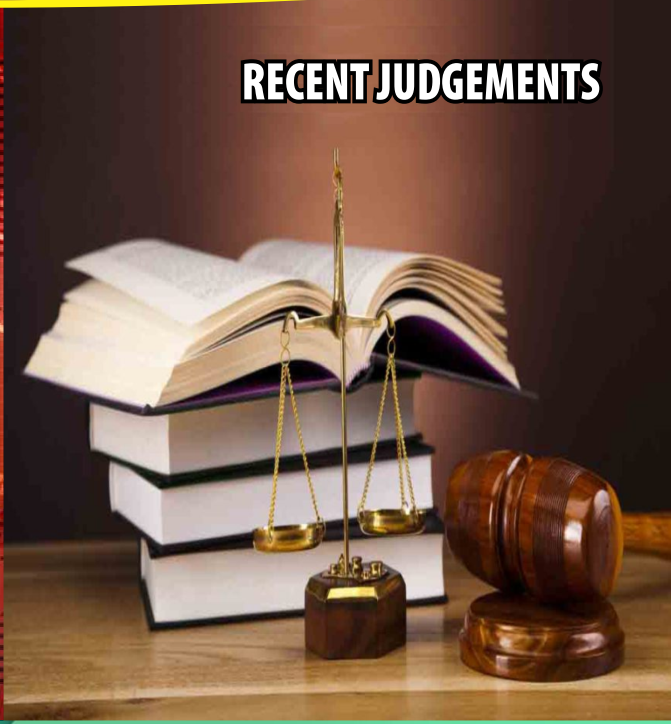
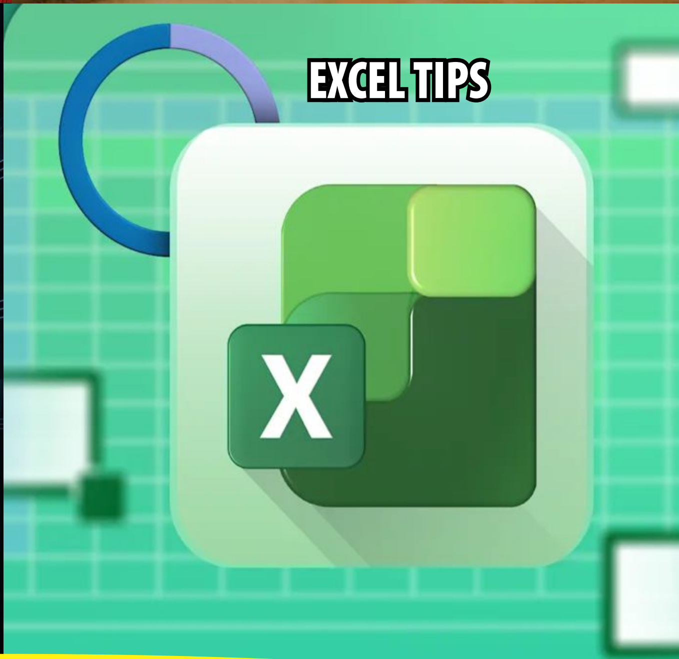
THE MONTHLY MAGAZINE FROM CASC





VOLUME-5 ISSUE-8 AUGUST 2026

CASC BULLETIN

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13.08.2026 (Thursday)	Changes & Intricacies in ITR-3, 4 & 5	CA. R. Loganathan
20.08.2026 (Thursday)	AS for Non-Corporate Entities	CA. S. Ramesh

Shri G.Narayanaswamy CA Study Circle Meetings will be at 6.30 p.m. and will be preceded by fellowship over High Tea at 6.00 p.m

CASC Annual Members are requested to renew their subscription for 2026 - 2027

EDITORIAL

AIS 2.0: A New Era of Tax Transparency

The Central Board of Direct Taxes (CBDT) has taken another significant step towards a technology-driven tax administration by enabling the display of foreign asset information in the Annual Information Statement (AIS). Along with the introduction of Form ITR-BN for search and requisition assessments under the Income-tax Rules, 2026, these initiatives strengthen India's move towards a transparent and data-driven tax ecosystem.

The integration of information received under international exchange mechanisms, such as the Common Reporting Standard (CRS) and FATCA, into the AIS enhances transparency and encourages voluntary compliance. Taxpayers now have an opportunity to reconcile overseas financial information before filing their returns, while the tax administration is better equipped to identify discrepancies through data analytics.

These developments place greater responsibility on tax professionals to ensure that AIS data, Form 26AS, foreign asset disclosures and income-tax returns are fully reconciled. As India transitions to the new Income-tax framework, accurate reporting and timely disclosure will be critical in minimising litigation and promoting tax certainty.

The expanding scope of the AIS is more than a compliance tool—it is a clear indication that the future of direct taxation lies in digital governance, transparency and voluntary compliance. It shows the Government's emphasis on facilitating honest taxpayers while taking firm action against wilful tax evaders reinforces its balanced approach to tax administration.

GSTAT: Completing India's GST Dispute Resolution Framework

The operationalisation of the Goods and Services Tax Appellate Tribunal (GSTAT) marks a significant milestone in strengthening India's GST ecosystem. Since the introduction of GST, the absence of a dedicated appellate forum compelled taxpayers to approach High Courts, resulting in prolonged litigation, higher costs and mounting judicial backlog.

With GSTAT becoming operational, taxpayers will have access to a specialised forum for the expeditious and consistent disposal of GST disputes. This is expected to bring greater certainty in the interpretation of GST laws, reduce litigation and enhance the efficiency of the dispute resolution process.

For CA professionals, GSTAT opens new avenues in appellate practice while placing greater emphasis on technical expertise, effective advocacy and meticulous documentation. Businesses, on their part, must strengthen compliance systems and maintain robust records to minimise avoidable disputes.

The operationalisation of GSTAT completes a vital pillar of the GST framework. A credible and efficient appellate mechanism will not only strengthen taxpayer confidence but also contribute to a fair, transparent and predictable indirect tax regime—an essential requirement for India’s growing economy.

CASC – New Initiative- Employable Graduate Program

MILESTONE, MISSION AND A NEW BEGINNING

CASC Marches Towards 50 Years with “The Employable Graduate Program”

As CASC steps into the countdown of a landmark journey — completing 50 glorious years of service in 2028 — the Organisation continues to reaffirm the very ethos on which it was built: fostering knowledge, nurturing professionals, and standing as a dependable pillar of support for the Chartered Accountancy fraternity. Knowledge sharing, one of CASC's strongest hallmarks, has shaped generations of Chartered Accountants and continues to be the thread that binds our community together.

In keeping with this spirit, and as part of our commitment to giving back to society, CASC is proud to launch a new Corporate Social Responsibility initiative — The Employable Graduate Program.

ABOUT THE PROGRAM

The Employable Graduate Program is a thoughtfully curated 15-day workshop designed exclusively for final-year college students. Going beyond conventional classroom learning, the program equips young graduates with practical, industry-relevant skills across key areas such as accounting, taxation, and communication — bridging the critical gap between academic learning and workplace readiness.

Our objective is simple yet impactful: to prepare young graduates not just to complete their degrees, but to step confidently into the professional world, ready to contribute from day one.

REACHING OUT TO COLLEGES

CASC will be taking this initiative to various colleges across Chennai, based on their Expression of Interest (EOI). We invite academic institutions who share our vision of nurturing employable, industry-ready talent to partner with us in this endeavour.

A BRIDGE BETWEEN TALENT AND OPPORTUNITY

Furthering this initiative, CASC's website has been upgraded with a dedicated facility that connects job seekers with job providers — creating a seamless platform where opportunity meets talent. This addition strengthens our commitment to not just training young graduates, but also actively helping them find the right professional opportunities.

LOOKING AHEAD

As we approach our Golden Jubilee, initiatives like The Employable Graduate Program reflect CASC's continued dedication to giving back — empowering the next generation and reinforcing our role as an institution that grows with, and for, its community.

We look forward to the support and participation of colleges, members, and well-wishers in making this initiative a resounding success.

CASC - 27th ARC – Announcements underway

We are in the process of scouting location for our 27th Annual Residential Conference around 23rd to 26th January 2027. We would revert shortly with more details. Kindly block your calendar and continue to support us by registering the event in large numbers.

Highlights of 48th AGM of CASC

The **48th Annual General Meeting** of the Chartered Accountants Study Circle (CASC) was successfully held on **Saturday, 18th July 2026 at 5.30 P.M.** The meeting witnessed an enthusiastic participation from members and marked another significant milestone in the Circle's journey of professional excellence.

During the AGM, **Mr. Balaji V**, who retired by rotation and, being eligible, offered himself for re-appointment, was **re-elected unanimously for a second term** as a Member of the Management Committee. The members expressed their confidence in his continued contribution towards the growth and development of the Circle.

A special feature of the AGM was the **felicitation of the top three rank holders in Chennai** in the **CA Foundation, Intermediate and Final Examinations** held during the financial year **2025–26**.

The meritorious students were honoured for their outstanding academic achievements, and **scholarships were awarded to deserving candidates** as part of CASC's continued commitment to encouraging excellence in the profession.

The Circle also recognised the invaluable efforts of the **regular contributors to the CASC Bulletin**, felicitating them for their consistent support and enriching contributions that have enhanced the quality and relevance of the publication over the years.

The highlight of the evening was the **special address by Hon'ble Justice Shri V. Lakshminarayanan, Judge, Madras High Court**, on the inspiring topic **"Making of a Professional."** Drawing upon his rich judicial experience, His Lordship shared profound insights on professional ethics, integrity, continuous learning, humility and the values that define a true professional. The address was highly appreciated by the members and left a lasting impression on the audience.

We are deeply honoured that **His Lordship has graciously permitted the publication of his address in this issue of the CASC Bulletin** for the benefit of our members. We are confident that his inspiring thoughts and invaluable guidance will serve as a source of motivation for professionals across all stages of their careers.

Appeal

We, at Chartered Accountants Study Circle, request members to contribute articles for the bulletin and you may contact the editorial board regarding the same. We have been regularly conducting technical programmes every month. Members are requested to attend the programmes conducted by CASC and are also requested to send their suggestions and/or value additions to the services provided by CASC including this Bulletin. The same can be sent as hard copy to the office of the CASC or emailed to admin@casconline.org or any of the members of the Management Committee of the CASC. Any member interested in using the CASC platform for addressing our members on technical topics may kindly feel free to contact us by way of email at admin@casconline.org.

For and on behalf of the Editorial Board

Balaji V

Balaji V

Member Editorial Board

SPECIAL ADDRESS BY CHIEF GUEST ON 48th AGM

HON'BLE JUSTICE

SHRI V LAKSHMINARAYANAN

JUDGE MADRAS HIGH COURT

ON "MAKING OF A PROFESSIONAL"

I want to begin with a word, not a definition. The word "profession" comes from the Latin "*professio*", which means a public vow, spoken aloud. For centuries, only three callings were permitted to use it: theology, medicine, and law. Accountancy is the newest entrant among these learned professions, but the responsibility it bears is no less ancient. It was let in for exactly the same reason the other three were: because society needed someone willing to sign their name to the truth, and stand answerable for it.

