

Income Tax Bi-Weekly



Vivek Jalan

[FCA, LL.M (Constitutional Law), LL.B, MBA(International Trade), B.Com(H)]

E-Mail - vivek.jalan@taxconnect.co.in

Call - +91 98315 94980

[MUMBAI BANGALORE KOLKATA DELHI CHENNAI]



Due Date Extension... But not for TP Cases

The due date for audit income tax return (ITR) filing has been extended from October 31, 2025, to December 10, 2025. The deadline to file tax audit report has also been extended to November 10, 2025. The earlier deadline for the same was October 31, 2025.

Cases requiring Transfer Pricing audit (Form 3CEB) continue to have a return filing due date of 30 November 2025. This leads to an absurd situation

Non-filing of ITR/ Non-Payment of Taxes may lead to prosecution... Incase of wilful evasion

Incase a failure cannot be considered as a willful evasion. Such cases will be outside the clutches of Section 276-C of the Income Tax Act as was held in the case of **VILAS BABANRAO KALOKHE Vs PRINCIPAL COMMISSIONER OF INCOME TAX (CENTRAL), PUNE [2025-VIL-290-BOM-DT]**

Hence taxpayers who disclose in their ITRs specifically tax payable, need to be very sure that they have paid such taxes. A lapse may land them into deep trouble.

Rectifications u/s 154 to speed up as CPC takes up jurisdiction for orders issued by Assessing Officers due to errors in accounting

The CBDT has issued a notification dated 27 October 2025, empowering the CIT-CPC, Bengaluru to have concurrent jurisdiction and rectify mistakes apparent from records under Section 154 and issue demand notices under Section 156 of the Income-tax Act, 1961. This authority covers cases involving:

- Errors in refund issued earlier;
- Non-consideration of prepaid tax credits or eligible reliefs;
- Incorrect computation of interest under section 244A;
- Any resulting error in computation of tax, refund, or demand.

The notification allows the CIT-CPC to delegate these rectification and demand-issuance powers to subordinate officers, including ADC/JC and AOs, for all cases processed through the CPC interface.

Ease in Process due to this move: From 2024, by change in the Income Tax Portal interface, Taxpayers could approach the AOs directly for corrections related to assessment orders. Now, the CPC can take upon itself the jurisdiction to rectify such mistakes itself rather than waiting for the AO. This move would speed up and streamline post-processing issue resolution for both refunds and demands.

CBDT focus on Entertainment and Film Industry

The CBDT it seems now wishes AOs to focus on the entertainment sector. It has directed AOs vide **F.No.225/215/2018/ITA-II** to ensure uniformity in assessing the entertainment sector by examining pre-operative expenses under **Section 35D, verifying Form No. 52A (with possible Section 272A penalty)** from film producers, and allowing deductions per Rules 9A/9B. Please refer the circular for more details.

Expenses incurred on production of feature films:

On Production: The deduction in respect of expenditure on production of feature films may be verified and allowed as per Rule 9A of the Income-tax Rules, 1962.

On Distribution: the deduction in respect of expenditure incurred on acquisition of distribution rights of feature films may be examined and allowed as per Rule 9B of the Rules in the case of a distributor of the film.

IT Dept not to ONLY Act on GST Dept's Information... But to make own inquiry

VASUKI GLOBAL INDUSTRIAL LIMITED Vs PRINCIPAL CHIEF COMMISSIONER OF INCOME TAX [2025-VIL-293-GUJ-DT]

The Income Tax Department had received information from the GST Department that the petitioner was involved in GST invoice fraud and was availing or passing on fraudulent Input Tax Credit on fake invoices. Based on this information, the Income Tax Department had issued notices under Section 148A(b) of the Income Tax Act, 1961 to various buyers and sellers who had transacted with the petitioner.

The Income Tax Department had taken corrective steps during the pendency of the petition to withdraw the reports generated on the Insight Portal based on the incorrect information received from the GST Department and to intimate the concerned parties that no action needs to be taken on the basis of such information.

It is hoped that in the future, the Income Tax Department will not take any such action on the basis of the information made available on the Insight Portal without proper verification as per the provisions of the Act - The petition is disposed of

ITAT: Allows deduction to partner as business expenditure incurred wholly & exclusively for business purposes

Atul Kumar Gupta [TS-1416-ITAT-2025(DEL)] - ITAT: Allows deduction to partner as business expenditure incurred wholly & exclusively for business purposes

Assessee's claim of business expenditure was allowed in view of SC decision in Ramniklal Kothari;

Provisions of Section 28(v) allows any interest salary, bonus, remuneration by whatever name called received by a partner from the partnership firm to be treated as business income"; Consequently, Tribunal asserts that "any expenditure incurred by the partner exclusively and solely for the purpose of earning such business income is an allowable expenditure u/s. 32 and 37 of the Act

The expenses incurred during a ‘no-income period’ would be considered as allowable under Section 37(1) of ITA’61 or 34(1) of ITA’25 and unabsorbed depreciation would be allowed also under Section 32(2) of ITA’61 or 33(11) of ITA’25

PRIDE FORAMER S.A. Vs COMMISSIONER OF INCOME TAX [2025-VIL-09-SC-DT]

The period of temporary lean phase can be called a “lull in business” and not a phase when business was discontinued.

The expression ‘for the purpose of business’ is wider in scope than the expression ‘for the purpose of earning profits’

It makes no difference if the business was primarily managed by the a foreign Country’s Office (say Dubai Office).

THANK YOU



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