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Case Law 1:

IN THE KOLKATA BENCH OF THE INCOME TAX APPELLATE TRIBUNAL SAROJ GOENKA V. INCOME TAX OFFICER JANUARY 12, 2026

Facts:

The assessee, Saroj Goenka, an individual, sold 36,00,000 equity shares of Emami Ltd. on 13 July 2020, resulting in long-term capital gains of ₹26,77,72,881. The assessee claimed exemption under Section 54F of the Income-tax Act, 1961, on the ground that the entire capital gains were invested in the construction of a new residential house at 1, Queens Park, Kolkata, jointly with other family members.

The construction of the said residential property had commenced prior to the sale of shares and continued over a period spanning from 2015 to 2022. The construction was completed on 9 June 2022, i.e., within three years from the date of transfer of the original

capital asset. The total cost of construction incurred up to 31 March 2021 was ₹53.86 crore, which exceeded the amount of capital gains earned by the assessee.

The Assessing Officer denied the claim of exemption under Section 54F on three grounds. Firstly, it was held that the proviso to Section 54F(1) was attracted since the assessee was the owner of more than one residential house, namely a property at 13, B.T. Road and another at 110, Southern Avenue. Secondly, it was alleged that the construction of the new residential house had commenced prior to the sale of shares and that the sale proceeds were not directly utilised for the construction. Thirdly, the Assessing Officer alleged that the sale of shares was a colourable device to avoid tax, contending that the shares had been gifted to the assessee by her spouse.

On appeal, the Commissioner of Income Tax (Appeals) upheld the order of the Assessing Officer. Aggrieved thereby, the assessee carried the matter in appeal before the Income Tax Appellate Tribunal.

Held:

The Tribunal allowed the appeal filed by the assessee and set aside the orders of the lower authorities. On the issue of ownership of more than one residential house, the Tribunal examined the nature of the property situated at 13, B.T. Road and found that the assessee was merely the owner of vacant land. The superstructure constructed on the said land was an industrial factory built and owned by the tenant under the terms of the tenancy agreement dated 31 March 1997 and the renewal agreement dated 1 April 2018. The Tribunal observed that the Assessing Officer failed to disprove the confirmation issued by the tenant acknowledging ownership of the superstructure. Accordingly, the property at 13, B.T. Road did not qualify as a residential house for the purposes of the proviso to Section 54F(1).

With regard to the property at 110, Southern Avenue, the Tribunal noted that the said property was a jointly owned family property in which the assessee was one of several co-owners and not the exclusive owner. Relying on the decision of the Madras High Court in *Dr. Smt. P.K. Vasanthi Rangarajan v. CIT* and the decision of the Delhi Bench of the Tribunal in *Deepak Kothari v. ACIT*, the Tribunal held that joint ownership of a residential property does not disentitle an assessee from claiming exemption under Section 54F, as the proviso applies only where the assessee is the exclusive owner of more than one residential house.

The Tribunal further rejected the contention of the Assessing Officer that the assessee was disentitled to exemption merely because the construction of the new residential house had commenced prior to the date of sale of the

capital asset. It was held that Section 54F does not mandate that construction must commence only after the transfer of the original asset. The relevant requirement is that the construction should be completed within three years from the date of transfer. Since the assessee had completed the construction within the prescribed period, the condition under Section 54F stood satisfied.

On the issue of utilisation of sale proceeds, the Tribunal held that there is no statutory requirement under Section 54F that the sale consideration must be directly utilised for construction of the new residential house. Placing reliance on the judgment of the Karnataka High Court in *CIT v. Anandraj*, the Tribunal held that as long as the amount invested in construction exceeds the consideration received on sale of the capital asset, the exemption cannot be denied.

The Tribunal also rejected the allegation that the transaction was a colourable device. It was found that the shares had been received by the assessee as a gift from her husband's brother and not from her spouse, rendering the clubbing provisions under Section 64 inapplicable. The Tribunal also took note of the fact that exemption under Section 54F had been allowed to another family member on identical facts in an earlier assessment year.

In view of the above findings, the Tribunal held that the assessee had fulfilled all the conditions prescribed under Section 54F of the Act. The denial of exemption by the lower authorities was therefore unjustified. Accordingly, the order of the Commissioner (Appeals) was set aside and the Assessing Officer was directed to allow exemption under Section 54F as claimed by the assessee.

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Case Law 2:

IN THE INCOME TAX APPELLATE TRIBUNAL, DELHI BENCH 'H' DEPUTY COMMISSIONER OF INCOME-TAX v. KOYA AND COMPANY CONSTRUCTION LTD. NOVEMBER 26, 2025

Facts:

The assessee, Koya and Company Construction Ltd., is an infrastructure company engaged in execution of turnkey pipeline and allied civil construction works. During the relevant assessment year 2017-18, the assessee was awarded the APSIDC Choutupalli project for construction and development of a lift irrigation scheme from the Pulichintala reservoir. For execution of the civil works component of the said project, the assessee sub-contracted the civil construction work to its associated enterprise, M/s MEIL, while the remaining pipeline and engineering works were executed by the assessee itself.

During the year under consideration, the assessee reported specified domestic transactions with its associated enterprise and maintained transfer pricing documentation in accordance with section 92D of the Income-tax Act, 1961. The assessee adopted the Transactional Net Margin Method as the most appropriate method at the entity level and claimed that the specified domestic transactions were at arm's length.

The Assessing Officer made a reference to the Transfer Pricing Officer in respect of the specified domestic transactions. The Transfer Pricing Officer rejected the transfer pricing study of the assessee and treated the APSIDC Choutupalli project, which was eligible for deduction under section 80-IA, as the tested

party. The Transfer Pricing Officer observed that the profit margin of the project was 48.90 per cent as against an arm's length margin of 11.49 per cent and concluded that there existed an arrangement between the assessee and its associated enterprise to manipulate profits of the eligible unit. On this basis, an adjustment of ₹2.57 crore was proposed in respect of the specified domestic transactions. The Assessing Officer also made an ad hoc disallowance of 10 per cent of expenses claimed under the heads conveyance, travelling and vehicle maintenance on the ground that the assessee failed to furnish supporting documents and failed to establish that the expenses were incurred wholly and exclusively for business purposes.

On appeal, the Commissioner (Appeals) deleted both the transfer pricing adjustment and the ad hoc disallowance. Aggrieved thereby, the Revenue filed an appeal before the Tribunal.

Held:

The Tribunal dismissed the appeal filed by the Revenue. On the issue of transfer pricing adjustment, the Tribunal observed that the APSIDC Choutupalli project was awarded to the assessee in the year 2014 and the civil works were sub-contracted to the associated enterprise only for ease of execution. The entire civil work was awarded on a back-to-back basis and the assessee retained only 2 per cent of the contract value, despite the fact that the assessee was eligible for deduction under section 80-IA.

The Tribunal took note of the comparative data placed on record showing turnover and profit margins earned by the assessee from related

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and unrelated party transactions in both section 80-IA and non-80-IA projects. It was found that the assessee had consistently earned lower margins from related party transactions as compared to unrelated party transactions. Specifically, the assessee earned margins of only 5.94 per cent from related party transactions as against 10.02 per cent from other projects. This factual matrix, according to the Tribunal, completely negated the allegation of profit inflation or arrangement to shift profits to the eligible unit.

With respect to the APSIDC project, the Tribunal noted that the assessee had consciously retained only 2 per cent margin from the sub-contracted civil works, while profits were earned from other components of the project. There was no material brought on record by the Revenue to establish that the assessee was involved in any under-billing or manipulation of profits. The Tribunal also accepted the explanation that the difference in profit estimation pertaining to earlier years was seen to have been accounted for in the financial year 2016-17.

In the absence of any cogent material to demonstrate profit shifting or artificial inflation of profits, the Tribunal held that the adjustment proposed by the Assessing Officer and the Transfer Pricing Officer was not justified. The findings of the Commissioner (Appeals) deleting the transfer pricing adjustment were therefore upheld.