Every profession begins with knowledge. But society does not trust professionals because they possess knowledge. Society trusts them because it believes they will use that knowledge honestly. When we reflect on those whom society regards as professionals, we find that each possess a unique expertise. A Doctor heals, a Lawyer defends, a Judge adjudicates, and a Chartered Accountant certifies. Yet, despite the diversity of their functions, they share a common responsibility, the power to influence the rights, fortunes, and lives of others.

Therefore, the real question is not what a professional knows. It is whether society can safely repose confidence in that knowledge. So, when we ask what is expected of a professional, we are really asking an older question: what does that vow still demand of us, now that it arrives with an invoice attached?

When modern questions seek timeless answers, one need not look very far. I turn to the Thirukkural, not merely a classic of Tamil literature, but a universal code of ethical conduct whose wisdom remains as relevant in the boardroom and the courtroom as it was over two thousand years ago. Long before professional codes of conduct were drafted, long before statutes prescribed duties and liabilities, the Thirukkural had already articulated the enduring principles of integrity, discipline, and righteous conduct.

Thiruvalluvar arranged his 1330 couplets into three **பால்** (Sections), in a very deliberate order- **அறத்துப்பால்** (envisaging the virtues of morality, ethics, and dharma that a person should follow), **பொருட்பால்** (explaining wealth and the conduct of public life) and **காமத்துப்பால்** (Love and material affairs). That order is no accident. He did not begin with wealth, though wealth sustains society. He did not begin with love, though love enriches life. He began with virtue.

It is a profound constitutional principle for human conduct: before one is entrusted with wealth, one must first be anchored in character. **அறம்** is not an ornament to **பொருள்** it is its foundation. Thiruvalluvar's sequence is really my whole intent for this evening, compressed into one sentence: a professional is someone who has agreed to practise **பொருள்** under the permanent supervision of **அறம்**.

The day our competence stops answering to our conscience, we have not remained professionals; we have merely become skilled. So, as a professional, before you learn to create or manage wealth, learn the values that wealth must never be permitted to corrupt.

There are a few expectations of a professional and they can be put under the following heads:

1.Hard work

2. Competence

3. Independence

4. Truthfulness

5. Courage

6. Public Trust

7. Punctuality

8. Grace of God

Hard Work: The first expectation is hard work, and I place it first deliberately because none of the qualities that define a true professional is inherited; each is earned through constant effort.

I would also like to quote **Kural 619:**

தெய்வத்தான் ஆகா தெனினும் முயற்சிதன்
மெய்வருத்தக் கூலி தரும்

Even if fate itself should withhold the fruit, effort never fails to pay the wages of the labour of one's limbs. What a remarkable assurance that is.

This is a truth every one of us has lived, even if we have never paused to name it. Every lawyer knows what it is to prepare a brief through the night, only to watch the matter settle at 10:30 AM the next morning. Every Judge knows what it is to read the whole judgment which runs into several pages when the headnote would have done. For a Chartered Accountant to check an audit schedule a third time, when nobody would ever have known had we not done so. In the moment, it can feel like wasted labour. It is not. The fruit may go wherever fate chooses to send it, but the effort stays with us. Over the years it quietly becomes competence, then reputation, and finally character. And the simple truth is that of everything on this list, hard work alone lies entirely in our own hands.

Competence:

The second expectation is the competence- one of a restless kind, never allowed to retire. It is here that I want to personally note that my father-in-law, who is about 90 years, is a Charted Accountant and at that age, he works longer hours than his younger colleagues.

A qualification framed on your wall is not competence; competence is a standard you keep meeting every single day and in every single work.

Alexander Pope, in his work "An Essay on Criticism" (1711) frames the idea of competence akin to a mythical Pierian Spring in Macedonia, which was believed to be sacred to the Muses and the source of ultimate knowledge and artistic inspiration. He goes on to say, ***"A little learning is a dangerous thing; drink deep, or taste not the Pierian spring." He means that to truly master a subject, you must either commit to studying it thoroughly (drink deep) or avoid it entirely (better taste not).***

But competence must never curdle into certainty. Avvaiyar, writing for children and never merely childish, left us this:

"கற்றது கைமண் அளவு, கல்லாதது உலகளவு"

So, learn thoroughly whatever is worth learning and after having learned it, live worthy of it.

Independence:

The third expectation is independence, that is, the refusal to tilt. And here Thiruvalluvar gives us, I think, the finest image of ethics in ***Kural 118:***

சமன் செய்து சீர்தூக்கு' கோல்போல் அமைந்தொருபால் கோடாமை சான்றோர்க் கணி

Which translates as "To stand, like a properly balanced weighing scale that holds equal weight, and to lean to neither side is the true ornament (virtue) of the wise."

So, it is with every profession. A professional is expected to possess knowledge. Yet knowledge alone is not enough. Society expects something more- that his judgment should not be for sale, his opinion should not be borrowed, and his conscience should not be outsourced.

Every professional's duty, therefore, extends beyond the person who pays his fee to the society that places reliance on his opinion.

Society grants certain professions a unique privilege. It allows them to represent and to decide, because it believes that they will exercise those powers independently. That confidence is the profession's greatest asset. It is also its greatest responsibility.

Truthfulness:

Avvaiyar, in her most celebrated work, **ஆத்திச்சூடி,** expresses it with characteristic brevity: **"கண்டொன்று சொல்லேல்"**

Which means do not say anything other than what you have seen.

For a professional, however, there is an even deeper implication. It is not merely

"Speak the truth." It is "Speak only that which you know to be true." That distinction is the foundation of every learned profession.

It is for this reason that the Institute of Chartered Accountants of India chose, at its inception in 1949, a remarkable motto bestowed by **Sri Aurobindo:**

“Ya Aeshu Suptaeshu Jagruti”—

Meaning: One who is awake among those who sleep.

It is a beautiful metaphor. Civilisation functions because someone remains awake while everyone else sleeps. Professional life, therefore, is not merely an occupation. It is a vigil. The tragedy of professional failure is that it rarely harms only the professional.

When the watchman sleeps, it is not the watchman alone who suffers, it is everyone who trusted him to keep watch.

Courage:

The fifth expectation is courage because none of the above survives without it. I think here of Nani Palkhivala: not a Chartered Accountant, but one of the most celebrated lawyers whose life belongs equally to both your profession and mine. Asked once what quality he prized most in a person, he named three: courage, integrity, humility. And he made a point I want to leave specifically with the Chartered Accountants in this room, that a professional with true intellectual integrity, whether a Chartered Accountant or a lawyer, will never shape an opinion merely to please the person paying for it.

Ultimately, it all comes down to this. That really is the whole of it. Competence tells you what is true. Independence keeps you level enough to see it clearly. Truthfulness keeps you awake to it. But it takes courage to actually say it, maybe to a client who will be unhappy, or to your colleague who will be inconvenienced on a Friday evening, when it would be so much easier to look away.

So, what is expected of a professional?

I will leave you with the couplet that closes Thiruvalluvar's chapter on truthfulness ***Kural 300:***

யாமெய்யாக் கண்டவற்றுள் இல்லை எனைத்தொன்றும்
வாய்மையின் நல்ல பிற

Among all things we have found to be real, there is nothing better than truthfulness.

Public Trust:

The sixth, and perhaps the ultimate expectation, is an appreciation that a professional is not merely serving a client; he is serving an institution of public trust. One often hears it said that a Chartered Accountant works for the client who appoints him. That is only partially true.

Let's take the case of Lawyers. They may be briefed by a client, but ultimately, they remain officers of the Court. The first allegiance is to the administration of justice.

The same is true for the Charted Accountants. The audit report may bear the client's name, but it is written for everyone who will rely upon it. May be the shareholders who invest, banks that lend, regulators who supervise, courts that adjudicate, and the public whose confidence sustains the economy.

In other words, every profession worthy of that name has two masters—the client who engages it and the public that trusts it. When the two are in conflict, professionalism demands fidelity to the latter. That is why professional ethics are not private virtues.

They are public necessities. So, practice your profession as your vow, and not merely as your licence.

Punctuality:

Above all these, be punctual to your office and in delivery. If you ask a client to come at 5.00 PM, ensure that you are on your seat by 4.45 PM. ***Remember you are dependent on your client and the client is not dependent on you.***

Grace of God:

There is a line of Apostle Paul's I have never quite managed to set aside.

"But by the grace of God I am what I am, and his grace to me was not without effect.

No, **I worked harder than all of them—yet not I, but the grace of God that was with me" (1 Corinthians 15:10)**.

It is a boast and a disavowal in one breath, he claims the labour, every hour of it, and then gives it away. I know no truer account of a professional life. Professions such as ours is a calling less of brilliance than of effort. The long hour after the reasonable one, the standard kept when no one was watching. Whatever we amount to, we amount to it by labour and God's grace.

When our work is done, we shall be remembered not for how loudly we announced ourselves, but for whether we kept the promise whole, and had the grace to know we did not keep it alone. That, I would respectfully suggest, is the only legacy worth leaving.

So, let me conclude where I began with the word "profession." A profession was never meant to be merely a means of livelihood. It was, and remains, a public promise. A promise that knowledge will be exercised with competence, that judgment will remain independent, that truth will not be compromised, that courage will prevail over convenience, and that every decision will justify the confidence which society has chosen to repose in us.

In the final analysis, a professional is not remembered by the size of the fees earned, the number of clients represented, or the volume of opinions rendered. Those belong to a career. What belongs to a legacy is something altogether different. It is whether one's word could be trusted. It is whether one's signature inspired confidence. It is whether, when faced with the choice between what was profitable and what was right, one chose the latter.

May each one of us, whether a Judge, lawyer or Chartered Accountant, strive to ensure that our professional lives remain worthy of that timeless ideal.

Let me end with a simple thought. Degrees make us qualified. Experience makes us competent. Success makes us known. But only character makes us professionals.

May that confidence never be betrayed.

Thank you!

