



आयकर अपीलीय अधिकरण, राजकोट न्यायपीठ, राजकोट।

**IN THE INCOME TAX APPELLATE TRIBUNAL, “SMC”
RAJKOT BENCH, RAJKOT**

BEFORE DR. ARJUN LAL SAINI, ACCOUNTANT MEMBER

आयकर अपीलसं./ITA No.572/RJT/2025

निर्धारणवर्ष / Assessment Year: (2024-25)

Manojbhai C. Kamdar, A-47, Aalap Green City, Raiya Road, Rajkot (Gujarat) - 360007	Vs.	ITO, Ward-1(1)(1), Aayakar Bhavan, Race Course Ring Road, Rajkot (Gujarat) – 360001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: ADGPK8679J		
(Appellant)		(Respondent)

Appellant by : Shri R. D. Lalchandani, Ld. AR

Respondent by : Shri Abhimanyu Singh Yadav, Ld. Sr. DR

Date of Hearing : 24/09/2025

Date of Pronouncement : 03/11/2025

आदेश / ORDER

Per, Dr. Arjun Lal Saini, AM:

Captioned appeal filed by the assessee, pertaining to Assessment Year 2024-25, is directed against the order passed under section 250 of the Income Tax Act, 1961 (hereinafter referred to as “the Act”) by National Faceless Appeal Centre (NFAC), Delhi, Commissioner of Income Tax (Appeals), dated 21/07/2025, which in turn arises out of an order passed by the Assessing Officer dated 24/09/2024 u/s 143(1) of the Income Tax Act, 1961.

2. Grounds of appeal raised by the assessee are as follows:

“1. The CIT(A) erred in making an adjustment under section 143(1) of the Act. There was no prima facie mistake.



2. Without prejudice to ground no. 1, the CIT[A] erred in confirming the disallowance of rebate claimed under section 87A of the Act.”

3. When this appeal was called out for hearing, Ld. Counsel for the assessee invited my attention to the order dated 12.08.2025, passed by the Division Bench of ITAT Ahmedabad in the case of Jayshreeben Jayantibhai Palsana vs. ITO, in ITA No. 1014/Ahd/2025 for A.Y. 2024-25, wherein the issue relating to rebate under Section 87A of the Income Tax Act was adjudicated stating that “the assessee is a resident individual and the total income declared for the assessment year 2024–25 does not exceed Rs.7,00,000. It is also an admitted position that the assessee has exercised the option to be assessed under the new tax regime in accordance with the provisions of section 115BAC(1A) of the Act. On a plain reading of the statutory provisions, there exists no express bar either in section 87A or section 111A for denial of rebate in respect of tax payable on short-term capital gains arising from transfer of listed equity shares taxable at special rates under section 111A. The legislative intent is further clarified by the subsequent amendment proposed in the Finance Bill, 2025, which is prospective in nature and thereby reinforces that no such restriction was in force during the relevant assessment year. The denial of rebate under section 87A by the CPC, Bengaluru, appears to be based solely ITA No.1014/Ahd/2025 11 on system-driven logic and not on any statutory mandate.”, and the said issue has been adjudicated in favour of the assessee. Ld. Counsel for the assessee submitted that the present appeal is squarely covered by the above said order of the Tribunal, a copy of which was also placed before the Bench.

4. On the other hand, Ld. DR relied on the order of the authorities below.

5. I see no reason to take any other view of the matter then the view so taken by the Division Bench of this Tribunal in the case of Jayshreeben Jayantibhai



Palsana(supra), vide order dated 12.08.2025. In this order, the Tribunal has *inter alia* observed as follows:

“5. We have carefully considered the rival submissions, the impugned order of the CIT(A), the material placed on record, and the applicable statutory provisions. Thus, the core issue for adjudication before us is –

“Whether a resident individual who has exercised the option under section 115BAC(1A) and whose total income is below Rs.7,00,000/-, is eligible to claim rebate under section 87A against tax payable on STCG under section 111A, in the absence of any express restriction in section 87A or section 111A.”