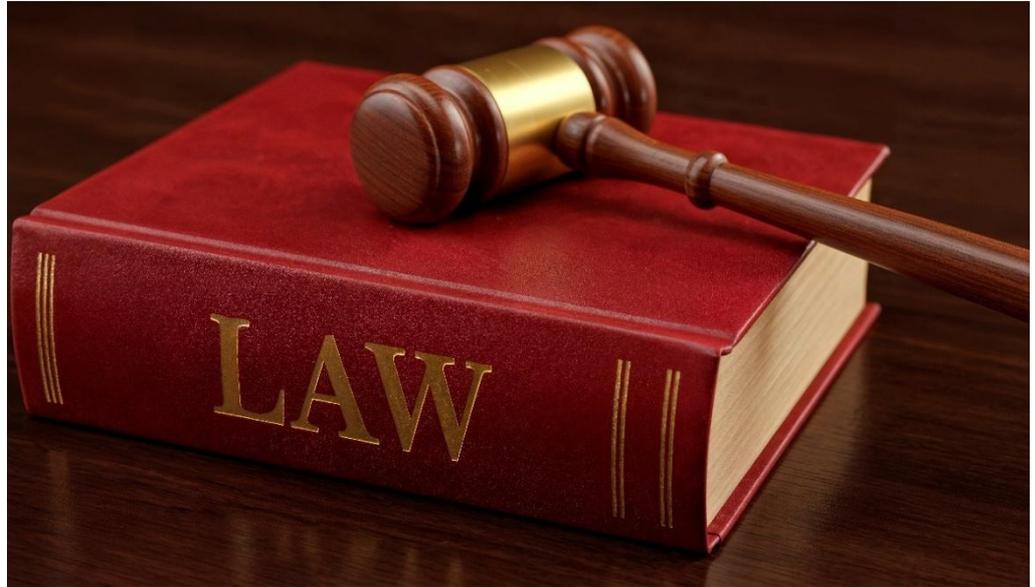
On the issue of ad hoc disallowance of expenses, the Tribunal observed that the Assessing Officer had neither identified any

specific expenditure as non-business or personal in nature nor rejected the books of account of the assessee. The disallowance was made purely on an ad hoc basis without verification of bills or vouchers. The Tribunal held that such ad hoc disallowance was unsustainable in law and accordingly upheld the order of the Commissioner (Appeals).

In view of the above, the appeal filed by the Revenue was dismissed.

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Case Law 1:

**Commissioner of Delhi Goods and Service Tax
DGST Delhi v. Global Opportunities Pvt. Ltd.**
[Delhi High Court, Writ Tax No. 10189 of 2025,
decided 25.09.2025]

Facts:

The Commissioner of Delhi GST filed a writ petition before the Delhi High Court challenging the appellate orders (Forms GST APL-04 dated 10.08.2024 and 04.10.2024). These orders allowed GST refund to Global Opportunities Private Limited on the ground that the services provided by it qualified as export of services.

The main issues before the Court were :

- Whether the services provided by the respondent to foreign universities qualify as export of services.
- Whether the respondent is an intermediary under Section 2(13) of the IGST Act, 2017.

Respondent's Stand:

The respondent is engaged in providing educational consultancy services to Indian students intending to pursue higher education abroad. It has entered into agreements with foreign educational institutions (FEIs).

The respondent submitted that:

- It does not act as an agent or intermediary of the foreign universities.
- The relationship with foreign universities is on a **principal-to-principal basis**.
- It provides consultancy and marketing services on its own account.
- Consideration for such services is received from foreign universities, mostly in foreign exchange.

Accordingly, the respondent claimed that its services qualify as **export of services** and that GST refund was rightly granted.

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Department's Stand:

The Department contended that the respondent acts as an intermediary for foreign universities as defined under Section 2(13) of the IGST Act.

The Department argued that:

- The respondent facilitates admissions of students into foreign universities and receives commission for the same.
- Certain clauses in the agreements describe the respondent as an “agent”.
- As intermediary services fall under Section 13(8)(b) of the IGST Act, the place of supply is deemed to be in India.

On this basis, the Department submitted that the services cannot be treated as export of services and the refund granted by the Appellate Authority was incorrect.

Court Findings:

The Court examined the nature of services provided, the agreements, and the statutory provisions under the IGST Act.

The Court held that :

- An intermediary is a person who only arranges or facilitates the supply of services between two parties.
- A person who supplies services on its own account does not fall within the definition of intermediary.
- The respondent provides consultancy services directly to foreign universities and receives consideration from them.

- The students may benefit from the services, but they are not the recipients of the service under GST law.
- The Court found that the Appellate Authority had correctly appreciated the facts and law.

Judgement Issued:

The Delhi High Court dismissed the writ petition filed by the Department. It upheld the appellate orders granting GST refund to the respondent and directed the Department to process and release the refund along with applicable statutory interest within two months.