GLIMPSES FROM SHRI.G.NARAYANASWAMY CA STUDY STUDY CIRCLE MEETING HELD ON 09.07.2026

SPEAKER - CA.R.BHARATH **TOPIC : NEW ITR FORMS**

GLIMPSES FROM THE 48th AGM HELD ON 18.07.2026, AT HOTEL PALMGROVE


CA V. BALAJI
Justice Sri V.LAKSHMINARAYANAN


Justice Sri V.LAKSHMINARAYANAN

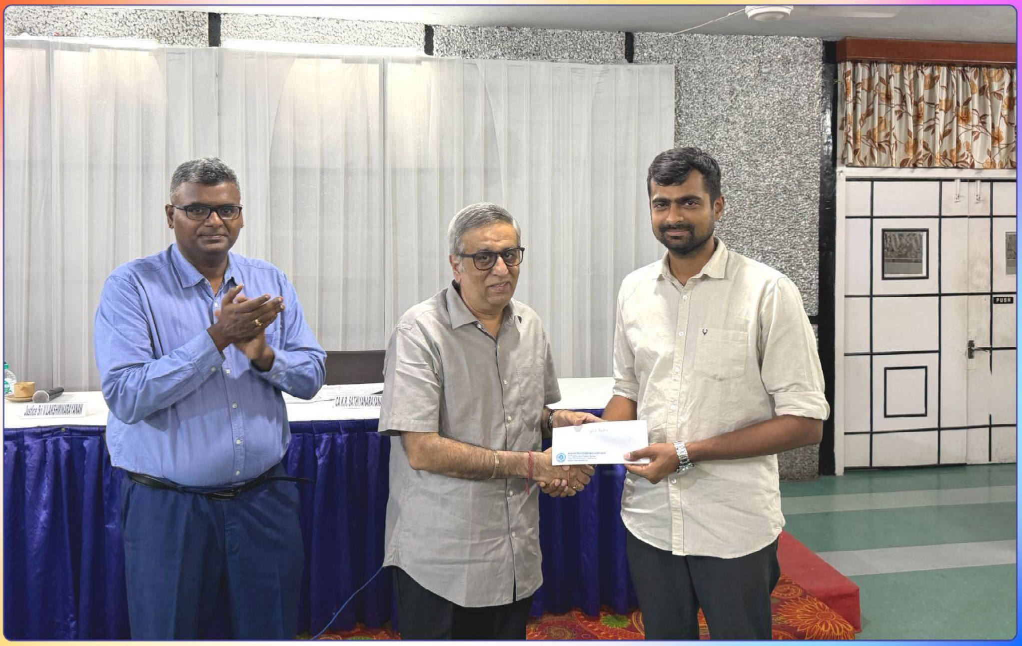

CA K.R. SATHIYANARAYANAN
CA V. BALAJI


CA K.R. SATHIYANARAYANAN


CA K.R. SATHIYANARAYANAN

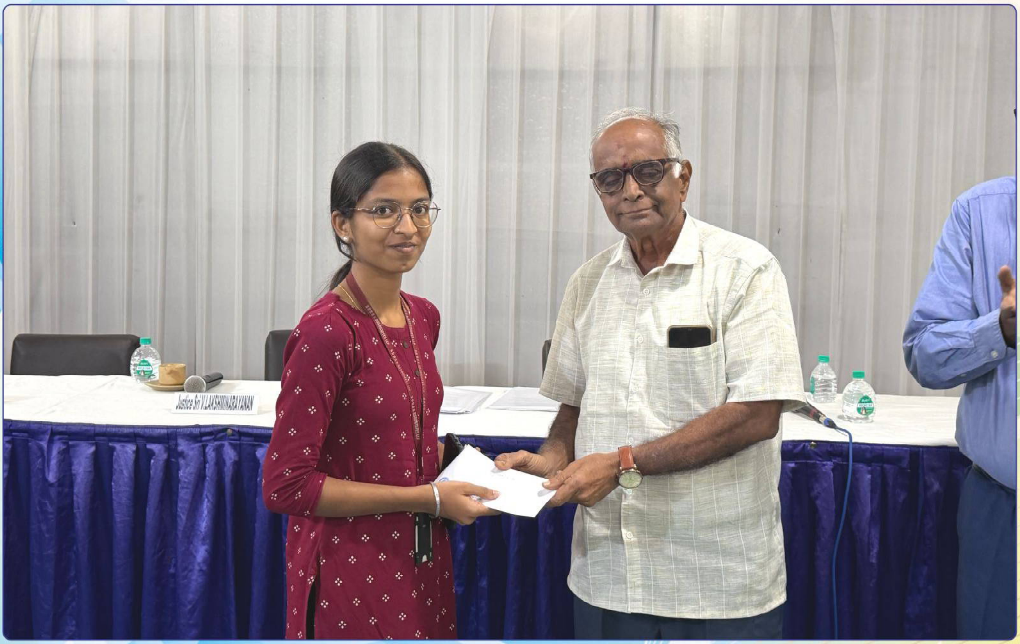

CA K.R. SATHYANARAYANAN


CA V. BALAJI




CA K.R. SATHIYANARAYANAN
PUSH


CA K.R. SATHIYANARAYANAN


Justice Sri V.LAKSHMINARAYANAN

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ANNOUNCEMENTS

1. The copies of the material used by the speakers and provided to CASC for distribution, for the regular meetings held twice in a month is available on the website and is freely downloadable.
2. Earlier issues of the bulletin are also available on the website in the "News" column.

The soft copy of this bulletin will be hosted on the website shortly.

READER'S ATTENTION

You may please send your Feedback / Contributions / Queries on Direct Taxes, Indirect Taxes, Company Law, FEMA, Accounting and Auditing Standards, Allied Laws or any other subject of professional interest to ***admin@casconline.org***

For Further Details contact :
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Chennai - 600 086. Phone 91-44-28114283

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Kindly contact admin@casconline.org for the Clarifications and or queries.

RECENT JUDGEMENTS IN VAT / CST / GST

CA. V.V. SAMPATHKUMAR

Composite Show Cause Notices The Court reiterated that GST authorities cannot club multiple financial years into a single composite show cause notice and assessment order. Each tax period is a separate unit of assessment, and year-wise adjudication is mandatory. Composite proceedings were held to be contrary to the GST scheme and principles of fairness. **M/s. SPK and Co. & Others v. Union of India & Others W.P. (MD) Nos. 5287, 5381, 5380, 5396, 5397 & 5413 of 2026 dated 8 June 2026**

Adjudication involving Inordinate Delay: Court set aside a SCN issued in 2024 u/s 27 of the TNVAT Act for AY 2009–10, holding that the nearly ten-year delay in pursuing proceedings was arbitrary and prejudicial. Although an earlier notice had been issued in 2014, the department remained inactive even after connected writ proceedings concluded and fresh assessment orders were passed in 2015. The Court accepted the petitioner's contention that the unexplained delay caused serious prejudice due to non-availability of records. It reiterated that tax proceedings must be completed within a reasonable time, even in the absence of a statutory limitation period **M/s.Britannia Industries Limited, Vs. The DC(ST)-III, LTU, Chennai-35 W.P.No.18412 of 2024 Dated : 25.06.2026**

Issue-wise Assessment: In **Tvl. Sasi Gold Covering v. AC (ST), WP Nos.21215 & 21219 of 2026, decided on 15.06.2026**, the Court observed that GST officers must examine each allegation separately—such as under-declaration, excess ITC, post-cancellation purchases, etc. Blanket denial of ITC without issue-wise findings is unsustainable.

Mismatch & Supplier Cancellation: In **Tvl. Fathima Traders v. AC (ST) W.P. Nos. 22419, 22420, & 22422 of 2023 dated 12 June 2026 (Mad),** the Court held that Input Tax Credit cannot be denied merely because the supplier's GST registration was retrospectively cancelled. The assessing authority must independently verify invoices, e-way bills, lorry receipts, payment proofs and other evidence establishing actual movement of goods. Orders passed without such verification were remanded for fresh consideration after granting reasonable opportunity to the taxpayer.

SCN: Court upheld three SCN issued u/s 74 of the GST Act for FYs 2017–18 to 2019–20, rejecting the petitioner's challenge on limitation and jurisdiction. The Court held that the notices were issued within the prescribed limitation period and that issues relating to fraud, suppression or wilful misstatement require adjudication on merits after the taxpayer files a reply. It observed that disputed questions of fact cannot be examined in writ jurisdiction under Article 226. The petitioner was permitted to file replies in Form GST DRC-06 and the adjudicating authority was directed to pass reasoned orders after a personal hearing within 3 months. **M/s.Canon India P Ltd, Vs. 1. STO /Gr – VI, Chengalpattu Intelligence, and others W.P.Nos.20935, 21399 and 21403 of 2024 dated 08.06.2026**

Penalty: Court partly allowed a WP challenging a GST demand and 100% penalty under Section 74 for FYs 2017–18 to 2020–21 arising from GSTR-1 and GSTR-3B mismatches. The petitioner argued that outward supplies were correctly reported in GSTR-1 and that delayed GSTR-3B filings resulted from financial difficulties, without any intention to evade tax. The Court observed that the introduction of Section 128A reflected legislative intent to provide relief in cases of delayed payment of admitted tax. Holding that the matter could appropriately fall u/s 73, it quashed the penalty and remanded the case for fresh adjudication. **M/s. Zyvana Integrated Services Pvt. Ltd., Vs. Addl Commissioner of GST and CE, Chennai South Commissionerate, W.P.No.10854 of 2025 Dated 08.06.2026**

Denial of ITC: The Court held that ITC cannot be denied merely because certain transportation documents were unavailable when the supplier was duly registered, invoices contained vehicle details and tax on supplies had been discharged. The assessment order was quashed and remanded. A significant relief for genuine taxpayers facing ITC denial solely on procedural deficiencies where the underlying transaction is otherwise established. **Akal Trade Links v. AC (ST) W.P. No. 20601 of 2023 Decision dated 05.06.2026**

Assessment Maintainable Against Legal Heirs: The Court ruled that tax assessment proceedings under Section 74 of the CGST Act can be initiated against the legal heir of a deceased sole proprietor, even if no action was commenced during the taxpayer's lifetime. Dismissing the petitioner's challenge, the Court clarified that Section 93 of the CGST Act authorizes authorities to determine tax, interest, or penalty liabilities post-demise, making fresh proceedings maintainable. However, the ruling limits the recovery of these liabilities to the value of the estate inherited by the legal heir, ensuring that the heir's personal assets are not liable. This decision reaffirms the state's power to assess tax debts even after the closure of a business due to the proprietor's death, provided the recovery is limited to the inherited property. **V. Damayanti v. Superintendent of GST & CE (Mad), Writ Petition (MD) No. 10000 of 2026 dated 16 June 2026**

Denial of cross-examination: The Court ruled that cross-examination is not an absolute right in GST proceedings. Where allegations can be rebutted through documentary evidence, denial of cross-examination alone will not invalidate proceedings. Taxpayers must focus on documentary evidence rather than relying solely on procedural objections. **Noordeen Enterprises v. Addl Commissioner of GST & CE W.P. Nos. 20547, 20549 & 20552 of 2023 | 03.06.2026**

Opportunity & Natural Justice In **Tvl. P. Balaji v. AC (ST), W.P.(MD) No.15862/2026, decided on 12.06.2026**, the Court interfered where the assessment order failed to adequately consider the taxpayer's reply and supporting documents. The ruling reiterates that adjudication cannot be mechanical and authorities must deal with submissions raised by the assessee.

Rectification In **AC of CGST & CE v. Akshaya Building Solution Writ Appeal (W.A.) No. 3577 of 2024 (Mad.), decided on 18.06.2026** the Division Bench upheld the taxpayer's right to correct bona fide mistakes in GSTR-1. The Court held that genuine clerical or technical errors cannot be denied correction merely because of portal limitations or procedural constraints.

Interest In **Jayashree Enterprises v. AC(ST), W.P. No. 19835 of 2026 (Mad) decided on 17.06.2026**, the Court upheld levy of interest under Section 50(3) on wrongly availed and utilized ITC arising from GSTR-2A/GSTR-3B mismatches, reaffirming that wrongful utilization of credit attracts statutory consequences.

