

**IN THE INCOME TAX APPELLATE TRIBUNAL, 'E' BENCH  
MUMBAI**

**BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER  
&  
SHRI ARUN KHODPIA, ACCOUNTANT MEMBER**

**ITA No.7826/Mum/2025 & 7756/Mum/2025  
(Assessment Year :2018-19)**

TML Benefit Trust Gateway Building Apollo Bunder Mumbai- 400 001	Vs.	Addl/Joint/Deputy/ Assistant CIT (NFAC), Delhi
<b>PAN/GIR No.AACTT1740L</b>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

Assessee by	Shri Harsh Kapadia
Revenue by	Shri Ritesh Misra, CIT DR
<b>Date of Hearing</b>	<b>19/02/2026</b>
<b>Date of Pronouncement</b>	<b>20/02/2026</b>

**आदेश / O R D E R**

**PER AMIT SHUKLA (J.M):**

These two appeals, though arising out of two different statutory proceedings, arise out of a common issue, namely, the tax treatment of dividend income of ₹86,40,00,000/- received by the assessee-trust from Tech Mahindra Limited ("TML") during Assessment Year 2018-19 and the legality of its disturbance at the stage of processing under section 143(1) of the Income-tax Act, 1961 ("the Act"), despite the very

same claim having been specifically examined and accepted in a subsequent regular scrutiny assessment under section 143(3). One appeal relates to the quantum assessment order passed under section 143(3) dated 08.10.2025; the other appeal assails the adjustment made while processing the return under section 143(1), which culminated in the appellate order dated 27.03.2022 passed by the NFAC on the same issue. Since the factual matrix is interwoven and the legal issue substantially overlaps, both appeals have been heard together and are disposed of by this consolidated order.

2. Briefly stated, the assessee is TML Benefit Trust, formulated on 05.12.2012 with the object of holding equity shares of Tech Mahindra Limited which were issued to the Trust in lieu of shares of Satyam Computer Services Limited pursuant to a scheme of amalgamation and arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay. Tech Mahindra Limited is the settlor as well as the sole beneficiary of the Trust. Thus, the Trust is not a commercial venture in the ordinary sense but a structured holding vehicle created pursuant to a court-approved arrangement, existing exclusively for the benefit of TML.

3. For A.Y. 2018-19, the assessee electronically filed its return of income on 10.07.2018 declaring a loss of ₹1,40,700/-. During the year, the assessee received dividend

income of ₹86,40,00,000/- from Tech Mahindra Limited, a domestic company. At the relevant time, dividend distributed by a domestic company was subject to Dividend Distribution Tax (DDT) in the hands of the company under section 115-O, and correspondingly the dividend income in the hands of the recipient was claimed exempt under section 10(34). In the return of income, the assessee disclosed the dividend income as exempt and reflected the same in the appropriate schedule of the return, particularly in Schedule BP as exempt income.

4. The return was processed under section 143(1). While processing, CPC made an adjustment treating the claim as an “incorrect claim” within the meaning of section 143(1)(a)(ii), primarily on the premise that in Schedule BP, income credited to Profit & Loss account which is exempt (shown at item 5(d)) was inconsistent with the exempt income schedule / reporting, and consequently the entire amount of exempt dividend was adjusted to income. The adjustment sheet reflects that the figure of ₹86,40,00,000/- was picked up and treated as liable to be added, thereby nullifying the assessee’s claim of exemption.

5. Parallely, and significantly, the assessee’s case thereafter travelled through scrutiny assessment proceedings under section 143(3). During the course of assessment, the Assessing Officer raised a specific and pointed query on the

very same dividend receipt. The Assessing Officer noticed that the assessee had claimed exempt income on account of dividend of ₹86,40,00,000/- and called upon the assessee to justify the same and explain the applicability of the relevant provisions relating to tax on certain dividends.

6. The assessee furnished a detailed reply explaining the genesis of the Trust, its status, and the exclusive beneficiary being TML. It clarified that the dividend was received from a domestic company which had paid DDT and that, as per the provisions applicable for the year under consideration, dividend referred to in section 115-O was exempt under section 10(34). The assessee also explained why the provisions relating to tax on certain dividends were not attracted in its case.

7. After considering the assessee's explanation, the documents placed on record, and the statutory framework governing dividend taxation during the relevant year, the Assessing Officer completed the scrutiny assessment under section 143(3) without making any addition on account of dividend income. The query raised during assessment proceedings specifically called upon the assessee to justify the exemption claimed and to explain the applicability of the provisions relating to taxation of dividend income exceeding the prescribed threshold. The assessee's reply was placed on

record, detailing the fact that TML had paid Dividend Distribution Tax under section 115-O and that by virtue of section 10(34), the dividend received by the Trust was exempt in its hands. Upon such consideration, the Assessing Officer did not draw any adverse inference and consciously accepted the returned position. Thus, the scrutiny assessment order reflects a clear application of mind to the very issue which was earlier subjected to mechanical adjustment at the processing stage.

