



आयकर अपीलीय अधिकरण, राजकोट न्यायपीठ, राजकोट।  
**In The Income Tax Appellate Tribunal, Rajkot Bench,**  
**Rajkot**  
**Before Dr. Arjun Lal Saini, Accountant Member**  
**And**  
**Dr. Dinesh Mohan Sinha, Judicial Member**

आयकर अपील सं./ITA No.796 /Rjt/2025  
Assessment Years: (2024-25)  
(Physical Hearing)

Jignesh Harjivanbhai Chikani, 2 Nandi Park Main Road, Behind SNK School, University Road, Rajkot, Gujarat 360005	बनाम/ Vs.	The Income Tax Officer CPC Bengaluru, Bengaluru, Karnataka 560100
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: <b>AHNPC1250G</b>		
(Assessee)		(Respondent)

निर्धारिती की ओर से/Assessee by : Shri R. B. Shah, Ld., AR  
राजस्व की ओर से/Respondent by : Shri Dheeraj Kumar Gupta, Sr. DR

सुनवाई की तारीख/Date of Hearing : 03/02/2026  
घोषणा की तारीख/Date of Pronouncement : 16/04/2026

**आदेश /ORDER**

**Per Dr. Dinesh Mohan Sinha, 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 Learned Commissioner of Income Tax (Appeals), Addl./JCIT(A)-3, Bengaluru, [in short, Ld. CIT(A)], dated 27.10.2025, which in turn arises out of assessment order



passed by the Assessing Officer (AO), Central Processing Centre (CPC) under section 154 of the Income Tax Act, 1961 ('the Act') dated 13.05.2025.

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

*“1. The learned CIT(A) has erred in confirming the denial of rebate of Rs. 25,000/- u/s 87A of the Income Tax Act, 1961, even though the appellant's total income of Rs.5,49,090/- is below the statutory limit of Rs.7,00,000/- as applicable to A.Y. 2024-25.*

*2. The learned CIT(A) has failed to appreciate that there is no restriction in the provisions of Section 87A or Section 111A prohibiting allowance of rebate against tax computed on short-term capital gain taxable u/s 111A.*

*3. The learned CIT(A), NFAC has erred in confirming the adjustment made by CPC, Bengaluru under section 143(1)(a) in respect of rebate claimed under section 87A, even though the issue is debatable and therefore lies outside the scope of adjustment permissible under section 143(1)(a) of the Act.*

*4. The learned CIT(A), NFAC has erred in law and on facts in not following the binding jurisdictional decision of the Hon'ble ITAT Ahmedabad Jayshreeben Jayantibhai Palsana vs ITO ITA No. 1014/Ahd/2025 on an identical issue*

*5. The appellant craves leave to add, alter, amend or withdraw any ground of appeal at the time of hearing.”*

3. Brief facts qua the issue are that the appellant is an individual residing at Rajkot. The return of income for A.Y. 2024-25 was filed on 26.06.2024 declaring a total income of Rs.5,49,090/- under the provisions of Section 115BAC and claiming rebate u/s 87A. The assessee being a resident individual with total income and claimed rebate amount under section 87A, as per the first proviso to section 87A inserted by the Finance Act, 2023, which allows a rebate to an individual whose income is chargeable under section 115BAC(1A), provided the total income does not exceed the threshold. The return was processed by the Centralised Processing Centre (CPC), Bengaluru, and intimation under section 143(1) was issued on 24.02.2025, whereby the assessee's claim of rebate under section 87A was disallowed. The tax



liability was upheld, together with interest. Notably, the said intimation did not specify any reason or adjustment under section 143(1)(a), nor did it issue any prior notice for proposed adjustment under clause (vi) thereof. CPC Bengaluru processed the return u/s 143(1) and denied the rebate u/s 87A, resulting in a tax demand. The appellant filed an application u/s 154 pointing out the mistake that the total income is less than Rs. 7,00,000/- and therefore the rebate is fully allowable. However, CPC again rejected the claim and passed order u/s 154 dated 13.05.2025 confirming the demand. The appellant filed an appeal before the learned CIT(A), NFAC, against the rectification order. The learned CIT(A) vide order dated 27.10.2025 dismissed the appeal and upheld CPC's denial of rebate. Appeal filed by the assessee with following remarks.

- i) The appeal filed by the appellant is dismissed.
- ii) The order under Section 154 dated 13.05.2025 passed by CPC, Bengaluru, is confirmed.
- iii) The demand of 29,070 as raised by CPC stands sustained.

4. Aggrieved by the impugned order of the Ld. CIT(A) on dtd. 27.10.2025, the assessee came in appeal before us.

- a. During the course of hearing, the Ld. AR submitted that the taxable income of the assessee is business income and for short terms capital gain hence u/s. 87 of the Act benefit should be granted.
- b. On the other hand, the Learned DR for the revenue relied on the findings of the Ld. CIT(A).