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CASE LAWS - GST

CA. VIJAY ANAND

1. **<u>GST – RECOVERY OF TAX DUE PERTAINING TO DECEASED ASSESSEE BY ATTACHING BANK ACCOUNT OF SON WHO IS CARRYING ON BUSINESS UNDER THE SAME NAME –NOT SUSTAINABLE</u>**

In Navin Vishwanathan v. State of Maharashtra 2026(109) GSTL 45/(2026) 41 Centax 440 (Bom.), the facts are as under:-

a) The Petitioner's father (who deceased on 11th February 2024) carried on his proprietorship business under the trade name "M/s. Oriental Facility" whose GST Registration was suo motu cancelled by an order dated 7th March 2024, with effect from 1st January 2023.

b) Prior to the demise of his father, the Petitioner commenced his independent proprietorship business engaged in labour supply and employment services by adopting the same trade name of "M/s. Oriental Facility " and obtained GST Registration on 22nd February 2023.

c) Five days after the demise of the Petitioner's father, the department issued an order raising a demand of approximately Rs.3,86,61,652/- crores against the proprietorship concern of the Petitioner's deceased father under Rule 142(5).

d) On becoming aware of these proceedings, the Petitioner filed an appeal challenging the attachment of his deceased father's bank account/s on 6th February 2024 and also deposited 10% of the disputed tax. The Petitioner thereafter addressed correspondence with the Department seeking release of the bank account/s belonging to his deceased father which was favourable acted upon.

e) Thereafter, the department invoked Sections 79 and 93 and issued Form GST DRC-13 dated 21 st March 2025 to State Bank of India viz. the Petitioner's banker, directing recovery of dues aggregating Rs. 4,15,54,508/-allegedly payable by the Petitioner's deceased father towards tax, cess, interest and penalty consequent to which the Petitioner's bank account came to be frozen without issuance of any prior show cause notice or affording any opportunity of hearing to him.

f) The Petitioner immediately addressed a representation dated 24th March 2025 asserting that his proprietorship was distinct from that of his deceased father despite similarity of trade name and requested defreezing of his personal bank account which was not .

g) No action was taken by the department consequent to which a writ petition was filed in the high court which observed as under:-

1. The impugned action proceeds on the premise that since both proprietorship concerns bear the same trade name, viz. M/s. Oriental Facility, the Petitioner must be treated either as a successor to, or continuation of, the business of his deceased father and consequently, liable for his outstanding tax dues, by relying on Section 93(1)(*a*).

2. Recovery powers u/s 79 are undoubtedly wide. However, such coercive powers pre-suppose the existence of an established liability against the person from whom recovery is sought. Section 93 contemplates liability of legal representatives or persons continuing the business of a deceased taxable person.

3. Whether the Petitioner satisfies the statutory conditions of that provision is a matter requiring determination upon notice, consideration of material, and hearing. This needs to be premised on materials and not presumptions.

4. In the present case, the Department has straightaway invoked recovery proceedings and frozen the Petitioner's bank account without first determining whether the Petitioner's proprietorship is legally distinct; whether he has, in fact, continued the business of the deceased; or whether statutory conditions u/s 93 stand satisfied.

5. A bank account constitutes property within the meaning of Article 300A of the Constitution of India. Hence, the action of the department in freezing the Petitioner's bank account without any prior show cause notice being issued to him and/or affording him an opportunity to put forth his objections thereto, results in civil consequences resulting in a violation of his constitutional rights since he has been deprived of his property, without the due process of law being followed.

6. The principles of natural justice require that before fastening liability upon a person, particularly where coercive recovery

measures affecting property i.e, in the present case the banking operations are invoked, such person must be put to notice and afforded an effective opportunity to present his case.

7. In the facts of the present case the designated officer needs to undertake an exercise to determine in what manner the Petitioner would become liable to discharge the tax dues of his deceased father's business. It would be difficult to accept a proposition that merely because there is similarity of trade name, this alone would authorise automatic recovery from the Petitioner who is an indirect registered taxable person that too without any prior adjudicatory process.

8. The Department has committed a jurisdictional error in issuing the impugned communication to the Bank. Such defect goes to the root of the matter. Moreover, principles of natural justice have also clearly been violated.

9. Consequently, this action warrants interference from the Court.

Hence, the high court quashed the impugned communication in Form GST DRC-13 attaching the Petitioner's bank account and ordered unfreezing of the Petitioner's bank account

2. GST - RECOVERY OF GST UNDER RCM ON PIGMY AGENTS BY RURAL BANK UNDER THEIR CONTROL - NOT SUSTAINABLE DUE TO EMPLOYER – EMPLOYEE NEXUS

In Karnataka Vikas Grameena Bank v. DCCT (Enforcement-2) Hubballi_2026(109) GSTL 76 / (2026) 41 Centax 372 (Kar.), the petitioner is a Regional Rural Bank established under the provisions of the Regional Rural Banks Act, 1976. The adjudicating authority confirmed the demand, under reverse charge mechanism, on the petitioner on the commission paid to the pigmy agents in the urban branches overlooking the petitioner's claim that pigmy agents are employees of the Bank and hence, no GST can be levied on the salary paid to them. On a writ petition, the high court observed as under :

1. A perusal of the agreement indicates that the bank exercises pervasive control over their functioning as evident from the fact that the agents are required to maintain security deposits and are assured minimum remuneration, their entitlement to benefits such as, gratuity and their disengagement is regulated by notice requirements which are not indicia of an independent contractor, but hallmarks of employment.

2. The petitioner / Bank exercises complete control over the agents as per the terms and conditions laid down in the agreements of their employment. Memorandum of agreement is appended to the petition.

3. In Dharangadhara Chemical Works Ltd. v. State of Saurashtra 1956 SCC OnLine SC 11, it was held that the prima facie test for the determination of the relationship between master and servant is the existence of the right in the master to supervise and control the work done by the servant not only in the matter of directing what work the servant is to do but also the manner in which he shall do his work and that the proper test is whether or not the hirer had authority to control the manner of execution of the act in question, relying on the decision in Mersey Docks & Harbour Board v. Coggins & Griffith (Liverpool) Ltd. , 1947 AC 1 at p. 23 (HL)].

4. This principle was further elaborated in Hussainbhai v. Alath Factory Tozhilali Union (1978) 4 SCC 257 where it was held that the real test lies whether the worker is engaged in the business of another and is economically dependant upon that enterprise.

5. The show cause notices proceed on an erroneous premise in making an attempt to describe the Pigmy agents as business facilitators when the foundation of the show cause notice, in the light of the aforesaid narration, is itself infirm, the superstructure in the form of the show cause notice, built upon it, would tumble down.

6. Pigmy agents employed by the petitioner can never be treated as business facilitators for them to be coming under the GST and the services rendered by these pigmy agents are in the course of their employment with the Bank as pigmy agents, which is clearly exempt from levy of GST in terms of Sl.No.1 of Schedule III.

Hence, the high court allowed the writ petition and quashed the impugned show cause notices.

3. **GST-INTERNATIONAL ARBITRATION AWARD PURSUANT DELHI HIGH COURT – NOT A SUPPLY U/S 7**

In Tata Sons Pvt. Ltd. v. UOI 2026(109) GSTL 222/(2026) 42 Centax 106 (Bom.), NTT Docomo Inc. ("Docomo"), a Japanese company, had invested in the shares of Tata Teleservices Limited (for short "TTSL") along with Tata wherein the relationship between the parties was governed by a Shareholders agreement between TTSL and Docomo "SHA"') on 25 March 2009 for providing telecommunication services to their customers. The SHA sets out the terms and conditions of the share transfer between the parties and certain performance indicators to be achieved by TTSL within the time specified therein. Pursuant to the SHA, Docomo acquired 26% of TTSL's equity capital.

The SHA provided that in the event TTSL failed to satisfy the 'Second Key Performance Indicators', Tata was obligated to find a buyer for Docomo's share at a 'Sale Price'. Upon nonfulfillment of the said indicators, a 'Trigger Notice' would be deemed to have been issued. A 'Sale Notice' dated 7 July 2014 was issued by Docomo calling upon Tata to find a buyer and, since Tata was unable to comply with the same, disputes had arisen between Tata and Docomo which were ultimately referred for adjudication in arbitral to the London Court of International Arbitration ("LCIA") which held that the following amounts were payable by Tata to Docomo:

(i) Damages amounting to USD 1,172,137,717;

(ii) Interest amounting to USD 65,276,963;

(iii) Arbitration costs amounting to GBP 119,012.59; and

(iv) Legal costs amounting to JPY 1,067,670,175.

For enforcement of the aforesaid Award, Docomo initiated proceedings in the Courts of United Kingdom and United States of America. In India, proceedings for enforcement of the arbitral award were filed before the Delhi High Court which held that the arbitral award would operate as a deemed decree passed by the High Court. In terms of the said order passed by the Delhi High Court, Tata deposited an amount of Rs. 8,450 Crores with the Registry of the Delhi High Court.

On 26 July 2023, a Show Cause Notice was issued by DGGI demanding Tata to pay IGST along with interest and penalty u/s 74(5) on the ground that Docomo by its act of tolerating the contractual defaults by Tata and by refraining from initiating any further proceedings against Tata in relation to the SHA and/or the Award had rendered "supply of service" of the nature of agreeing to refrain from an act or tolerating an act, falling within the ambit of Entry 5(*e*) of Schedule II u/s 7 on reverse charge basis as the said service was considered to be an import of service. On a writ petition, the high court observed as under:-

1. The question which would arise for determination is "Whether the settlement between the parties in the proceedings filed by Docomo u/s 47 and 48 of the Arbitration and Conciliation Act, 1996 (ACA), under which the arbitral award for damages stood settled between the parties, would amount to "supply" within the definition of Section 7(1)?"

2. The disputes and differences had arisen between Tata and Docomo, which were subject matter of an international commercial arbitration, which culminated into an award of damages against Tata for an amount of US$ 1,172,137,717. The award liability was not discharged by Tata, consequent thereto, Docomo initiated recovery proceedings, which were in the nature of execution of the arbitral award by filing proceedings before UK and US Courts. Also, Docomo filed proceedings before the Delhi High Court invoking the provisions of Sections 44, 46, 47 and 49 of the ACA read with the provisions of Order 21 of the Code of Civil Procedure, 1908 for enforcement and execution of the said arbitral award dated 22 June, 2016.

3. In such proceedings, Tata expressed its readiness and willingness to deposit the award amount with the Delhi High Court consequent to which Tata and Docomo, on 25 February, 2017 sought to place on record the consent terms as arrived between the parties, and accordingly prayed for disposal of the enforcement/execution petition filed by Docomo in terms of the said settlement. made by the Delhi High Court are imperative to be noted.

4. The Show Cause Notice was issued based on Section 7(1)(*c*) read with sub-section (1A) and Schedule II to Entry 5(*e*) which defines "supply" to include the activity specified in Schedule I, made or agreed to be made without consideration and that under sub-section (1A) " where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II" as Schedule II in Entry 5(*e*) treats supply of services to a party "ageeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act."

5. Accordingly, the settlement of the arbitral award constituted supply in accordance with the provisions of sub-section (1) of Section 7 as referred to in Entry 5(*e*) of Schedule II and that Docomo, as part of the joint consent application filed before the Delhi High Court, had agreed to suspend and later withdraw its enforcement proceedings which it had initiated in the Courts in the UK and the US, threatening to attach properties of Tata's global companies like Jaguar, Land Rover and Tata Steel Europe and agreeing not to initiate any further proceedings in relation to the Shareholder Agreement (SHA) and/or under the award in question. This appears to be an activity in the nature of agreeing to an obligation of refraining from an act; the act being of continuing with the proceedings initiated against Tata, in relation to the execution proceedings which were pending in UK and US Courts.