8. The assessee has strongly contended before us that once the claim of exemption on dividend income was examined and accepted in the regular assessment under section 143(3), any adjustment made under section 143(1) on that very issue cannot be sustained. It is submitted that section 143(1) contemplates only prima facie adjustments and does not authorize a re-characterization of income or rejection of a substantive exemption claim which requires legal interpretation. The learned counsel emphasized that the dividend income was fully disclosed in the return and was reflected in the schedules; therefore, there was neither concealment nor misreporting, and the adjustment made by CPC on the alleged ground of "incorrect column reporting" is legally untenable.

9. We have heard rival submissions and perused the material placed on record including the assessment query and reply during section 143(3) proceedings, and the processing sheet under section 143(1) reflecting the specific adjustment of ₹86,40,00,000/-. The record unmistakably demonstrates that the dividend income was disclosed and that the only dispute pertains to its taxability.

10. The scope of section 143(1) is circumscribed and limited to adjustments which are apparent from the return itself. It does not empower the Revenue to adjudicate upon debatable issues of law or to disturb a claim which requires interpretative analysis of statutory provisions. Whether dividend income is exempt under section 10(34) or otherwise taxable is a matter of substantive law and cannot be determined merely on the basis of an algorithmic mismatch in schedules.

11. In the present case, the dividend receipt is not disputed. The assessee has disclosed the income and claimed exemption in accordance with its understanding of the law. The CPC's action, in effect, amounts to rejection of the exemption claim itself, which travels beyond the limited jurisdiction of section 143(1)(a). Such an issue is properly within the domain of regular assessment and not summary processing.

12. More significantly, the subsequent scrutiny assessment under section 143(3) has specifically examined the issue. A pointed query was raised; the assessee furnished a detailed explanation; and the Assessing Officer, after considering the statutory provisions and the assessee's submissions, accepted the claim. The assessment under section 143(3) is a conscious and reasoned determination of income after enquiry and application of mind.

13. Once a regular assessment has been framed accepting the exemption claim, the earlier processing under section 143(1) cannot survive to the extent it takes a contrary view on the same issue. A summary intimation cannot override or contradict a concluded scrutiny assessment. To hold otherwise would lead to an incongruous situation where a mechanical processing adjustment continues to subsist in the face of a conscious assessment order on the very same point.

14. The adjustment under section 143(1), therefore, stands vitiated both on jurisdictional grounds and on account of its inconsistency with the scrutiny assessment. The scheme of the Act does not contemplate parallel and conflicting determinations on the same issue for the same assessment year.

15. The CPC has primarily proceeded on the premise that the exempt income was reflected in an incorrect schedule or column of the return. Even assuming there was any reporting mismatch, such a technical aspect cannot render an otherwise disclosed and statutorily exempt receipt taxable. The character of income must be determined on the basis of substantive provisions of the Act and not merely on placement within a particular column of the return.

16. In view of the aforesaid discussion, we hold that the adjustment of the dividend amount of ₹86,40,00,000/- made while processing the return under section 143(1) is not sustainable. Consequently, the intimation under section 143(1) to that extent is quashed, and the computation-sheet adjustment whereby the exempt dividend income was added back to the total income is directed to be deleted in entirety. The appellate order of NFAC dated 27.03.2022, insofar as it sustains the said adjustment, is set aside.

17. Accordingly, the appeal relating to the adjustment under section 143(1) is allowed, and the addition/adjustment of exempt dividend income of ₹86,40,00,000/- stands deleted.

18. As regards the scrutiny assessment under section 143(3) dated 08.10.2025, it is an admitted and undisputed position

that no adverse addition on account of dividend income was made therein. The Assessing Officer, after raising a specific query and examining the explanation of the assessee in detail, accepted the claim of exemption and completed the assessment accordingly.

19. In such circumstances, no grievance adverse to the assessee survives in the scrutiny assessment on this issue. Rather, the acceptance of the claim in scrutiny assessment reinforces and fortifies the conclusion that the adjustment made under section 143(1) was unsustainable in law.

20. Accordingly, the appeal relating to the assessment order under section 143(3) is disposed of in the above terms, there being no surviving addition on the dividend issue.

21. In the result:

(i) The appeal against the adjustment under section 143(1) (NFAC order dated 27.03.2022) is allowed. The intimation under section 143(1) is quashed to the extent it makes an adjustment of ₹86,40,00,000/- on account of exempt dividend income, and the said adjustment in the computation sheet is deleted.

(ii) The appeal relating to the scrutiny assessment order under section 143(3) dated 08.10.2025 is disposed of as above, no adverse addition on this issue surviving therein.

**22. In the result, both appeals are disposed of in the aforesaid terms.**

Order pronounced on 20<sup>th</sup> February, 2026.

**Sd/-**  
**(ARUN KHODPIA)**  
**ACCOUNTANT MEMBER**  
Mumbai; Dated 20/02/2026  
KARUNA, *sr.ps*

**Sd/-**  
**(AMIT SHUKLA)**  
**JUDICIAL MEMBER**

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,

(Asstt. Registrar)  
**ITAT, Mumba**