Key Highlight:

The most crucial bulletin of this judgement is regarding applicability of Section 13(8)(b)- Place of supply for intermediary services.

As per 56th GST Council Meeting held on 2nd September 2025, it is recommended to Omit section 13(8)(b) of IGST Act which currently states that Place of supply for intermediary services shall be the location of supplier of services. Further, to determine place of supply for intermediary services Section 13(2) of IGST Act shall be applicable which states that place of supply shall be the location of recipient of services, thereby helping Indian Exporters of such services to claim export benefits. However, the official notification for omission of section 13(8)(b) was awaited by CBIC.

Notwithstanding the recommendatory character of GST Council decisions, the Court has relied upon the Council's recommendation for omission of Section 13(8)(b), thereby retrospectively endorsing the policy with a

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policy intent to treat intermediary services as export of services.

Budget 2026 Delivers:

Government of India has finally actioned this recommendation by officially omitting Section 13(8)(b) of the IGST Act, clearing all ambiguity

and aligning the place of supply for intermediary services with Section 13(2) to enable export benefits for Indian exporters.

Importance of this Judgement :

- It clearly holds that educational consultancy services provided to foreign universities are not intermediary services.
- It reiterates that the recipient of service is determined by contractual obligation and payment, not by who ultimately benefits.
- It reinforces settled judicial principles on export of services under GST.
- It provides clarity and certainty for GST refund claims in cases involving consultancy and marketing services provided to foreign entities



Revolutionizing Internal Audit – AI Transformation

Sankalp Shivam

Internal audit focuses on reviewing a company’s internal controls—the rules and processes designed to manage risk and ensure operational accuracy. While this manual approach worked in the past, today’s digital businesses generate massive volumes of data every day, with risks evolving faster than ever before. Consequently, Artificial Intelligence (AI) has become a critical differentiator. By scanning vast datasets to identify patterns and anomalies in real time, AI enables auditors to move beyond small samples to review entire populations. This transition allows the audit function to evolve from a backward-looking exercise into a proactive, strategic partner that identifies risks before they materialize

Diving into AI landscape—Models, Software, and Tools :

Key Advantages :

- **From Manual Verification to Autonomous Workflows**

AI helps automate repetitive audit activities such as checking transactions, matching data, and verifying records. By using AI Software, internal auditors can reduce manual effort and shift their focus towards understanding risks, evaluating internal controls, and providing value-added recommendations to management.

- **Beyond Sampling: Achieving Total Data Oversight**

AI enables the analysis of large volumes of data that would otherwise be difficult to review manually. Internal auditors can use AI Tools to examine complete datasets instead of limited samples, allowing them to gain deeper insights into business operations and make more accurate and reliable audit conclusions.

- **Shift To Predictive Auditing**

By analysing past data and identifying patterns, AI can highlight areas that are likely to face risks in the future. Internal auditors can use these insights to plan audits proactively and advise management on preventive measures, helping organisations address issues before they arise.

- **Continuous Monitoring**

AI allows continuous monitoring of transactions and internal controls throughout the year rather than at fixed audit intervals. Internal auditors can rely on real-time alerts and dashboards to identify control weaknesses promptly and provide timely verification to management.

▪ **Empowering the Human Element: AI-Driven Decision Support**

AI supports internal auditors by providing data-driven insights and trends that improve audit judgement. By using AI-generated information, auditors can focus on higher-level analysis and decision-making while remaining responsible for interpreting results and forming audit opinions.

AI strengthens internal audit by improving efficiency, insight, and responsiveness—while the auditor remains central to judgement and accountability.

Key Challenges :

▪ **Confidentiality Compromise: The High Stakes of Large-Scale Data Handling**

AI systems rely on large amounts of company data, including sensitive financial and personal information. If this data is not properly protected, there is a risk of data leaks, misuse, or unauthorised access. Organisations must ensure strong data security measures and clear access controls. Internal auditors also need to be cautious while using AI software's and ensure that data confidentiality and privacy requirements are always followed.

▪ **Integration with Existing Systems**

Many organisations use multiple legacy systems for accounting, operations, and reporting. Integrating AI software with these existing systems can be complex and time-consuming. Internal auditors may face challenges when data is incomplete, inconsistent, or spread across different systems. Proper coordination with IT teams is required to ensure that AI software receive accurate and reliable data for effective audit analysis.