6. It was further recorded that the act of Docomo also appeared to be one of tolerance with respect to the breach of the SHA by Tata. Such statements, as recorded in asserting the charge against Tata as set out in the said 'Intimation of Tax Ascertained', being payable and issued under 73(5)/74(5).

7. The fundamental question which has arisen for determination is whether the parties settling the arbitral award in question in enforcement proceedings filed before the Delhi High Court u/s 47 and 48 of the ACA when incorporated Clause 7 in the consent terms in regard to the proceedings before the UK and US Courts, would at all attract Section 7 of the CGST Act. the following discussion which would lead us to the said conclusion.

8. It is clear that the revenue has considered Clause 7 of the consent terms / settlement as brought about before the Delhi High Court between Tata and Docomo as supply of services, to the foreign recipient and hence attracting the provisions of the IGST Act. It is difficult to understand as to how a settlement of an arbitral award in the manner as accepted by the Delhi High Court, which is a matter purely inter se between the parties and that too in the Court proceedings, which pertain to the enforcement of a foreign arbitral award qua the incorporation of condition 7 in the consent terms amount to supply and / or import of services, that too without involving any independent consideration, when per se there is no question of any consideration, once there was a monetary award under which damages were awarded against Tata, payable to Docomo.

9. Under Entry 5(*e*) of Schedule II, 'supply of services' includes 'agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act;". Thus, the words "agreeing to the obligation…" are a pointer that necessarily there needs to exist an independent agreement, where the parties in the normal course of business bind themselves to refrain from an act, or to tolerate an act or a situation, or to do an act involving consideration, which would amount to supply of services of such nature.

10. On a plain reading of the Entry 5(*e*) of Schedule II, the recovery of the amounts under a decree of the Court and for that matter an arbitral award, which is for damages by any stretch of imagination ought not to amount to 'supply of services' as under the scheme of recovering amounts for breach of contract by seeking damages, either in a civil suit or in arbitral proceedings, is a part of the requirement of law or the rule of law, even when it comes to compliance of an arbitral award of a foreign arbitral tribunal. Any award of damages being recognized, in the context of its enforcement applying the Indian law, namely, the ACA and recognition of the principles for award of damages under the Indian Contract Act form part of a legal scheme integral to the arbitral process.

11. Conversely, if it were not so, even assuming that such award of damages was not in the arbitral proceedings but under a decree of a Civil Court in a civil suit, on the defendant not discharging its obligation under the decree, necessarily the decree would be subjected to execution under the provisions of Order XXI of the Code of Civil Procedure, 1908. Any settlement brought about thereunder necessarily becomes "integral to" and or "intricately connected", to the decree itself. The reciprocal obligation even in settlement of a decree necessarily emanates from a decree, which cannot be construed to be an independent agreement de hors the decree and/or alien to the decree itself.

12. Similarly, the proceedings which are incidental, integral to the execution of the decree and falling under the decree(here an arbitral award) also cannot be considered to be alien to the decree, as such proceedings certainly partake the character of the original/principal proceedings, namely, execution of a decree. Moreover, such collateral proceedings which are incidental to the execution of the decree cannot be regarded as independent proceedings, having legs different from the principal proceedings *i.e.* the proceedings for execution of a decree.

13. In the instant case, the parties merely recording in the terms, the conditions towards satisfaction of the decree of the nature as agreed in Clause 7 of the consent terms that the collateral proceedings would not be pursued for the full and final satisfaction of the award being worked out, this being considered to be supply of services, itself is untenable considering the purport of the provisions of Section 7 read with Entry 5(*e*) of Schedule II as Section 7.

14. In the present case, what is being applied is the provision of Schedule II Entry 5(*e*) to the effect of which is "a. party agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act". These provisions are being applied to the consent terms as entered between Docomo and Tata. Considering as to what is provided by Entry 5(*e*), the same cannot be read beyond the purview and/or the context of principal provision, namely, Section 7, as noted by us hereinabove.

15. Reading Entry 5(*e*) de hors the provision would amount to an erroneous reading of this provision, which are sought to be applied by the revenue. In the facts of the case, neither there is

any independent agreement involving any consideration nor Clause 7 of the consent terms can be implied to be any independent agreement, for which any separate consideration has been promised by Tata to be paid to Docomo so as to even remotely attract the provision of Section 7 read with Entry no. 5(*e*).

16. Thus, Clause 7 of the consent terms cannot be construed to mean, that it is bringing about an independent contract between Docomo and Tata and on a consideration, so as to attract the applicability of Section 7.

17. When Section 7 itself is not attracted, there is no question of the provisions of Entry 5(*e*) of Schedule II and the corresponding provisions of IGST Act being made applicable.

18. It is thus difficult to comprehend as to how Docomo having received the principal amount under the award, having agreed not to proceed in the enforcement proceedings in U.S., U.K. or India, which was a logical consequence of the arbitral award itself being satisfied, could be said to create any independent obligation, that too under Section 7.

19. Thus, the approach of the department on the premise of Docomo merely agreeing not to pursue the UK/US proceedings in the course of realization of the decretal amounts would create any obligation on Docomo to refrain from an act or to tolerate an actor a situation or to do an act, as contemplated by Entry 5(*e*) of Schedule II, appears to be quite absurd.

20. The clear intention of Docomo in initiating enforcement proceedings before the Delhi High Court and before different Courts namely U.S., U.K., was to realize the award amount. Attributing any other purpose remains to be an ingenuity without any basis the law could recognize, as nothing is brought on record much less any independent agreement de hors from what was inter se brought out between the parties in the enforcement proceedings.

21. Hence, in the absence of any such independent contract creating rights and obligations which can stand independent of the award/decree, to label the proceedings before the Delhi High Court and the parties agreeing to settle the claim under the award being characterized as "supply" within the meaning of Section 7 r.w. Entry5(*e*) of Schedule II, is a fundamental flaw

and the approach on the part of Joint Director, DGGI is wholly without jurisdiction and patently perverse.

22. The subject matter of the intimation as also the impugned show cause notice emanates from the proceedings relating to the enforcement of the foreign award in question, which stands confirmed by the Delhi High Court.

23. It appears that as merely the award amounts are large amounts, the impugned action, without application of mind to the law and the facts, has been resorted. Such action has no basis whatsoever in law, looked from any angle, more particularly, when the revenue at all material times was aware about the legal position in terms of what is clearly notified in Circular No.178/10/2022 dated 3 August 2022 and Circular No. 214/1/2023-ServiceTax dated 28 February 2023.

24. Circular No.178/10/2022 dated 3 August 2022 clearly provides that, in cases where the amount of liquidated damages are paid, the same is regarded by the Department as amount paid, only to compensate, for injury, loss or damage suffered by the aggrieved party, due to breach of the contract and such

amounts are not to be regarded as independent agreements, express or implied, in the hands of the aggrieved party receiving the liquidated damages, so as to infer that the aggrieved party would refrain from or tolerate an act or to do anything for the party paying the liquidated damages. Such receipt of amount is regarded as a mere flow of money from the party, who causes breach of the contract to the party, who suffers loss or damage due to such breach. This does do not constitute consideration for a supply and are not taxable, is the purport of the Circular.

25. The above Circular also has given clear examples being cases of damages which also include the penalty stipulated in a contract, forfeiture of earnest money, etc. Most significantly, the Circular provides that it is necessary to consider whether the payments constitute consideration for "another independent contract" in envisaging tolerating an act or situation or refraining from doing any act or situation or simply doing an act. The circular states that if the answer is yes, then it constitutes a 'supply' within the meaning of the CGST Act, otherwise it is not a "supply".

26. Circular No. 214/1/2023-Service Tax dated 28 February, 2023 was considered in favour of the assessee in the case of Dy. GM (Finance), Bharat Heavy Electricals Ltd. v. CGST & CE, 2023 (4) Centax 400 (Tri.-Del.) relying on the decision in South Eastern Coalfields Ltd. v. CCE & ST 2021 (55) GSTL 49 (Tri.-Del.) and the Board had decided not to file an appeal against the orders passed by CESTAT.

27. It is in the context of paragraph 6 of the said Circular, a clarification was issued that when one party agrees to refrain from an act, or tolerate an act or a situation, or to do an act, are activities where the agreement specifically refers to such an activity and in such situation, if there is a flow of consideration for this activity, the departmental officers were advised that, while taxability in each such case, shall depend on the "facts of the case", the guidelines which are set out and the principles that have evolved over the time, were required to be followed in determining whether service tax on an activity or transaction needs to be levied treating it as a service by a party agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act. Thus, the basis and focus is on a specific agreement in regard to such activity, to attract the provisions of Section 7.

28. The Circulars in fact appropriately consider the legal position that in the normal circumstances, once liquidated damages are an amount being received by a party on account of breach of contract, receipt of such amount would not constitute consideration for a supply and accordingly, such amounts would not be taxable. There would be hardly any distinction between a party receiving such amount being categorized as liquidated damages and a party receiving such amount as damages awarded by the Civil Court or by an arbitral tribunal, as the legal character and nature of such payment is nothing but receipt of compensation for a breach of contract. In these circumstances, also in the present case, once the award amount was received by Docomo as paid by Tata, was an amount payable towards damages under the arbitral award in question, considering the surrounding facts, there is no question of such amounts to be regarded as constituting consideration for a supply and accordingly being taxable, in the absence of any independent agreement of the nature as the law would envisage, creating distinct rights and liabilities, independent of the arbitral proceedings or totally alien to the arbitral award.

29. Such legal consequences have been overlooked by the designated officer in attributing an independent agreement between Docomo and Tata, when in the course of enforcement of the arbitral award in question, the award creditor / Docomo took a position that in receiving the award amount in full and final, from Tata, it would not pursue the execution / recovery proceedings for recovery of the award amount. Thus, such statement by Docomo, that too, made before the Delhi High Court does not create any independent agreement, so as to constitute a supply of services within the meaning of Section 7(1)(*c*) read with Entry 5(*e*) of Schedule II.

30. It would be difficult to accept a proposition that the decision taken by Docomo before the Delhi High Court which was exercising powers under Sections 47 and 48 of the ACA in regard to enforcement of the arbitral award in question, does not bring about any independent agreement between the parties, and of the nature as contemplated by the provisions of Section 7 read with Section 9 and Schedule II Entry 5(*e*) as the orders passed by the Delhi High Court recorded the stand as taken by Docomo agreeing not to pursue the execution proceedings instituted before the UK and US Courts in view of Tata depositing and permitting Docomo to withdraw the entire award amount.

31. The designated officer could not have construed any different intention between Docomo and Tata arriving at an independent contract of the nature amounting to supply of service so as to attract levy of IGST. In fact, the designated officer assuming some intention between the parties on the basis of the consent terms, is quite an absurdity. Such impression as formed by the designated officer militates not only against the orders passed by the Delhi High Court but also the intention of the parties, inasmuch as, any proceedings to execute the arbitral award in the facts of the present case were incidental and inextricably connected to the principal proceedings, namely, the proceedings adopted by Docomo before the Delhi High Court to enforce the award for recovery of the amounts within the territory of India.

