IN THE HIGH COURT FOR THE STATE OF TELANGANA AT HYDERABAD

HONOURABLE SRI JUSTICE P.SAM KOSHY
AND
HON'BLE SRI JUSTICE SUDDALA CHALAPATHI RAO

WRIT PETITION NO.19502 OF 2025

DATE: 03.07.2026

Between:

DBS Technology Services India Private Limited,
(formerly DBS Asia Hub 2 Private Limited),
17th floor, Skyview 20 Buiging No.83/1,
Raidurg Village, Madhapur,Hyderabad,
Rep.by its Director, Maneesh Sehagal.

…. Petitioner

And

Assistant Commissioner of Income Tax,
Circle 8(1), 9th Floor, Room No.914, Signature Towers,
Hyderabad, Telangana and two others.

…. Respondents

ORDER: *(per Hon'ble Sri Justice Suddala Chalapathi Rao)*

The instant writ petition has been filed seeking to declare the impugned order, dated 24.03.2025, passed by the 1st respondent, whereby the claim of the petitioner for deduction under Section 10AA of the Income Tax Act, 1961 (for short, 'Act, 1961') was rejected, as illegal, arbitrary, void *ab initio* and violative of the due procedure as contemplated under law.

2. The petitioner-assessee is an undertaking in the Special Economic Zone (SEZ), engaged in the business of electronic data processing, technology and product support services. The petitioner-assessee in order to claim deduction under Section 10AA of the Act, 1961, got its accounts audited and was issued a report in Form-56F on 18.11.2019, i.e., prior to the last date of filing of the return of income on 30.11.2019. The petitioner filed its return of income on 26.11.2019, declaring a total income of Rs.20,98,120/-. However, due to inadvertence, petitioner failed to attach the Form-56F along with the return of income, and as soon as the petitioner realized the said mistake, immediately the said Form-56F was uploaded on 16.12.2019. Further, the respondent No.2 served a notice on the petitioner on 09.12.2019 under Section 143(1)(a) of the Act, 1961, proposing to make certain adjustments to the return, to which the petitioner filed reply on 06.01.2020. However, the intimation, dated 10.06.2020 was received by the petitioner, rejecting the claim of the petitioner for deduction under Section 10AA of the Act, 1961, and aggrieved by the said intimation, the petitioner filed an appeal before the Commissioner of Income Tax (Appeals) [CIT(A)] on 10.07.2020. The CIT(A)

passed the Order under Section 250 of the Act, 1961, on 25.01.2023, setting aside the denial of deduction under Section 10AA of the Act, by directing the authority to allow the same.

3. Aggrieved by the said order, dated 25.01.2023, passed by the CIT(A), the Department-Revenue filed an Appeal before the Income Tax Appellate Tribunal (ITAT), and the petitioner-assessee has also filed cross-objections in the said appeal. The learned ITAT, by its order, dated 21.07.2023, remanded the matter back to the ACIT, CPC, Bangalore (2nd respondent), with a specific direction to issue a fresh notice for making the disallowance under Section 10AA of the Act, by affording an opportunity of hearing and seeking the explanation of the petitioner/assessee, by the Department through the Jurisdictional Assessment Officer (JAO).

4. Thereafter, the Assistant Commissioner of Income Tax, Circle-8(1), Hyderabad, being the JAO, issued a notice dated 05.03.2025 to the petitioner to substantiate his claim under Section 10AA of the Act, 1961, pursuant to the order of the ITAT dated 21.07.2023. However, the petitioner submitted a belated response on 14.03.2025 stating that ITAT restored the matter to CPC because

of which JAO was not eligible to issue such opportunity letter and hence invalid.

5. Thereafter, the Assistant Commissioner of Income Tax, passed consequential Order on 24.03.2025 by declining the relief to the petitioner-assessee, holding that the submission of the petitioner/ assessee is unacceptable as the Centralized Processing Centre is an automated processing centre, and further, the said claim of the petitioner/assessee was rejected as it was not feasible to issue a fresh notice proposing adjustment to income declared by the assessee as it is fully automated centre.