▪ **Guardians of Fairness: Auditing the Integrity of the AI Itself**

AI works based on the data it is trained on. If the data contains bias or errors, the AI system may produce misleading or unfair results. Internal auditors must apply professional judgement while interpreting AI outputs and not rely blindly on automated results. Regular review of AI models is necessary to ensure fairness, transparency, and ethical use.

▪ **The Capital Barrier: Navigating High Entry Costs and Infrastructure Demands**

Implementing AI solutions requires significant investment in technology, infrastructure, and software. Smaller organisations may find it difficult to justify the cost or adapt quickly to new systems. Internal auditors should understand the cost-benefit aspect of AI adoption and ensure that technology investments align with the organisation's risk profile and audit objectives.

▪ **The Black Box Dilemma**

Many AI models (especially deep learning) are "black boxes," meaning they don't explain why they reached a certain conclusion. If an internal auditor cannot explain the logic behind a flagged anomaly to the Board or Audit Committee, they lose their role as a "reliable witness" to the organization's controls.

Navigating these advantages and risks reveals that AI's true value lies not in blind adoption, but in a deliberate and thoughtful integration that balances technical efficiency with ethical oversight.

Conclusion :

Artificial Intelligence is undoubtedly transforming the way internal audits are conducted. It brings speed, accuracy, and the ability to analyse vast amounts of data that were previously impossible to review manually. By enabling continuous monitoring, predictive insights, and smarter analysis, AI is helping internal audit move from a reactive function to a proactive one that adds real value to the organisation.

However, technology alone cannot replace the essence of internal audit. Professional judgement, ethical reasoning, business understanding, and the ability to interpret context remain core human strengths. AI can identify patterns and highlight risks, but it is the internal auditor who evaluates their significance, challenges assumptions, and decides the right course of action. The effectiveness of AI in internal audit ultimately depends on how well auditors understand and use it.

Rather than reducing the importance of internal auditors, AI enhances their role. It acts as a powerful enabler that frees auditors from routine tasks and allows them to focus on higher-value activities such as risk advisory, strategic insights, and governance support. The future of internal audit, therefore, is not driven by AI alone, but by auditors who are aligned with using AI which strengthens their decision making.

IBA NEWS

Training : What's Holding You Back



The session focused on identifying personal barriers, overcoming self-limiting beliefs, and building a growth-oriented mindset. It was an engaging and motivating experience with practical takeaways for both personal and professional development

Townhall & Quarterly Awards



Our recent Townhall brought teams together for key updates and open discussions, followed by the Quarterly Awards celebrating outstanding contributions and achievements

UPCOMING COMPLIANCES

Date	Compliance
Feb 11, 2026	Due Date for filing of Form GSTR-1 for the tax period January 2026 for the registered taxpayers who have opted for monthly filing of GST Returns.
Feb 13, 2026	Due Date for filing of IFF for the tax period January 2026 for the registered taxpayers who have opted for quarterly filing of GST Returns
	Due Date for filing of Form GSTR-6 for the period January 2026 for the registered taxpayers who have obtained Input Service Distributor (ISD) registration
Feb 14, 2026	Due date for issue of TDS Certificate for tax deducted under section 194-IA , section 194-IB , section 194M and section 194S in the month of December, 2025
Feb 15, 2026	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2025
	Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of January, 2026 has been paid without the production of a challan
Feb 20, 2026	Due Date for filing of Form GSTR-3B for the period January 2026 for the registered taxpayers who have opted for monthly filing of GST Returns

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About Us

IBA is a leading financial and legal advisory company with specialization in Assurance, Risk Consulting, Legal, Direct Tax, Indirect Tax (GST), and Corporate Advisory for midsize, SMEs, and start-up firms. IBA constitutes a young team of pathbreaking professionals, who believe in creating value through innovation and creativity to provide ultimate client satisfaction. Clients benefit from our fresh thinking, constructive challenge, and practical understanding of the issues they face. We aim to alloy a perfect blend of professionalism with high standards of service, in our pursuit of excellence.

Founded in the Year 2003, the company witnessed immense growth from 2 members to currently a 200 members team. IBA continues to offer wholesome service experience to boost highly valued client relationships by combining the technical and industry expertise together with a personal commitment to optimize client service.

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We have our branch offices in Gurugram, Mumbai, Bengaluru and New York and associate arrangements in other major cities of USA and India.

A joint initiative of International Business Advisors LLP (IBA) and
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