32. Insofar as the foreign lender / Docomo was concerned, the recognition of the award for enforcement was upheld by the Delhi High Court. Thus, once the award amount was received by Docomo, as a direct consequence thereof, the execution proceedings before the UK and US Courts being ancillary and in aid of the claim of Docomo to receive the award amount,

which was discharged by Tata, the incidental proceedings before the US and UK Courts, necessarily could not have been pursued and/or were to become inconsequential on the award debt being discharged by Tata.

33. In the aforesaid circumstances, the position in law is clear that when damages were awarded by the arbitral tribunal in favour of Docomo, being compensation for the injury which it had suffered on account of breach of contract by petitioner-Tata, such compensation was not being granted by reason of any different obligation on the part of petitioner-Tata, as Docomo became entitled to such compensation, only on being determined and awarded by the arbitral tribunal.

34. Thus, no pecuniary liability had arisen till the arbitral tribunal had determined that Docomo complaining of the breach was entitled to damages, and for such reason when damages were assessed, the arbitral tribunal was not ascertaining the pecuniary liability otherwise than the claim for damages, relying on the decision in Iron & Hardware (India) Co. v. Shamlal & Brothers — 1954 SCC OnLine Bom. 5

35. Hence, till such determination by the arbitral tribunal, there was no liability on Tata to pay any such amount as damages. Such was the legal character of the determination in the arbitral proceedings, *i.e.,* the arbitral award bringing about a consequence that the claim for damages for breach of contract was not a claim for a sum which was ipso facto due and payable on the date of alleged breach and it was only after the determination by the Tribunal, on the proof of such breach, the damages being quantified and the entitlement of Docomo as recognized by the award was brought into existence.

36. There was no scope for the Designated Officer to read any independent contract between the parties whereby reciprocal obligations, dehors the arbitral proceedings and the satisfaction of the award by payments made by Tata to Docomo could at all be inferred or created.

37. Hence, the settlement as brought about between Docomo and Tata before the Delhi High Court settling the arbitral award would not amount to supply within the meaning of Section 7(1). The consent terms entered between the parties on the basis of which the Delhi High Court passed the final orders on the

proceedings filed by Docomo under Sections 47 and 48 of the ACA, cannot be construed to create any independent agreement between the parties, de hors the arbitral award and/or bring about any legal consequence other than recognizing Docomo's entitlement for the award amounts. Thus, these facts and circumstances did not attract the provisions of CGST and IGST Act so as to create tax liability on Tata.

38. The award of damages in the proceedings before the arbitral tribunal is a judicial exercise. The sequitur being that satisfaction of the arbitral award as recorded by the Delhi High Court in terms of any such judicial or arbitral determination, would not attract liability for payment of IGST under the provisions of Section 7, as neither the payment made by Tata to Docomo, nor Docomo agreeing not to pursue the execution/enforcement proceedings, can be regarded to be any 'supply of services'.

39. The designated officer has no jurisdiction to issue a show cause notice so as to bring such demand within the purview of Section 7(1)(*c*) read with Schedule II Entry 5(*e*) is on the basis of what had emanated between the parties forming part of the consent

order passed by the Delhi High Court in the proceedings filed by Docomo under Sections 47 and 48 of ACA. Thus, when the jurisdictional authority itself was absent for the designated officer, to exercise jurisdiction to tax a settlement between the parties as arrived in the proceedings for enforcement of a foreign arbitral award, there is no gainsaying that the petitioner-Tata nonetheless needs to be relegated to an alternate remedy consequent to which the petition ought to be entertained.

Hence, the high court allowed the petition and quashed the impugned SCN.

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EXCEL TIPS

TEXT Function

CA. DUNGAR CHAND U JAIN

In financial reporting, the way a number or date *looks* often matters as much as its value. A balance shown as **25,00,000.00**, a voucher numbered **000045**, or a date written as **31 March 2026** communicates far more clearly than the raw figures behind them. The **TEXT** function is the tool that lets Excel convert a number or date into precisely the textual form required.

TEXT takes a value and a format code, and returns that value as text formatted exactly as specified. Unlike cell formatting, which only changes how a value is displayed, TEXT produces an actual text string that can be combined with other text, used in report headings, certificates and MIS notes, or exported to other systems while retaining its appearance.

For CA's, TEXT is invaluable for building statement headings, certificate wording, formatted schedules, fixed-width voucher and cheque numbers, and clean presentation of amounts in lakhs and crores following the Indian numbering convention.

Syntax

```
=TEXT(value, format_text)
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Argument	Description
value (required)	The number, date or time to be converted into text.
format_text (required)	A format code, enclosed in quotation marks, that defines how the value should appear.

Common format codes

Code	Meaning	Example
0	Digit placeholder; shows a zero if there is no digit	TEXT(7,"00") → 07
#	Digit placeholder; hides insignificant zeros	TEXT(7.5,"#.##") → 7.5
, (comma)	Group separator (lakhs/crores in the Indian pattern)	TEXT(1234567,"#,##,##0") → 12,34,567
. (dot)	Decimal point	TEXT(7,"0.00") → 7.00
%	Multiplies by 100 and adds a percent sign	TEXT(0.05,"0%") → 5%
dd mmm yyyy	Day, month and year as numbers	→ 31-Mar-2026
mmm / mmmm	Month name, short / full	→ Mar / March
ddd / dddd	Weekday name, short / full	→ Tue / Tuesday
hh:mm	Hours and minutes	→ 09:30

Example 1: Thousands separator with decimals (Indian numbering)

Display a raw amount in the Indian lakh/crore grouping with two decimal places.

	A	B
1	**Amount**	**Result (Text)**
2	1234567.5	12,34,567.50

```
B2:  =TEXT(A2, "#,##,##0.00")
```

Result (B2): 12,34,567.50

Example 2: Leading zeros for fixed-width numbers

Voucher, cheque and document numbers often need a fixed width. The 0 placeholder pads the number with leading zeros.

	A	B
1	Number	Result (Text)
2	45	000045

```
B2:  =TEXT(A2, "000000")
```

Result (B2): 000045

Combine it with a prefix: ="JV-"&TEXT(A2,"000000") returns JV-000045

Example 3: Formatting a date

Convert a date into a specific written form for report headings and notes.

	A	B
1	Date	Result (Text)
2	31-Mar-2026	31 March 2026

```
B2:  =TEXT(A2, "dd mmmm yyyy")
```

Result (B2): 31 March 2026

Example 4: Percentage

Express a ratio as a percentage with the required number of decimals.

	A	B
1	Ratio	Result (Text)
2	0.1825	18.25%

```
B2:  =TEXT(A2, "0.00%")
```

Result (B2): 18.25%

Example 5: Different formats for positive, negative and zero

A format code can hold up to three sections separated by semicolons - for positive, negative and zero values. This is ideal for financial statements where negatives appear in brackets and a zero reads as "Nil".

	A	B
1	**Amount**	**Result (Text)**
2	250000	2,50,000
3	-85000	(85,000)
4	0	Nil

```
B2:  =TEXT(A2, "#,##,##0;(#,##,##0);""Nil""")
```

Inside a formula, literal text within a format code is wrapped in doubled quotation marks, so "Nil" is typed as ""Nil"".

Example 6: Combining text with formatted values

TEXT keeps the formatting when a value is joined to other text with the & operator - perfect for building certificate and statement wording in a single cell.

	A	B
1	**Date**	**Amount**
2	31-Mar-2026	2500000

```
="Balance as at "&TEXT(A2,"dd-mmm-yyyy")&" is Rs. "&TEXT(B2,"#,##,##0.00")
```

Result :

	D
2	Balance as at 31-Mar-2026 is Rs. 25,00,000.00

Without TEXT, the date and amount would appear as raw serial numbers in the joined text.

Example 7: Weekday and month names

Date codes can return names as well as numbers, useful for due-date labels and scheduling.

	A	B
1	Date	Result (Text)
2	15-Apr-2026	Wednesday, 15 April 2026

