

**SIN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad ‘ A ‘ Bench, Hyderabad**  
*(Through Video Conferencing)*  
**Before Smt. P. Madhavi Devi, Judicial Member**  
**AND**  
**Shri A. Mohan Alankamony, Accountant Member**

ITA No.707/Hyd/2018		
Assessment Year: 2014-15		
Jeevan Shakti Chit Fund (P) Limited, Hyderabad PAN:AABFJ9854G (Appellant)	Vs.	Dy. Commissioner of Income Tax, Circle 2(1) Hyderabad (Respondent)
Assessee by:	Smt. S. Sandhya	
Revenue by:	Smt. M. Narmada, DR	
Date of hearing:	16/09/2020	
Date of pronouncement:	29/09/2020	

**ORDER**

**Per Smt. P. Madhavi Devi, J.M.**

This is assessee's appeal for the A.Y 2014-15 against the order of the CIT (A)-8, Hyderabad, dated 28<sup>th</sup> February, 2018.

The assessee has raised the following grounds of appeal:

*"1. The order of the learned CIT (A) is erroneous to the extent it is prejudicial to the appellant.*

*2. The learned CIT (A) erred in confirming the addition of Rs.87,59,297/- made by the AO towards bid loss.*

*3. Any other ground or grounds that may be urged at the time of hearing".*

2. Brief facts of the case are that the assessee company, engaged in the business of chits, filed its return of income for the A.Y 2014-15 on 27.11.2014 admitting total income of Rs.81,05,940/-. The case was selected for scrutiny u/s 143(3) of

the Act through CASS and the assessee was asked to furnish certain information. The representative of the assessee appeared and filed the details called for. On perusal of the same, the AO observed that the assessee company has claimed bid loss to the tune of Rs.87,59,297/- during the F.Y 2013-14. When the assessee was asked for justification, the assessee submitted as follows:

*"4. ...*

*The Company M/s Jeevan Shakthi Chit Fund Pvt. Ltd. has incurred expenditure towards Bid loss to the tune of Rs. 87, 59,297/- during the year 2013-14. A detailed statement of Bid loss contains name of Chit Member, amount paid, date and mode of payment is enclosed herewith for your ready reference.*

*Further it is to submit that M/s. Jeevan Shakthi Chit Fund Pvt Ltd. is engaged in the business of chit fund for the past 28 years. In the chit fund business, differed payments/ default of payments by subscribers occur frequently due to which the company will not be in a position to meet the committed prized money to the prized bidder. To fill the gap in bid moneys payable, the company with the permission from prized subscriber will postpone the payment due to subsequent months. The difference between the payable amount and the money actually paid to subscriber (i.e. the actual payment shall be the prize money in the month of payment as per chit bye laws.) is accounted as bid loss for the month. These payments are commercial-in. nature and not necessitated by virtue of any law or legal obligation. "*

3. The AO however, was not convinced with the assessee's contention and held as under:

*4.2 I have considered the submission made by assessee and same is found to be not acceptable for the following reasons-*

*1. As per sec. 22 of chit fund act 1982 - the foreman shall pay to the prized subscriber, the prized amount within a period of seven days after the date of draw but assessee company has not complied therefore it is in violation of chit fund act 1982.*

*2. Further assessee has failed to demonstrate that there was any liquidity crunch for postponing the payment.*

*3. It is also evident that there was no business necessity for the assessee to incur bid loss. Assessee is not charging from default subscriber and on the other hand assessee is paying extra. amount to prized subscriber,*

*4. Assessee has failed to discharge the onus of proving that bid loss has been incurred wholly & exclusively for the purpose of business u/s 37 of the income tax act.*

*Therefore, Rs.87,59,297/- account of bid loss is disallowed and is added back to income.*

*(Disallowance of bid loss; Rs.87,59,297)*

4. He accordingly disallowed the bid loss and brought it to tax. Further, he also made other additions u/s 36(2)(i) and 40A(3) of the Act and completed the assessment.

5. Aggrieved, the assessee preferred an appeal before the CIT (A) who deleted the additions other than the disallowance of bid loss. Against the addition confirmed by the CIT (A), the assessee is in second appeal before the Tribunal.

6. The learned Counsel for the assessee submitted that the assessee had filed detailed written submissions before the CIT (A) but could not appear before the CIT (A) to make personal submissions. He submitted that the CIT (A) has passed the order ex-parte and the assessee prayed for another opportunity to present his case before the authorities below.

7. The learned DR was also heard who opposed the remand.

8. After hearing both the parties and after perusal of the material placed on record, we find that before the AO as well as the CIT (A), the assessee has made similar detailed submissions, but failed to file the necessary documentary evidence relating to the loss which has arisen on account of chit bidding. We find that the order of the CIT (A) is ex-parte the assessee and mainly on the ground that the assessee has not filed any details/break up for the bid loss. The learned Counsel for the assessee has submitted before us, that had personal hearing been given to the assessee, he would have produced all the relevant details. Taking his contention into consideration and in the peculiar circumstances of the case and to give the assessee one more opportunity only in the interest of natural justice, we deem it fit and proper to remand the issue to the file of the AO for de novo consideration of this issue alone in accordance with law. Needless to mention that the assessee shall be given a fair opportunity of hearing.

9. In the result, assessee's appeal is treated as allowed for statistical purposes.

Order pronounced in the Open Court on 29<sup>th</sup> September, 2020.

<b>Sd/-</b> <b>(A. MOHAN ALANKAMONY)</b> <b>ACCOUNTANT MEMBER</b>	<b>Sd/-</b> <b>(P. MADHAVI DEVI)</b> <b>JUDICIAL MEMBER</b>
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Hyderabad, dated 29<sup>th</sup> September, 2020.

**Vinodan/sps**

Copy to:

- 1 Jeevan Shakti Chit Fund (P) Ltd., 8-3-945, 207, 2<sup>nd</sup> Floor, Pancom Business Centre, Ameerpet, Hyderabad 500073
- 2 Dy. CIT, Circle 2(1) Signature Towers, Kondapur, Hyderabad
- 3 CIT (A)-8 Hyderabad
- 4 Pr. CIT – 2 Hyderabad
- 5 The DR, ITAT Hyderabad
- 6 Guard File

*By Order*