

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad

श्री विजय पाल राव, उपाध्यक्ष एवं
श्री मधुसूदन सावडिया, लेखा सदस्य के समक्ष ।
BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT AND
SHRI MANJUNATHA G, ACCOUNTANT MEMBER

आ.अपी.सं / **ITA Nos.1186 & 1187/Hyd/2025**
(निर्धारण वर्ष / Assessment Years: 2015-16 & 2017-18)

Shri Krishna Moorthy Chadalavada, Tirupathi. PAN:ABXPC6036E	Vs.	Income Tax Officer, Ward-1, Tirupathi.
(Appellant)		(Respondent)
निर्धारिती द्वारा / Assessee by:	Shri Jyothi Prakash, C.A.	
राजस्व द्वारा / Revenue by:	Shri Krishna Moorthy K, SR-DR	
सुनवाई की तारीख / Date of hearing:	30/10/2025	
घोषणा की तारीख / Pronouncement:	30/10/2025	

आदेश/ORDER

PER MANJUNATHA G, A.M. :

These two appeals are filed by Shri Krishna Moorthy Chadalavada (“the assessee”), feeling aggrieved by the separate orders passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (“Ld. CIT(A)”), both dated 23.05.2025 for the A.Ys. 2015-16 & 2017-18 respectively. Since these appeals are related to the same assessee and on identical issues, they are heard together and

one consolidated order is being passed for the sake of convenience and brevity.

ITA No.1186/Hyd/2025

2. The brief facts of the case are that the assessee has filed Return of Income for the Asst. Year 2015-16 on 30.09.2015 declaring total income of Rs.15,23,560/-. The case of the assessee was selected for scrutiny by issue of notice u/s. 143(2) of the Income Tax Act, 1961 (“the Act”) calling for documents. During the assessment proceedings, the Assessing Officer noticed that the assessee has claimed interest on borrowed capital while computing the income from house property. The Assessing Officer further noted that the assessee has paid interest to Sundaram Finance, Shriram Finance, T.J. Finance and W.S. Group without deducting tax at source u/s. 194A of the Act. The assessee was asked to furnish relevant evidences and also explain why addition should not be made on interest paid on borrowed capital and without deducting TDS. In response to the notice, the assessee argued that the borrowed capital was used for purchase of house property, no part of fund has been diverted to non-business purpose. The assessee has also submitted that TDS is not applicable for payment of interest. The Assessing Officer has completed the assessment u/s. 143(3) of the Act on 27.12.2017 and determined the total income of the assessee at

Rs.1,42,21,976/- by making addition for disallowance of interest on borrowed capital, disallowance u/s. 36(1)(iii) of the Act for diversion of interest bearing funds for non-business purpose and payment of interest without deducting TDS.

3. Aggrieved with the order of Assessing Officer, the assessee filed appeal before the Ld. CIT(A) and challenged the additions made by the Assessing Officer towards disallowance of interest on borrowed capital, disallowance u/s. 36(1)(iii) of the Act for diversion of interest bearing funds for non-business purpose and payment of interest without deducting TDS as per law. During the appellate proceedings, the Ld. CIT(A) was issued notices on 21.08.2018, 08.10.2018, 31.10.2018, 14.12.2019, 05.03.2020, 20.09.2023 and 09.01.2025 requiring submissions of the assessee. The assessee neither appeared nor furnished any details before the Ld. CIT(A). Therefore, the Ld. CIT(A) disposed off the appeal for non-prosecution by following the decision of Hon'ble Supreme Court in the case of B N Bhattacharjee & Other 118 ITR 461 (SC) and dismissed the appeal of the assessee.

4. Aggrieved by the order of Ld. CIT(A), the assessee is in appeal before us.

5. The learned counsel for the assessee Shri Jyothi Prakash submitted that the Ld. CIT(A) dismissed the appeal filed by the assessee for want of prosecution. However, the Ld. CIT(A) did

not discuss the issues on merit involved in the appeal even though the assessee has furnished relevant details along with Form No.35 and explained the case. Since the Ld. CIT(A) did not consider the issues on merit and the assessee also explained reasons for non-appearance before him, the learned counsel for the assessee prayed that the appeal of the assessee may be remanded to the file of Ld. CIT(A) for reconsideration.

6. On the other hand, the learned Department Representative agreed that the exparte order passed by the Ld. CIT(A) without considering the issues on merit, may be remanded to the file of Ld. CIT(A) for reconsideration.

7. We have heard the rival submissions and also gone through the record in the light of the submissions made. The Ld. CIT(A) dismissed the appeal filed by the assessee for non-prosecution when the assessee failed to file relevant details when the case was posted for hearing on many occasions. However, he did not consider the issues involved in the appeal on merit. It is a well settled principle of law by the decisions of various Courts that even in the case of non-appearance of the assessee, the Ld. CIT(A) shall examine the issues on merit on the basis of material available on record. In the present case, it was the argument of the learned counsel for the assessee that relevant details regarding additions contested by the assessee

has been submitted along with Form No.35. Further, the assessee also explained reasons for non-appearance when the appeal was called for hearing. Since the Ld. CIT(A) dismissed the appeal for non-prosecution without discussing the issues on merit, contrary to the settled principle of law, in our considered opinion, the matter needs to be remanded to the file of Ld. CIT(A) for reconsideration. Thus, we set aside the order of the Ld. CIT(A) and restore the issues to the file of Ld. CIT(A) to reconsider the issues involved in the appeal on merit after providing reasonable opportunity of hearing to the assessee. Needless to say, the assessee shall furnish all the relevant details in support of his case as and when the appeal is called for hearing.

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8. The facts involved in this appeal are identical to the facts and issues which we had considered in assessee's own case for the Asst. Year 2015-16 in ITA No.1186/Hyd/2025. The findings given by us in the preceding paragraphs shall mutatis mutandis applies to this appeal as well. For similar reasons, we set aside the order of Ld. CIT(A) and remand back to the file of Ld. CIT(A) for reconsideration of issues on merit after providing reasonable opportunity to the assessee. Needless to say, the assessee shall furnish all the relevant details in support of his case as and when the appeal is called for hearing.

9. In the result, both the appeals of assessee are allowed for statistical purposes.

Order pronounced in the open Court on 30th Oct., 2025.

Sd/-
(VIJAY PAL RAO)
VICE PRESIDENT

Sd/-
(MANJUNATHA G)
ACCOUNTANT MEMBER

Hyderabad.

Dated: 30.10.2025.

** Reddy gp*

Copy of the Order forwarded to :

1.	Shri Krishna Moorthy Chadalavada, 14/182, Padmavathipuram, Tiruchanur Road, Tirupathi-517502
2.	The ACIT, Circle 2(1), Tirupathi.
3.	Pr.CIT, Tirupathi.
4.	DR, ITAT, Hyderabad.
5.	Guard file.

BY ORDER,