

IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCH "SMC", PUNE

BEFORE SHRI R. K. PANDA, VICE PRESIDENT
AND
SHRI VINAY BHAMORE, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.988/PUN/2025
निर्धारण वर्ष / Assessment Year : 2020-21

Varunendra Deekshit, 9, Karan Shastrinagar, Near Police Station, Pune- 411038. PAN : ACTPD6242J	Narayan Sanskriti, Kothrud	Vs.	CPC, Bangalore.
Appellant			Respondent

Assessee by : Shri Rajendra Agiwal
Revenue by : Shri Milind Debaje

Date of hearing : 28.08.2025
Date of pronouncement : 21.11.2025

आदेश / ORDER

PER VINAY BHAMORE, JM:

This appeal filed by the assessee is directed against the order dated 14.02.2025 passed by Ld. Addl./JCIT(A), Madurai ['Ld. CIT(A)'] for the assessment year 2020-21.

2. The appellant has raised the following revised grounds of appeal :-

"Legal Grounds

1. *On the facts and in the circumstances of the case and in law the Ld. Asst. Director of Income Tax, CPC (hereinafter referred as*

ADIT, CPC) has erred in suo-motu rectifying the Intimation which was passed u/s 143(1) of the Income Tax Act, 1961 by assuming jurisdiction u/s 154 of the Act.

2. *On the facts and in the circumstances of the case and in law the Ld. ADIT, CPC failed to appreciate that the issue is debatable in view of the various decisions of the Hon'ble Tribunal including the decision of Hon'ble Pune Bench i.e. Jurisdictional Tribunal and hence assumption of jurisdiction Us 154 is bad in law.*

Revised Concise Grounds

3. *On the facts and in the circumstances of the case and in law the Ld. ADIT, CPC has erred in passing rectification order u/s 154 of the Act against the revised return filed by the assessee on 31.03.2021 without granting any opportunity of being heard to the assessee.*
4. *On the facts and in the circumstances of the case and in law the Ld. ADIT, CPC has erred in making the addition on account of leave encashment exemption of Rs. 4,18,940/- claimed u/s 10(10AA) of the Income Tax Act, 1961.”*

3. Facts of the case, in brief, are that the assessee is an employee of the Central Bank of India and during the period under consideration is in receipt of leave encashment of Rs.7,18,944/- and has furnished his return of income on 16.12.2020 by declaring total income of Rs.7,48,470/- wherein exemption of Leave Exemption u/s 10(10AA)(ii) of the Act of Rs.3,00,000/- as against the actual leave encashment of Rs.7,18,944/- was claimed. Vide intimation dated 19.12.2020 the above return was processed by CPC and income returned was accepted as it is, however a demand

of Rs.4,980/- was raised due to shot credit of self assessment tax. Vide rectification request dated 01.03.2021 the assessee sought rectification of demand since the payment of Rs.4,980/- was already made under the head 'self assessment tax' and accordingly the CPC reduced the demand and issued rectified intimation dated 18.03.2021.

4. Subsequently, the assessee filed revised return u/s 139(5) of the Act on 31.03.2021, wherein whole of the leave encashment of Rs.7,18,944/- was claimed as exemption u/s 10(10AA) of the Act. Vide intimation dated 14.04.2021 the CPC accepted the returned income and processed the above said revised return by allowing the exemption u/s 10(10AA) of the Act of Rs.7,18,944/- as claimed by the assessee and also issued the refund of Rs.62,420/- as claimed by the assessee.

5. Thereafter, CPC vide order dated 06.04.2022 issued rectification intimation u/s 154 of the Act and reduced the exemption claimed by the assessee u/s 10(10AA) of the Act of Rs.7,18,944/- to Rs.3,00,000/- only.

6. Being aggrieved with the above rectification intimation dated 06.04.2022 passed u/s 154 of the Act, the assessee preferred an

appeal before Ld. CIT(A). After considering the reply of the assessee, Ld. CIT(A) dismissed the appeal filed by the assessee.

7. It is the above order against which the assessee is in appeal before this Tribunal.

8. Ld. AR appearing from the side of the assessee submitted before us that the order passed by Ld. CIT(A) is not justified. Ld. AR submitted before us that the CPC has no power to rectify the intimation passed u/s 143(1) of the Act unless a notice prescribed u/s 154(3) of the Act is given to the assessee. Ld. AR submitted that the rectification was made by the CPC *suo moto* and therefore a notice in accordance with section 154(3) was mandatory which was not given by the CPC therefore the rectification order passed u/s 154 becomes illegal and bad in law. Ld. AR of the assessee submitted that the claim of the CPC that the rectification was done at the instance of the assessee is not correct. In this regard, Ld. AR submitted that the rectification request was made by the assessee on 01.03.2021 and on the basis of this rectification request the CPC has already passed rectified intimation on 18.03.2021. Ld. AR further submitted that the assessee furnished revised return on 31.03.2021 and the CPC accepted the revised return on

14.04.2021. However, the CPC in his rectified order dated 06.04.2022 wrongly mentioned that the rectification is done on the basis of rectification request made by the assessee on 01.03.2021. Ld. AR submitted that apparently the statement of CPC is not correct since the assessee cannot make any rectification request dated 01.03.2021 in advance for a revised return which was furnished subsequently i.e. on 31.03.2021. Apart from above, Ld. AR also submitted that now after amendment leave encashment is exempted up to Rs.25,00,000/- and the amendment is retrospective and therefore the exemption of leave encashment of Rs.7,18,944/- may kindly be allowed to the assessee, in this regard Ld. AR also relied on the decisions passed by coordinate benches of this Tribunal. Accordingly, Ld. AR requested before the bench to allow the appeal on legal as well as on factual grounds.