5.6 The undisputed facts of the case are that the assessee, a resident individual, filed a revised return of income for A.Y. 2024–25 declaring total income of Rs.6,76,402/-, comprising short-term capital gain on listed equity shares taxable at 15% under section 111A, and opted for taxation under the new regime under section 115BAC(1A). The CPC, Bengaluru, processed the return under section 143(1) and denied rebate under section 87A of Rs.13,320/-, resulting in a demand of Rs.15,820/-. The CIT(A) upheld the denial, primarily relying on –

- (i) the “subject to” clause in section 115BAC(1A),
- (ii) provisions of Chapter XII, and

- (iii) the Explanatory notes to the Finance Bill 2025.

5.7 Having perused the relevant statutory provisions and the arguments advanced by the assessee’s Authorised Representative (AR), we find merit in the claim of the assessee.

5.8 The amended first proviso to section 87A [inserted by the Finance Act, 2023 w.e.f. A.Y. 2024–25] provides:

“Where the total income of the assessee is chargeable to tax under subsection (1A) of section 115BAC and the total income —

- (a) does not exceed seven hundred thousand rupees, the assessee shall be entitled to a deduction...”*

5.9 This provision applies to any resident individual whose total income does not exceed Rs.7,00,000 and who is assessed under section 115BAC(1A). The statute does not draw any distinction between normal income and income chargeable at special rates, nor does it contain any express exclusion for tax arising under section 111A.

5.10 By contrast, the legislature has inserted an express bar on availability of section 87A rebate in section 112A(6), which states:

- (6) Where the total income of an assessee includes any long-term capital gains referred to in sub-section (1), the rebate under section 87A shall be allowed*



from the income-tax on the total income as reduced by tax payable on such capital gains.

5.11 *The absence of a corresponding clause in section 111A is legally significant and supports the principle that – when the legislature intended to deny rebate in respect of special income (as in section 112A), it has done so expressly. In contrast, the absence of any exclusion in section 111A or in section 87A must be construed in favour of the assessee.*

5.12 *At this point we discuss the interplay of Section 115BAC(1A) with Chapter XII where the scope is Confined to Computation of Tax Rates. Section 115BAC(1A) opens with the phrase:*

“Notwithstanding anything contained in this Act but subject to the provisions of this Chapter...”

5.13 *The purpose of this clause is to enable the computation of income tax under the concessional rate regime, subject to existing special rate provisions under Chapter XII, such as sections 111A, 112, 112A, etc. This clause governs the computation of tax and does not ipso facto affect eligibility to rebates or deductions unless specifically restricted. Section 87A is not part of Chapter XII; it is an independent rebate provision under Chapter VIII of the Act. Therefore, the overriding clause in section 115BAC(1A) does not derogate or modify section 87A, unless section 87A itself provides for exclusion, which, in the present case, it does not. Thus, section 87A operates on the total tax computed, whether it includes tax at slab rates or special rates, and applies so long as the total income threshold is met.*

5.14 *The CIT(A) placed strong reliance on the Explanatory Memorandum to the Finance Bill 2025, which clarified that rebate under section 87A is not available on tax arising from special rate incomes, including those under section 111A. However, we find this reliance to be misplaced for two reasons: -*

- *Firstly, the Finance Bill 2025 itself proposes to insert new restrictions on rebate under section 87A w.e.f. A.Y. 2026–27, which implies that the existing law (i.e., as applicable to A.Y. 2024–25) does not contain such a restriction.*
- *Secondly, the Explanatory Memorandum cannot override the plain language of the statute. It is a tool of interpretation, not a source of substantive law.*

Therefore, the prospective amendment in the Finance Act 2025 supports the view that under the unamended provision applicable for A.Y. 2024–25, rebate under section 87A cannot be denied merely because tax arises under section 111A.

5.15 *In the recent judgment dated 24.01.2025 in the case of **The Chamber of Tax Consultants vs. Director General of Income Tax (Systems) [TS5026-HC-2025(Bombay)-O]**, the Hon'ble Bombay High Court considered the issue of system-based denial of 87A rebate on STCG under section 111A for assessee who had opted for 115BAC(1A). While the Hon'ble Court refrained from interpreting the substantive provisions, it held that the assessee must be allowed to claim rebate under section 87A, and it is for the quasi-judicial authority to decide on merits.*



Thus, the Hon'ble High Court clearly held that the CPC utility or system configuration cannot override statutory rights, and that each case must be adjudicated on its own merits. We at the Tribunal, being such a quasi-judicial authority, are therefore duty-bound to examine the claim in light of the statutory framework and not be influenced by automated denial or procedural logic adopted by the CPC.

5.16 The assessee has also relied on an appellate order dated 27.05.2025 passed by CIT(A)-1, Nagpur in the case of Avni Milanbhai Maniya, wherein on identical facts the CIT(A) allowed the claim of rebate under section 87A in respect of STCG taxable under section 111A. We also note that such decision was taken by the JCIT/Addl.CIT(A) relying on the decision of Beena Manishbhai Fofaria for the A.Y. 2024-25. While not binding, the said appellate order affirms that divergent views exist and such benefit has been allowed in similar factual circumstances.

5.17 In view of the above discussion, we find that the assessee is a resident individual and the total income declared for the assessment year 2024-25 does not exceed Rs.7,00,000. It is also an admitted position that the assessee has exercised the option to be assessed under the new tax regime in accordance with the provisions of section 115BAC(1A) of the Act. On a plain reading of the statutory provisions, there exists no express bar either in section 87A or section 111A for denial of rebate in respect of tax payable on short-term capital gains arising from transfer of listed equity shares taxable at special rates under section 111A. The legislative intent is further clarified by the subsequent amendment proposed in the Finance Bill, 2025, which is prospective in nature and thereby reinforces that no such restriction was in force during the relevant assessment year. The denial of rebate under section 87A by the CPC, Bengaluru, appears to be based solely on system-driven logic and not on any statutory mandate. Moreover, the interpretation adopted by the CIT(A) in upholding such denial is, in our considered view, not in consonance with the plain and unambiguous language of the law as applicable for A.Y. 2024-25.

5.18 Accordingly, we hold that the assessee is eligible for rebate under section 87A for A.Y. 2024-25 even though the income includes STCG taxable under section 111A. The AO is directed to allow rebate of Rs.13,320/- and recompute tax liability accordingly. The demand of Rs.15,820/- raised in CPC intimation stands deleted. Refund, if any, shall be granted in accordance with law.

6. In the result, the appeal of the assessee is allowed."

6. As the issue is squarely covered in favour of the assessee by the decision of the Coordinate Bench in the case of Jayshreeben Jayantibhai Palsana (supra) and there is no change in facts and law and the Ld. DR for the Revenue is unable to produce any material to controvert the above said findings of the Coordinate Bench, in the case of Jayshreeben Jayantibhai Palsana (supra). I find no reason to interfere in the said order of the Coordinate Bench, therefore, respectfully



following the binding judgment of the Coordinate Bench in the case Jayshreeben Jayantibhai Palsana (supra), I delete the addition made by the Assessing Officer.

7. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open court on 03/11/2025.

Sd/-
(Dr. Arjun Lal Saini)
Accountant Member

Rajkot

//True Copy//

दिनांक/ Date: 03/11/2025

Copy of the Order forwarded to

1. The Assessee
2. The Respondent
3. The CIT(A)
4. Pr. CIT
5. DR/AR, ITAT, Rajkot
6. Guard File

By Order

Assistant Registrar/Sr. PS/PS
ITAT, Rajkot