```
B2:  =TEXT(A2, "dddd, dd mmmm yyyy")
```

Result (B2): Wednesday, 15 April 2026

Practical use cases for Chartered Accountants

- Presenting amounts in the Indian lakh/crore format within reports and schedules.
- Generating fixed-width voucher, cheque or document numbers with leading zeros.
- Building statement headings and certificate wording such as "Balance as on / at … is Rs. …".
- Showing negative figures in brackets and zero balances as "Nil" in financial statements.
- Displaying ratios, margins and effective rates as clean percentages.
- Adding weekday or month-name labels to due dates and schedules.

Key features and limitations

- Available in all versions of Excel; it is not restricted to MS 365.
- The result is text, so it is left-aligned and cannot be used directly in arithmetic or SUM — keep the original value if calculations are needed.

- format_text must be enclosed in quotation marks, and literal text inside the code in doubled quotes.

- Some format codes, such as the currency symbol and separators, can depend on the system's regional settings.

- TEXT changes appearance only; it does not round the underlying value for calculation purposes, though the displayed text is rounded to the format.

Conclusion

The TEXT function bridges the gap between a value and its presentation. With a well-chosen format code it turns plain numbers and dates into polished, report-ready text, and combines effortlessly with other text to build headings, certificates and notes.

For Chartered Accountants, mastering a handful of format codes — the Indian separator, leading zeros, date patterns and the three-section custom format — covers the large majority of day-to-day reporting needs and lends a professional finish to every working.

(The author is a Madurai based Chartered Accountant in Practice. He can be reached at dungarchand@hotmail.com)

DIGITAL PERSONAL DATA PROTECTION - AN AWARENESS NOTE FOR THE PRACTISING PROFESSIONAL

(Part B)

CA. S. SANTHANAKRISHNAN

The first part of this note set out the foundation — the distinction between privacy as a constitutional concept and digital personal data privacy as a statutory regime, the parties to whom the Act speaks, and the rights it gives to the individual.

This second part turns to the other side of the picture. It deals with the obligations the Act places on the Data Fiduciary, the additional obligations placed on the Significant Data Fiduciary, the documentation the Act expects to see kept, and the operational and financial impact the Act will have on every organisation that processes digital personal data.

The obligations of the Data Fiduciary

Every Data Fiduciary, regardless of size or sector, carries a defined set of obligations under the Act.

The Data Fiduciary may process personal data only on the basis of consent given by the Data Principal, or on one of the limited "legitimate uses" the Act recognises — performance of any function under any law for the time being in force, provision of a service the Principal has voluntarily provided data for, compliance with any judgment or order, response to a medical emergency, and similar narrowly drawn categories. The legitimate-use route is narrower than it first appears, and most processing by ordinary commercial organisations will continue to rest on consent.

Where processing is based on consent, the Data Fiduciary must issue a notice to the Data Principal — in clear and plain language, in English or in any of the 22 languages listed in the Eighth Schedule of the Constitution, to be understood by the Data Principal. The notice must set out the personal data sought, the purpose of processing, the manner in which the Data Principal may exercise their rights, and the manner in which the Data Principal may complain to the Board.

The Data Fiduciary must implement reasonable security safeguards to prevent personal data breaches. These safeguards are principle-based — the Act and Rules require what is appropriate to the risk, rather than prescribing a particular technical standard.

The Data Fiduciary must notify the Board, and the affected Data Principals, in the event of a personal data breach, in the manner and within the timeline prescribed by the Rules.

The Data Fiduciary must erase personal data when the Data Principal withdraws consent or when the purpose for which it was collected is no longer served — subject, again, to retention requirements imposed by any other law in force.

The Data Fiduciary must establish a grievance redressal mechanism and respond to grievances within the period prescribed.

The Data Fiduciary must cause its Data Processors, by contract, to comply with the safeguards and obligations the Act places on the Fiduciary itself.

And the Data Fiduciary must take reasonable measures to verify the age and identity of guardians when processing the personal data of children or persons with disabilities.

These are not optional. They are the operating conditions for the lawful processing of personal data in India.

The additional obligations of the Significant Data Fiduciary

Where the Central Government has designated a Data Fiduciary or a class of Data Fiduciaries as Significant, additional obligations follow.

The Significant Data Fiduciary must appoint a Data Protection Officer, based in India, who is answerable to the board of directors or the equivalent governing body, and who serves as the point of contact for grievance redressal.

The Significant Data Fiduciary must appoint an independent data auditor and undertake periodic audits of its compliance with the Act.

The Significant Data Fiduciary must undertake Data Protection Impact Assessments at appropriate intervals — a formal exercise of identifying the personal data processing activities the entity carries out, the risks to the Data Principal arising from those activities, and the measures taken to mitigate those risks.

Designation as a Significant Data Fiduciary is, therefore, not a label. It is intent to operate on different model.

Records of Processing Activities and the discipline of logs

Two operational concepts deserve attention, even though the Act does not adopt their exact names from comparable foreign regimes.

The first is the **Record of Processing Activities**, internationally referred to as RoPA. The Act's framework of demonstrable accountability requires that a Data Fiduciary be in a position to show, on demand, what personal data it processes, on what basis, for what purpose, with whom it is shared, where it is held, and for how long. The most efficient way of being in that position is to maintain such a record. For Significant Data Fiduciaries, the impact-assessment mechanism effectively requires it. For ordinary Data Fiduciaries, it remains the most defensible documentation discipline available.

The second is the **maintenance of logs**. The discipline of logs encompasses the recording of consent and its withdrawal, the recording of access to personal data, the recording of grievances and their disposal, the recording of breaches and the response to them, and the recording of data transfers, including transfers across borders. Logs are ordinary documentation, but they are the evidence on which the Fiduciary's claim to accountability ultimately rests.

For our profession, this is familiar ground. The maintenance of records, the auditability of trails, the keeping of files that can speak for themselves — these are habits we have cultivated for other statutes. The Act asks us to extend the habit.

The impact on every organisation

The Act, taken as a whole, will alter the operating cost and the operating model of every organisation that processes digital personal data. The change is real, and it is worth setting out honestly.

Operations will change. Every digital touchpoint at which personal data is collected — a website form, a mobile application screen, a customer onboarding flow, an employee joining checklist — will need to be reviewed and, in most cases, redesigned to capture consent in the manner the Act requires. The way an organisation communicates with the Data Principal will change. The handling of correction, erasure, and grievance requests will require defined internal processes.

Consulting costs will rise. The initial assessment of an organisation's data landscape, the drafting of privacy notices and consent language, the design of internal policies, the conduct of impact assessments where applicable, and the structuring of vendor contracts will all require professional input. This is, in fact, the most immediate cost most organisations will encounter.

Training will become a recurring expense. Every employee who handles personal data — in customer service, in human resources, in finance, in operations, in technology — will need to be trained on the obligations of the Fiduciary and the rights of the Principal. The Data Protection Officer, where required, will need specialised training. Refresher training will need to be periodic, and the documentation of training will itself become an item of evidence.

Implementation costs will be substantial in the first year and modest thereafter. The redesign of forms, the amendment of vendor [data processor] contracts, the writing of internal standard operating procedures, the deployment of grievance mechanisms — these are one-time efforts that will, once done, settle into monitoring and maintenance.

Information technology infrastructure will see a new category of investment. Encryption at rest and in transit, identity and access management, data discovery and classification, audit logging systems, data subject request management workflows, and breach detection and response capabilities will become standard components of the technology estate. The IT spend for most organisations will increase. But there will be a new line in the budget.

And then there is the Consent Manager. As registered Consent Managers begin to operate, organisations will need to integrate their applications with one or more of them — through application programming interfaces, through real-time consent state lookups, through workflows that honour grants, modifications, and withdrawals as they arrive. This integration is a substantial piece of work. It introduces a dependency on an external piece of infrastructure that did not previously exist in the data protection world. The subscription model of the Consent Manager, the integration effort to link it to the organisation's existing applications, and the operational testing required will, for many organisations, be a new category of expenditure altogether.

Closing

The Digital Personal Data Protection Act is, at heart, a law about discipline — discipline in how personal data is collected, how it is used, how it is shared, how it is retained, and how it is disposed of when its purpose is done.

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SECTION 194 OF THE INCOME-TAX ACT, 1961-TAX DEDUCTION AT SOURCE ON DIVIDEND: A JUDICIAL ANALYSIS

CA. RAHUL V SHAH

I. Introduction

Section 194 of the Income-tax Act, 1961 requires a domestic company to deduct tax at source when it pays dividend to a resident shareholder. Although the provision appears straightforward, disputes frequently arise because the obligation to deduct tax depends upon whether the payment is, in law, a "dividend" as defined under section 2(22). If the payment is not dividend within that definition, a demand under section 194 will usually not survive.

The provision has undergone significant legislative changes. Following the abolition of the Dividend Distribution Tax regime by the Finance Act, 2020, the responsibility for collection shifted back to the traditional system of tax deduction at source. Companies once again became responsible for deducting tax before releasing dividend to shareholders, subject to the statutory threshold and the exemptions provided by the Act.

In practice, however, most litigation has not centred on the mechanics of deduction. The real controversy has been whether a particular payment—especially loans, advances and inter-corporate financial transactions—can properly be regarded as dividend under section 2(22), particularly section 2(22)(e). Courts have therefore examined the true nature of the transaction rather than merely the description adopted by the parties.

This article analyses the principal judicial decisions interpreting section 194 and the connected provisions. The discussion is arranged thematically so that the statutory framework, judicial developments and practical compliance issues may be understood together.

II. Statutory Framework

Section 194 obliges a domestic company to deduct tax before paying dividend to a resident shareholder. The obligation generally arises at the time of payment, whichever mode is adopted, unless the case falls within one of the statutory exemptions. No deduction is required where the aggregate dividend paid during the financial year does not exceed the prescribed threshold or where a specific exemption under the Act applies.

The provision operates as a machinery provision for collection of tax. It does not itself determine whether a payment is dividend. That question is answered by section 2(22), which defines “dividend” for the purposes of the Act. Consequently, section 194 and section

2(22) must always be read together. If a payment does not satisfy the statutory definition of dividend, the foundation for deduction under section 194 ordinarily disappears.

This distinction explains why many disputes concerning section 194 have ultimately turned on the interpretation of section 2(22)(e), which treats certain loans or advances as deemed dividend in specified circumstances.

III. Deemed Dividend and Section 194

The largest body of litigation concerns demands raised after the Revenue treated loans or advances as deemed dividend under section 2(22)(e). Judicial decisions show that such questions are intensely factual. Courts have generally examined the commercial purpose of the transaction, the identity of the shareholder, the relationship between the parties and the statutory conditions prescribed by section 2(22)(e). They have been reluctant to uphold a demand merely because money passed between related concerns.

Gardenia India Ltd. v. ACIT

In **Gardenia India Ltd. v. ACIT**, the Tribunal declined to sustain the demand under section 194 because the statutory requirements for invoking section 2(22)(e) were not satisfied on the facts.

The recipient concern was not itself the shareholder, and the Revenue could not establish the conditions necessary for treating the payment as deemed dividend. The decision illustrates that section 194 cannot operate independently of the definition contained in section 2(22).

JP Iscon Ltd. v. ACIT

A similar approach was adopted in **JP Iscon Ltd. v. ACIT**. The Tribunal examined the commercial nature of the financial transactions and held that the demand under section 194 could not be sustained merely because funds had moved between associated entities. The outcome turned upon the facts of the case rather than any broad presumption that every advance constitutes deemed dividend.

MTAR Technologies Ltd. v. DCIT

In **MTAR Technologies Ltd. v. DCIT**, the Tribunal again focused on the statutory requirements of section 2(22)(e). The Revenue's attempt to invoke section 194 was not accepted because the factual ingredients necessary for treating the transaction as deemed dividend were not established. The decision reinforces the principle that the withholding obligation depends upon the legal character of the payment.

Prima Automation (India) Pvt. Ltd.

The Tribunal reached a comparable conclusion in **Prima Automation (India) Pvt. Ltd.** The financial arrangement was examined in its commercial setting, and the demand under section 194 was not sustained on the facts. The decision demonstrates that business transactions cannot be re-characterised as dividend without satisfying the statutory requirements.

International Creations Pvt. Ltd.

In **International Creations Pvt. Ltd.**, the Tribunal likewise declined to uphold the Revenue's action. The decision recognised that commercial advances do not automatically assume the character of deemed dividend simply because the parties are closely connected.

Mateshwari Bus Operations Pvt. Ltd.

The same factual approach is evident in **Mateshwari Bus Operations Pvt. Ltd.**, where the Tribunal considered the surrounding circumstances before rejecting the Revenue's demand. Rather than applying section 194 mechanically, the Tribunal examined whether the statutory ingredients of deemed dividend were actually present.