6. Learned counsel for petitioner would contend that petitioner/assessee has been allowed deduction under Section 10AA of the Act, 1961, in the earlier and subsequent assessment years, and there is no dispute regarding the petitioner's entitlement to claim deduction under Section 10AA of the Act. He further submitted that there was an error on the part of the petitioner in not uploading Form 56F (original report), but immediately the said form was uploaded on 16.12.2019 and though the matter went up to the CIT(A), who directed the

authorities to allow the deduction, however, on Appeal before the ITAT, the matter was remanded to the 1st respondent, and once again the 1st respondent, though has given notice, has rejected the claim in flimsy grounds that since it is totally operated and processed by the Centralized Processing Center, as such, it is not feasible to give notice to the petitioner/assessee so as to extend the benefit under Section 10AA of the Act.

7. The learned Senior Standing Counsel Ms. J.Sunitha for Income Tax appearing for the respondent Nos.1 and 2, would contend that the return of income was processed through the Automated Processing Centre and no functionality was available at Centralized Processing Centre (CPC) to furnish any fresh notice proposing adjustment to income declared by the assessee, and the orders passed by the learned ITAT was properly dealt with, and the Department issued notice dated 05.03.2025 to the petitioner by giving a chance to submit his submissions and since the filing of Form 56F is mandatory in nature and not procedural or directory, the order of the ITAT directing the ACIT, CPC, to issue notice is an impossibility. Therefore, the order passed by the 1st respondent

was proper and legal, and is not perverse as alleged by the petitioner.

8. Evidently, the admitted facts are that, the accounts of the petitioner/assessee was duly audited and was issued a report in Form-56F on 18.11.2019, and the assessee filed return of income on 26.11.2019 declaring the total income of Rs.20,98,120/-. However, the Form-56F was not attached to the said return of income, and the fact remains that said Form-56F was uploaded on 16.12.2019, but it was a procedural lapse on the part of the petitioner. However, though learned ITAT directed the respondents to reconsider the case of the petitioner/assessee by issuing proper notice and having issued the same, once again the respondents have rejected the petitioner's claim solely on the ground that the entire procedure is processed by the Central Processing Center.

9. Admittedly, the said Form-56F was uploaded by the petitioner/assessee and that ground on which the said claim was denied is only on the ground that since the Centralized Processing Center is an automated processing center, it cannot issue any notice and conduct a opportunity of hearing and it is also not

possible to issue fresh notice proposing adjustment to income declared by assessee etc., appears to be not proper for rejection of the claim of the petitioner for granting benefit under Section 10AA of the Act. Further, such mere technicalities cannot defeat the legitimate right of the petitioner. Though the entire procedure is stimulated and operated by the Centralized Processing Center, the authorities ought to have exercised the discretion of accepting the Form-56F filed by the petitioner and compute the return of income by extending the benefit under Section 10AA of the Act to him. More so, it is an undisputed fact that all the previous and subsequent years, petitioner was extended the benefit under Section 10AA of the Act, 1961, and doctrine of consistency has to be followed. In that view of the matter, rejecting the claim of the petitioner to extend the said benefit under Section 10AA of the Act, by not accepting Form-56F, solely on the ground that system being operated by the Centralized Processing Center and there is no provision for issuance of notice since it is operated by the Centralized Processing Center, is neither proper nor legal, and as aforesaid rejection on mere technicalities should not deprive the legitimate right of the petitioner/assessee, more so, Centralized

Processing Center is man made procedure though it is not feasible for considering the same by CPC, the authority ought to have verified the Form-56F and ought to have taken it on record and extend the benefit to the petitioner.

10. In that view of the matter, the impugned proceedings, dated 24.03.2025 are hereby set aside and quashed. The respondent No.1 is directed to scrutinize the Form-56F filed by the petitioner, dated 16.12.2019 and thereafter, consider and extend the benefit of deduction if he otherwise entitled to under Section 10AA of the Act, 1961, by passing consequential order in accordance with law.

11. The Writ Petition stands allowed accordingly. There shall be no order as to costs.

Miscellaneous petitions, if any, shall stand closed.

P.SAM KOSHY, J

SUDDALA CHALAPATHI RAO,J

Date: 03.07.2026
kkm