

IN THE INCOME TAX APPELLATE TRIBUNAL

"SMC" BENCH, NAGPUR

BEFORE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER

ITA no.507/NAG/2025
(Assessment Year :2020-21)

Narendra Ramdhandra Deshpande
Manorama Complex, Sudampuri
Arvi Road, Wardha -442 001,
Maharashtra.
PAN - AAZPD4477F

..... Appellant

v/s

Income Tax Officer
Ward-1, Wardha,
ITO, Building,
Maharashtra.

..... Respondent

Assessee by: Shri.AmolKalavikatte.A.R.
Revenue by :Shri.Surjit Kumar Saha, Sr.DR

Date of Hearing - 13/10/2025

Date of Order - 14/10/2025

ORDER

The assessee has filed the appeal against the ex parte order dated 18/06/2025 passed by the CIT(A)/National Faceless Appeal Centre Delhi, u/sec 147 r.w.s 144B and u/sec 250 of the Income Tax Act, 1961 (for short "*the Act*") for the A.Y. 2020-21. The assessee has raised the following grounds of appeal:-

"1. On the facts and in the circumstances of the case and in law, the learned Assessing Officer has erred in disallowing the appellant claim of exemption of rs.56,698/- in respect of gratuity under section 10(10)(i) of the Income Tax Act, 1961, by incorrectly treating the appellant as not being a government employee.

2. On the facts and in the circumstances of the case and in law, the learned Assessing Officer has further erred in disallowing the appellant's claim of exemption of Rs.11,64,604/- under section 10(10AA) (i) of the Act in respect of leave encashment, by holding that the appellant, being an employee of a Public Sector Undertaking (PSU), is not entitled to benefits available to government employees.

3. Appellant prays and reserves right to raise any additional ground during hearing of appeal."

2. The brief facts of the case are that, the assessee is an employee and has retired from Maharashtra State Electricity Distribution Co. Limited (MSEDCL). The assessee has filed the return of income for the A.Y. 2020-21 on 27/12/2020, disclosing a total income of Rs.10,22,280/-. The Assessing Officer has received the information that the assessee has claimed exemption under section 10 of the Act in respect of his retirement amounts and such claim of exemptions are excessive. The Assessing Officer has reason to believe that the income has escaped assessment and issued notice u/sec 148 of the Act. In compliance, to notice, the assessee has filed the return of income on 8.8.2024 disclosing the total income of Rs.10,22,280/-. The assessing officer finds that the assessee has claimed excess claim of (i) exemption of gratuity under section 10(10)(1) of the act and (ii) excess claim of leave encashment under section 10(10AA)(i) of the Act. The A.O has issued show cause notice and the assessee has filed the detailed reply on 25.10.2024 explaining the services in the MSEDCL dealt at page 4 of the order. On the two disputed issues, the Assessing Officer has dealt elaborately and concluded that the assessee has claimed the excess gratuity and leave

encashment received from the MSEDCL. The observations of the Assessing officer that the employee of the Public Sector undertaking (PSU) is not entitled to benefits available to the government employee and made addition of excess gratuity claim of Rs.56,698/- and excess leave encashment of Rs.11,64,604/- and assessed the total income of Rs.22,43,582/- and passed the order u/sec 147 r.w.s. 144B of the Act dated 31/01/2025. Aggrieved by the order, the assessee has filed the appeal before the CIT(A).

3. In appellate proceedings, the CIT(A) has considered the grounds of appeal, statement of facts, findings of the Assessing Officer and issued notices of hearing and since there was no compliance to the notices by the assessee, the CIT(A) considering the information on record has confirmed the action of the Assessing Officer and dismissed the appeal of the assessee by passing ex-parte order. Aggrieved by the order of the CIT(A), the assessee has filed appeal before the Hon'ble Tribunal.

4. At the time of hearing, the learned Authorised Representative for the assessee (for short "*the learned A.R.*") submitted that the CIT(A) has erred in sustaining action of the assessing officer overlooking the submissions of the assessment proceedings. Further, the Ld.AR submitted that the assessee has a good case on merits and filling

evidences in the paper book to substantiate that the assessee is entitled for the claim as per the provisions of the Act and prayed for an opportunity to substantiate the claim with material evidences and information before the jurisdictional officer. The Ld.AR also substantiated the submissions with factual paper book and judicial decisions. Per- contra, the learned Departmental Representative supported the order of the CIT(A).

5. Heard the rival submissions and perused the material available on record. The CIT(A) has dismissed the assessee's appeal, as there was no compliance to the notices issued on various dates referred at Page 2 Para 4 of the order in the appellate proceedings. Further the CIT(A) is of the opinion that the assessee is not interested in prosecuting its appeal and has confirmed the action of the Assessing Officer. Whereas, the assessee has raised grounds of appeal challenging the action of the assessing officer. There could be various reasons for non-compliance by the assessee which cannot be ruled out. Hence, considering the facts, circumstances, and to meet the ends of justice, the assessee should be provided with one more opportunity for hearing. Accordingly, the order of the CIT(A) is set aside and restore the disputed issues to the file of the Jurisdictional Assessing Officer to adjudicate issue afresh on merits and the assessee should be provided adequate opportunity of hearing and the assessee should also co-operate in submitting the information for early

disposal of appeal. And the grounds of appeal of the assessee are allowed for statistical purposes.

6. In the result, appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 14/10/2025.

Sd/-
(PAVAN KUMAR GADALE)
JUDICIAL MEMBER

Copy of the order forwarded to:

- (1) *The Assessee;*
- (2) *The Revenue;*
- (3) *The PCIT / CIT (Judicial);*
- (4) *The DR, ITAT, Nagpur; and*
- (5) *Guard file.*

Pradeep J. Chowdhury
Sr. Private Secretary

True Copy
By Order

Sr. Private Secretary
ITAT, Nagpur