilized ITC from its Electronic Credit Ledger under Section 49(6) of the CGST Act. The Assistant Commissioner rejected the claim on 08.02.2022, and the Appellate Authority upheld the decision on 22.03.2023, stating that refund is restricted to zero-rated or inverted duty scenarios under Section 54(3) of the CGST Act. The department argued that closure was not a ground for refund and suggested the petitioner should have pursued the statutory appeal route under Section 112 of the CGST Act.

The High Court disagreed, noting that while Section 54(3) of the CGST Act enumerates specific refund conditions, there is no express prohibition against refund upon closure. Relying on the decision in Union of India v. Slovak India Trading Company Private Limited (MANU/KA/0709/2006), it held that unjustified retention of legitimate credits violates fiscal fairness. The Sikkim High Court also invoked its writ jurisdiction despite the availability of an alternate remedy and directed that the refund be granted. The impugned order was quashed, and the petition was allowed.

M/s Himalaya Communication Pvt. Ltd. v. Union of India & Ors. (CWP No. 8809 of 2025)

Denial of Input Tax Credit solely based on retrospective cancellation of the supplier's GST registration is unsustainable without inquiry into transaction genuineness: Himachal Pradesh HC.

In this case, the Himachal Pradesh High Court held that input tax credit (ITC) cannot be denied merely on the ground of retrospective cancellation of the supplier's Goods and Services Tax ("GST") registration. It noted that before denying credit under Section 16(2) of the Central Goods and Services Tax Act, 2017 ("CGST Act"), the authorities must examine whether the underlying transaction was genuine and supported by relevant documents.

The petitioner challenged the orders dated 10.01.2025 and 31.03.2024, which denied ITC solely because the supplier's registration was retrospectively cancelled. The petitioner had paid tax to the supplier, held valid tax invoices, and contended that the supplier had filed GSTR-3B returns disclosing the transaction. The petitioner argued that neither the Assessing Officer (AO) nor the Appellate Authority conducted a factual inquiry into the genuineness of the transaction or considered the documents submitted.

The Himachal Pradesh High Court agreed with the petitioner, observing that no material had been placed on record by the department to show a proper inquiry into the genuineness of the transaction. It ruled that such an inquiry was necessary before issuing any adverse order under Section 16(2) of the CGST Act. Consequently, the impugned orders were set aside, and the matter was remanded to the Adjudicating Authority for a fresh decision after proper examination of all relevant documents.

B. Notifications/Circulars

Instruction No. 13/2025-Customs, dated June 2, 2025

The Central Board of Indirect Taxes and Customs (CBIC) has issued an instruction, drawing attention to the DGFT's May 26 notification, which provides for the immediate removal of previous restrictions and testing requirements for various types of leather exports. Specifically, port restrictions on the export of finished leather, wet blue leather, and EI tanned leather have been revoked. Additionally, the mandatory requirement for testing and certification by the Central Leather Research Institute (CLRI) for finished leather, wet blue leather, crust leather, and EI tanned leather has been abolished.

The Board has accordingly requested that necessary action be taken to sensitise officers regarding this matter.

Click here to read the instruction.

Circular No. 249/06/2025-GST, dated June 9, 2025

The Central Board of Indirect Taxes & Customs (CBIC) has clarified that communications issued to taxpayers via the GST common portal that already include a system-generated Reference Number (RFN) do not require the separate generation and quoting of a Document Identification Number (DIN). This aims to prevent duplication and streamline electronic correspondence.

This clarification builds upon earlier circulars bearing Nos. 122/41/2019 and 128/47/2019, which mandated the quoting of DIN to ensure traceability and transparency in tax communications. However, since all portal-generated documents such as SCNs (DRC-01) and OIO summaries (DRC-07) now bear RFNs that are verifiable at https://services.gst.gov.in/services/verifyRfn, the requirement to also include DIN has been deemed unnecessary for such cases.

Accordingly, the earlier circulars stand modified to this extent. The move rationalizes administrative practice while retaining the integrity and verifiability of communications under Section 169 of the CGST Act, 2017.

Click here to read the circular.

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