Taken together, these Tribunal decisions do not lay down an absolute rule. Instead, they show a consistent judicial preference for examining the substance of the transaction before imposing liability under section 194.

IV. Decisions Upholding the Revenue's Stand

Judicial opinion has not always favoured the assessee. Where the statutory conditions were found to exist, courts and tribunals have upheld the applicability of section 194.

Sai Krishna Minerals Pvt. Ltd.

In **Sai Krishna Minerals Pvt. Ltd.**, the Tribunal accepted the Revenue's position on the facts before it and held that the payment attracted the provisions relating to deemed dividend. Consequently, the withholding obligation under section 194 followed.

The decision illustrates that once the factual requirements of section 2(22)(e) are established, the machinery provision under section 194 becomes fully operative.

Rahul Auto Agency Pvt. Ltd.

The dispute in **Rahul Auto Agency Pvt. Ltd.** arose primarily in the context of deduction at source and the consequences of non-compliance with statutory requirements, including the interaction with section 206AA. Although the case involved issues extending beyond section 194 itself, it underlines the importance of complying with the procedural requirements governing tax deduction.

Shyam Sundar Tea Co. Pvt. Ltd.

In **Shyam Sundar Tea Co. Pvt. Ltd.**, the Court emphasised that where a payment genuinely falls within the statutory definition of dividend, the company cannot avoid its obligation to deduct tax merely by assigning a different commercial description to the transaction.

V. Hallay Mathew

The decision in **V. Hallay Mathew** similarly recognised that compliance obligations under the Act arise once the statutory conditions are fulfilled. The Court declined to dilute those obligations where the payment answered the description of dividend under the Act.

Gourilakshmi Bayi

In **Gourilakshmi Bayi**, the Court also examined the statutory character of the payment before determining the tax consequences. The case illustrates that the applicability of section 194 ultimately depends upon the legal nature of the payment rather than the terminology adopted by the parties.

These decisions provide an important balance to the earlier authorities. They demonstrate that courts do not invariably reject the Revenue's position. Where the statutory ingredients of deemed dividend are satisfied, the obligation to deduct tax is enforced with equal consistency.

V. Judicial Principles Emerging from the Cases

Although each decision turns on its own facts, certain themes emerge with reasonable clarity.

First, section 194 is a machinery provision. Whether tax must be deducted depends upon whether the payment qualifies as dividend under section 2(22).

Secondly, courts have generally looked beyond the label attached to a transaction. Commercial advances are not treated as deemed dividend merely because the parties are related. At the same time, genuine dividend cannot escape the withholding provisions simply by being described differently.

Thirdly, disputes under section 194 are largely factual. The identity of the shareholder, the nature of the payment, the purpose of the transaction and the statutory conditions contained in section 2(22)(e) all require careful examination before liability can be imposed.

These principles provide the foundation for understanding the remaining issues under section 194, including the timing of deduction, entitlement to TDS credit, lower-deduction certificates, compliance obligations and special situations such as foreign dividends and payments made under court directions.

VI. Timing of Deduction under Section 194

Once it is established that a payment is dividend within the meaning of the Act, the next question concerns the point at which tax must be deducted. Although section 194 appears straightforward, disputes have arisen where dividend is declared on one date but paid later, or where payment is delayed because of legal or administrative reasons.

The courts have consistently treated the timing requirement as a matter of statutory compliance rather than commercial convenience.

Hindustan General Industries Ltd. v. CIT

One of the leading decisions on this aspect is **Hindustan General Industries Ltd. v. CIT**. The Court observed that a declaration of dividend does not by itself amount to payment. The obligation to deduct tax arises only when the company actually makes the payment or otherwise places the amount at the disposal of the shareholder in the manner contemplated by law.

The decision clarifies an important distinction. A shareholder may acquire a right to receive dividend upon declaration, but the company's obligation under section 194 is linked to the statutory stage of payment. Companies should therefore align their withholding procedures with the actual disbursement process rather than the date of declaration alone.

VII. Beneficial Ownership and Credit for Tax Deducted

Deducting tax is only one part of the statutory scheme. Equally important is determining who is entitled to claim credit for the tax deducted.

This issue is governed principally by **section 199**, which provides that credit for tax deducted at source is available to the person from whose income the tax has been deducted. Judicial decisions have repeatedly emphasised that the person entitled to the income is ordinarily the person entitled to the corresponding TDS credit.

Anand Kumar Bindal v. CIT

In **Anand Kumar Bindal v. CIT**, the Court considered the relationship between dividend income and credit for tax deducted at source. It recognised that credit follows the taxable income and cannot ordinarily be separated from the person who bears the tax liability on that income.

Yezdi Hirji Malegam v. CIT

A similar principle emerged in **Yezdi Hirji Malegam v. CIT**, where the Court examined entitlement to TDS credit in the context of dividend income. The decision reinforces that beneficial ownership and taxability are closely connected for purposes of section 199.

Karam Chand Thapar & Bros. Pvt. Ltd. v. CIT

The same approach is reflected in **Karam Chand Thapar & Bros. Pvt. Ltd. v. CIT**, where the Court recognised that tax deducted at source is not an independent asset. It accompanies the income against which the deduction has been made.

Collectively, these decisions show that section 194 cannot be viewed in isolation. Proper deduction must be accompanied by correct reporting so that the person legally assessable to tax receives the corresponding credit.

VIII. Certificates for Lower or Nil Deduction under Section 197

The Income-tax Act recognises that deduction at the normal rate may not always be appropriate. Section 197 therefore permits the Assessing Officer to issue a certificate authorising deduction at a lower rate or permitting payment without deduction.

Where such a certificate is produced, the company must comply with its terms. Failure to honour a valid certificate may expose the deductor to unnecessary disputes and administrative consequences.

Nav Bharat Vanijya Ltd. v. CIT (Calcutta High Court)

In **Nav Bharat Vanijya Ltd. v. CIT**, the Calcutta High Court highlighted the significance of statutory certificates issued under the Act. The decision illustrates that once the prescribed authority grants relief under the statutory mechanism, the deductor must give effect to that determination in accordance with its terms.

The judgment serves as a reminder that section 197 forms an integral part of the withholding framework and cannot be ignored while implementing section 194.

IX. Failure to Deposit Tax after Deduction

Deduction is only the first step. The statutory obligation is completed only when the amount deducted is deposited with the Government within the prescribed time.

Failure to deposit tax may result in interest, penalty and, in appropriate cases, prosecution.

Shyam Sundar Tea Co. Pvt. Ltd.

The Court in **Shyam Sundar Tea Co. Pvt. Ltd.** stressed that compliance with withholding provisions extends beyond deduction itself. Once tax has been deducted, timely remittance to the Government is a statutory obligation.

V. Hallay Mathew

In **V. Hallay Mathew**, the Court similarly recognised that failure to comply with the procedural requirements governing tax deduction may attract the statutory consequences provided under the Act.

Laxmi Ratan Cotton Mills Co. Ltd.

An important procedural aspect was considered in **Laxmi Ratan Cotton Mills Co. Ltd.** The Court observed that, where prosecution becomes necessary, proceedings should ordinarily be directed against the company through its principal officer in accordance with the statutory scheme. The decision illustrates that enforcement provisions must also be implemented in the manner prescribed by law.

These cases underline a practical lesson. Compliance under section 194 does not end when tax is deducted. Accurate reporting, timely deposit and proper documentation are equally essential.

X. Court-Directed Payments and Practical Compliance

Occasionally, dividend cannot be paid directly to shareholders because of pending litigation or orders passed by a court. In such situations, companies must comply simultaneously with judicial directions and tax obligations.

Bhagwati Developers Pvt. Ltd. v. Tuhin Kanti Ghosh (Calcutta High Court, 2021)

A useful illustration is provided by **Bhagwati Developers Pvt. Ltd. v. Tuhin Kanti Ghosh**.

In that case, the Court directed that dividend amounts be deposited with the Joint Special Officers appointed by the Court instead of being released directly to the parties. The arrangement ensured that the disputed funds remained protected pending adjudication.

Although the payment mechanism differed from an ordinary dividend distribution, the decision demonstrates that companies must adapt their compliance procedures to judicial directions while continuing to fulfil their statutory obligations wherever applicable. It highlights the practical interaction between company law, civil procedure and tax administration.

XI. Foreign Dividends: A Distinct Category

The following authorities are not direct decisions on section 194. They nevertheless provide useful context because they explain the tax treatment of foreign dividend income.

Section 194 applies only to dividends paid by domestic companies to resident shareholders. It does not regulate withholding by foreign companies.

CIT v. Cotton Fabrics Ltd.

The Court recognised that foreign withholding taxes operate under the law of the source country and are conceptually distinct from the Indian withholding provisions.

Shaw Wallace & Co. Ltd. v. CIT

The decision similarly distinguished foreign tax deductions from the operation of Indian TDS provisions.

CIT v. Ambalal Kilachand

The Court examined the computation of foreign dividend income and recognised the distinct treatment applicable to overseas withholding.

Yawar Rashid v. ITO

The Tribunal likewise dealt with the taxation of foreign dividend receipts and the consequences of foreign tax deduction.

Read together, these decisions demonstrate that section 194 forms part of India's domestic withholding regime. Foreign withholding taxes arise under different statutory systems and must not be confused with the obligations imposed on Indian companies.

XII. Liquidation, Buy-back and Other Exceptional Situations

Certain judicial decisions concern distributions that fall outside the ordinary pattern of dividend declared by a going company. Although they are not conventional section 194 cases, they help explain the limits of the withholding provisions.

Kanhaiya Lal Bhargava v. Official Liquidator

The decision arose in the context of payments made during corporate liquidation. It illustrates that distributions made by a liquidator may involve legal considerations different from those governing ordinary dividend payments.

PNB Finance & Industries Ltd. v. Miss Gita Kripalani

The Delhi High Court considered issues arising from distributions made in special corporate circumstances. The decision is useful in understanding that not every payment made by a company to its shareholders falls within the ordinary framework of section 194.

These authorities should therefore be viewed as illustrating exceptional corporate situations rather than laying down general principles applicable to routine dividend payments.

XIII. Conclusion

The judicial decisions discussed in this article reveal that section 194 performs a limited but important function within the Income-tax Act. It is a withholding provision designed to facilitate collection of tax on dividend income. Whether the obligation to deduct tax arises depends fundamentally upon the statutory definition of "dividend" contained in section 2(22).

The case law also demonstrates that courts have generally avoided mechanical application of the provision. Commercial advances are not automatically treated as deemed dividend merely because they involve related parties. Equally, where the statutory ingredients of deemed dividend are established, courts have enforced the withholding obligation without hesitation.

The decisions further show that compliance extends beyond deduction itself. Companies must determine the correct character of the payment, deduct tax at the appropriate stage, honour certificates issued under section 197, deposit the tax within the prescribed time, ensure that TDS credit reaches the correct taxpayer under section 199, and adapt their procedures where payments are made under court directions or in other exceptional situations.

From a practical perspective, companies may find it useful to keep the following checklist in mind:

- Confirm that the payment qualifies as dividend under section 2(22) before applying section 194.

- Examine the factual requirements of section 2(22)(e) carefully in cases involving loans or advances.

- Deduct tax at the statutory stage of payment.

- Give effect to valid certificates issued under section 197.

- Deposit the tax deducted within the prescribed time and maintain complete compliance records.

- Ensure that TDS reporting correctly reflects the person entitled to credit under section 199.

- Exercise additional care in special situations such as court-directed payments, liquidation proceedings and cross-border dividend transactions.

Ultimately, **section 194 is a compliance provision, not a catch-all charging mechanism. Its application depends upon the true legal character of the payment and the status of the recipient under the Income-tax Act.**

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ABOUT OURSELVES

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During the middle of 1978 a handful of young chartered accountants, based on MADRAS (as it then was) met periodically to discuss matters of professional relevance and significance and to widen the knowledge exposure and skills. From a limited role of discussions on tax laws and corporate laws, we have become full fledged treasure-house of talent mobilization. More than two third of our speakers / Chief guests have made their first ever public Speech under our banner.

The organization is proud that many of its members have become men of great eminence including three of its members being occupants of coveted position of the President of the Institute of Chartered Accountants of India and a number of members have been serving in the Regional and Central Councils of ICAI, ICSI, Chambers of Commerce and other Bodies. The members of CASC are interspersed in the society and more particularly in practice and in the industry.

The membership of CASC is in the form of Life, Corporate and Annual Membership.

The Composition of the members includes lawyers, company secretaries, consultants and members of the other allied and related professions. Besides our regular meetings, the CASC organizes with regularity, workshop, refresher courses, seminars and group discussions on all professional related subjects and topics in its self owned fully Air-Conditioned Premises at central location in Chennai with the state of the art infrastructure.

Every Year, scholarship are granted to meritorious students of the CA Course through the various endowments created by members and their families.

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Our monthly publication, the CASC bulletin contains thought provoking articles, exchange of problems and solution and digest of recent discussions, notifications and circulars.

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