5. We note that it was also contended that the disallowance of rebate by the CPC appears to be a result of a programming change in the utility



logic post-January 2025 and is not supported by any statutory amendment or binding judicial precedent. The rejection of the assessee's claim under section 87A on technical grounds without affording a prior opportunity was also violative of the proviso to section 143(1), which mandates the issue of an intimation or notice prior to making such adjustments. That the total income being below the threshold of Rs.7,00,000/-, assessee was squarely eligible for rebate under section 87A. It was submitted that there was no restriction under section 111A or under the proviso to section 87A on claiming rebate against such tax. It was also stated that the restriction under section 112A(6) relates specifically to long-term capital gains exceeding Rs.1,00,000/- and does not extend to STCG under section 111A. Therefore, it was argued that, in absence of any statutory exclusion, rebate under section 87A ought to have been allowed against STCG, provided the total income is below Rs.7 lakhs. The first proviso to section 87A uses the expression "total income" and allows deduction from the amount of income-tax, without any exclusion of income taxable under section 111A. In contrast, section 112A(6) specifically provides that rebate under section 87A shall not be allowed in respect of long-term capital gains taxable under that section exceeding Rs.1 lakh. No such exclusion is provided either in section 111A or in section 87A. The AR further contended that section 115BAC(1A) opens with a non obstante clause overriding other provisions of the Act, but it is expressly made "subject to the provisions of this Chapter", i.e., Chapter XII. Therefore, while determining the amount of tax payable under the new regime, incomes chargeable at special rates under Chapter XII (such as section 111A) must be taxed as per the rates prescribed therein, and the remaining income is to be taxed as per the slab rates under the table in section 115BAC(1A). However,



the overriding effect is only with reference to computation of tax, and not for the purpose of denying rebates available under Chapter VIII of the Act. It was forcefully argued that section 87A operates after the computation of total income and tax liability. It grants a deduction from the computed tax. Therefore, the rebate under section 87A remains available to an eligible assessee unless it is specifically excluded by a provision of law. The AR also invited attention to the legislative intent underlying the Finance Act, 2023. It was submitted that if the legislature had intended to restrict rebate under section 87A in respect of incomes taxable under section 111A, it could have easily done so by inserting a proviso or exclusion clause as has been done in section 112A(6). The absence of any such restriction shows that rebate under section 87A is available even where the total income includes short-term capital gains taxable under section 111A, provided the total income does not exceed Rs.7 lakhs. It was further pointed out that in the instant case, the income chargeable under section 112A was below Rs.1 lakh, and therefore, no tax was payable on such income. Consequently, the provisions of section 112A(6) were not attracted at all. The assessee's entire tax liability arose on account of short-term capital gains under section 111A, which were correctly included in the return of income and subjected to tax at 15%. Since the total income did not exceed Rs.7 lakhs, the assessee was eligible for the rebate under section 87A, and the denial of such rebate was entirely unjustified.

6. We see no reason to take other view of the matter than the view so taken by the Division Bench of this Tribunal in the case of Manojbhai C. Kamdar (supra), vide order dated 03.11.2025. In this order, the Tribunal has *inter alia* observed as under:



*“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 assessees 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.”*



7. As the issue is squarely covered in favour of the assessee by the decision of the Co-ordinate Bench in the case of Manojbhai C. Kamdar (supra) and there is no change in facts and law and the Ld. Sr. DR for the revenue is unable to produce any material to controvert the above said findings of the Co-ordinate Bench, in the case of Manojbhai C. Kamdar (supra). We find no reason to interfere in the said order of the Co-ordinate Bench, therefore, respectfully following the binding order of the Co-ordinate Bench in the case Manojbhai C. Kamdar (supra), we delete the addition made by the AO.
8. In the result, the appeal of the assessee is allowed.

**Order is pronounced in the open Court on 16/04/2026.**

**Sd/-**  
**[ Dr. Arjun Lal Saini ]**  
लेखा सदस्य/**Accountant Member**

**Sd/-**  
**[ Dr. Dinesh Mohan Sinha ]**  
न्यायिक सदस्य/**Judicial Member**

//True Copy//

Rajkot

Date: 16/04/2026.

**आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to :**

- अपीलार्थी/ The Assessee
- प्रत्यर्थी/ The Respondent
- आयकर आयुक्त/ CIT
- आयकर आयुक्त(अपील)/ The CIT(A)
- विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण/ DR, ITAT, Rajkot
- गार्ड फाईल/ Guard File

By order,

Assistant Registrar/Sr.PS/P.S.  
ITAT, Rajkot