9. Ld. DR appearing from the side of the Revenue relied on the orders passed by the subordinate authorities and requested to confirm the same. However, Ld. DR accepted the fact that no notice was issued to the assessee prior to passing rectification order and the rectification made by the CPC was *suo moto* and not at the request of the assessee.

10. We have heard Ld. Counsels from both the sides and perused the material available on record including the paper book factual and legal furnished by the assessee. In this regard, we find that the assessee being an employee of Central Bank of India received leave encashment of Rs.7,18,944/- and claimed exemption of only Rs.3,00,000/- u/s 10(10AA)(ii) of the Act. Subsequently, on 31.03.2021 the return was revised by the assessee and exemption of Rs.7,18,944/- was claimed u/s 10(10AA) of the Act. Vide intimation dated 14.04.2021, the above said revised return was accepted by the CPC and the returned income was accepted and refund sought by the assessee was also issued. Subsequently, the CPC revised the above said intimation vide rectification order dated 06.04.2022 and reduced the exemption claimed by the assessee u/s 10(10AA) of the Act of Rs.7,18,944/- to only Rs.3,00,000/-. The assessee took the matter to Ld. CIT(A) & being unsuccessful approached before the Tribunal.

11. In this regard, we find that the CPC is empowered to pass rectification order in intimation issued u/s 143(1) of the Act, however we also find that if the rectification is *suo moto* a notice u/s 154(3) of the Act is required to be given to the assessee before

passing such rectification order. In this regard, section 154(3) of the Act is relevant which is as under :-

“Rectification of mistake.

154. (1) With a view to rectifying any mistake apparent from the record an income- tax authority referred to in section 116 may,—

- (a) amend any order passed by it under the provisions of this Act ;*
- (b) amend any intimation or deemed intimation under sub-section (1) of section 143;*
- (c) amend any intimation under sub-section (1) of section 200A;*
- (d) amend any intimation under sub-section (1) of section 206CB.*

(1A) Where any matter has been considered and decided in any proceeding by way of appeal or revision relating to an order referred to in sub-section (1), the authority passing such order may, notwithstanding anything contained in any law for the time being in force, amend the order under that sub-section in relation to any matter other than the matter which has been so considered and decided.

(2) Subject to the other provisions of this section, the authority concerned—

- (a) may make an amendment under sub-section (1) of its own motion, and*
- (b) shall make such amendment for rectifying any such mistake which has been brought to its notice by the assessee or by the deductor or by the collector, and where the authority concerned is ²⁴[the Joint Commissioner (Appeals) or] the Commissioner (Appeals), by the Assessing Officer also.*

(3) An amendment, which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee or the deductor or the collector, shall not be made under this section unless the authority concerned has given notice to the assessee or the deductor or the collector of its intention so to do and has allowed the assessee or the deductor or the collector a reasonable opportunity of being heard.”

12. From the perusal of above section 154(3) of the Act, we are of the considered opinion that the notice is a must before making any rectification u/s 154 of the Act and in the instant case in hand admittedly the CPC has not issued any notice to the assessee prior to making the impugned rectification rather a wrong fact is mentioned in the intimation that the rectification is made at the instance of the assessee.

13. Considering the totality of the facts of the case and in view of our above discussion, we find force in the arguments of Ld. counsel of the assessee that such rectification without giving any notice to the assessee is not in accordance with law. Accordingly, we deem it appropriate to set-aside the order passed by Ld. CIT(A) and direct the Assessing Officer/CPC to cancel the rectification order dated 06.04.2022 since it was passed without giving any notice to the assessee as required under the provisions of section 154 (3) of the Act.

14. Since we have allowed the appeal of the assessee on legal ground no.1 raised by the assessee, the other grounds becomes academic and therefore are not adjudicated. Thus, the legal ground no.1 raised by the assessee is allowed.

15. In the result, the appeal filed by the assessee is allowed.

Order pronounced on this 21st day of November, 2025.

Sd/-
(R. K. PANDA)
VICE PRESIDENT

Sd/-
(VINAY BHAMORE)
JUDICIAL MEMBER

पुणे / Pune; दिनांक / Dated : 21st November, 2025.

Sujeet

आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The Addl./JCIT (A), Madurai.
4. The Pr. CIT/CIT concerned.
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "SMC" बेंच,
पुणे / DR, ITAT, "SMC" Bench, Pune.
6. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune.