

**IN THE INCOME TAX APPELLATE TRIBUNAL “H(SMC)” BENCH
MUMBAI**

**BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER
AND
SHRI GIRISH AGRAWAL, ACCOUNTANT MEMBER**

**ITA No. 3173/MUM/2025
Assessment Year: 2017-18**

Nayana Digant Kapadia 152, Ramanuj, Road No.9, Wadala, Mumbai – 400 031 (PAN : AABPK8446R)	Vs.	Income Tax Officer, 20(2)(1), Mumbai
(Appellant)		(Respondent)

Present for:

Assessee : Shri Satish Mody, CA
Revenue : Shri Pravin Salunkhe, Sr. DR

Date of Hearing : 15.10.2025
Date of Pronouncement : 06.01.2026

ORDER

PER GIRISH AGRAWAL, ACCOUNTANT MEMBER:

This appeal filed by the assessee is against the order of Addl /JCIT (A)-3 Delhi vide ITBA/APL/S/250/2024-25/1074687488(1), dated 19.03.2025 passed against the intimation issued by Centralized Processing Center (CPC), Bengaluru, u/s. 143(1) of the Income-tax Act, 1961 (hereinafter referred to as the “Act”), dated 30.11.2019 for Assessment Year 2017-18.

2. Grounds taken by the assessee are reproduced as under:

“1. The Learned Commissioner of Income Tax (Appeals)-32 erred in confirming the order made u/s 143(1) dt 30/11/2019 wherein the Interest Income of Rs 26,49,581/- from DLK Commercial Pvt Ltd was added as income of the Appellant on accrual basis inspite of the fact that the Appellant u/s 145 of the Income Tax

Act, 1961 opted for receipt basis as this interest was not received by the appellant..”

3. Brief facts of the case are that assessee filed her original return of income on 28.07.2017 which was revised on 25.03.2019, reporting total income at Rs.4,35,340/-. Income reported by the assessee included income from salary and income from other sources. Under the head ‘income from other sources’, interest of Rs.93,391/- was reported from bank and Rs.21,950/- from fixed deposits with bank. Assessee had carried forward claim for TDS of Rs.2,74,297/- in respect of gross interest of Rs.27,42,972/- appearing in Form 26AS for the year under consideration reflected by “DLK Commercial Pvt. Ltd”. The reason given for carry forward of this claim of TDS and not reporting the corresponding income in the return for the year was that assessee did not receive the said interest as reflected in Form 26AS. According to the assessee, she follows cash system of accounting u/s.145 for her interest income. For this carry forward of TDS credit and corresponding interest income, it was reported in “*Schedule-TDS 2: Details of tax deducted at source of income [as per Form 16A issued by deductor(s)]*”. Copy of the said return is placed in the paper book.

3.1. While processing the return, CPC included the interest income from DLK Commercial Pvt. Ltd. by making the adjustment, reported in part-A of intimation issued u/s.143(1). While making this adjustment, it is mentioned for the error description as “*there is inconsistency between other source incomes in return and Form 26AS*”. Assessee had made her submission in e-proceedings before the CPC, while reconciling the entries in Form 26AS and those reported in her return of income. In the reasons mentioned in her submission, it is stated that “*the interest income appearing in Form 26AS is taxable in subsequent year and TDS claimed is also carried forward to specific year as the income is not*

received and taxable on receipt basis". Thus, a dynamic reconciliation statement was submitted in the e-proceeding when the adjustment u/s. 143(1)(a) were proposed and the error description was explained by the assessee. Copy of this submission through e-proceedings is placed in the paper book at page-7.

4. Before the Id. CIT(A), assessee further submitted that similar issue had arisen in the case of her father Shri Digant Laxmidas Kapadia in ITA No.622/Mum/2022, dated 20.10.2022 for the same assessment year wherein the adjustment so made by CPC u/s.143(1) on similar basis was deleted. Relevant observation and finding of the Coordinate Bench in the said decision is reproduced as under:

"We have considered the rival submissions. On perusal of material on record, we are satisfied that the Appellant has been consistently offering to tax interest income under the head 'Income from Other Sources' on receipt basis in line with the provisions of Section 145 of the Act. Interest income of INR.30,06,671/- reflected in Form 26AS, has accrued to the during the relevant previous year, out of which interest income of INR 2,63,699/- received by the Appellant during the relevant previous year from B E Billimoria & Company has been offered to tax on receipt basis. In addition, interest income INR.9,73,020/ which had accrued is Financial year 2015 has also been offered to tax on receipt basis during the Assessment Year 2016-17. Taking the aggregate interest income received from BE Billimoria & Company offered to tax on receipt basis for the relevant assessment year at INR. 12,36,719/-. Further, the Appellant had also offered to tax other interest income aggregating to INR 2,21,178/-. Thus, taking the total income offered to tax under the head income from other sources at INR 14,57,896/-. We note that while processing the revised return, the difference between interest income of INR 30,06,671/-reflected in Form 26AS and income of INR 14,57,896/- offered to tax under the head Income from Other Sources amounting to INR 15,48,775/- has been added without having regard to the disclosures made by the Appellant in Schedule TDS-2 of the revised return wherein the Appellant had clearly disclosed that the Appellant is carrying forward TDS amount of INR 27,42.972/-as the corresponding income has not been further to tax during the relevant assessment year. The Appellant has been able to reconciliation the figure of interest income received offered to tax and carried forward to the subsequent years in proceedings before us. Accordingly, there was no error in the revised return of income requiring adjustment/addition in terms of Section 143(1) of the Act. Accordingly, we delete the addition of INR.15,48,775/-. Ground No. 1 raised by the Appellant is allowed."

4.1. Ld. CIT(A) after dealing with the merits of the case and the submissions made by the assessee, so also by referring to the decision

of the Coordinate Bench (supra) concluded by rejecting the contention of the assessee and sustaining the addition so made. According to him, reliance placed on the decision of the Coordinate Bench had certain observations which the assessee in the present case has not complied with by providing the documentary evidences to substantiate the claim so made. He also observed that the revised return filed by the assessee, claiming carry forward of the TDS was also done subsequently without making said disclosure in the original return.

5. We have heard both the parties and perused the material on record. We have considered the first appellate order as well as the order of the Coordinate Bench (supra) and also gone through provisions of the section 145. From the perusal of the first appellate order in para-4, we note that the submissions of the assessee have been declined on account of non furnishing of copy of account of DLK Commercial Pvt. Ltd. from where assessee claims that she has not received the interest which is reflected in here Form 26AS and therefore, the basic fact of receiving interest is not proved. It is also not clear as to when this income has been offered to tax by the assessee in the subsequent years by considering cash system of accounting followed by her. Considering these facts on record and observations by the Id. CIT(A), we are of considered view that assessee needs to demonstrate when this interest was actually received in subsequent year as well as establish that she did not receive the interest in the year under consideration by submitting confirmation letter from the payer, i.e., DLK Commercial Pvt. Ltd. Such facts were on record before the Coordinate Bench in the case of Digant Kapadia (supra) because of which favourable view could be taken for the assessee. Accordingly, in the interest of justice and fair play, we find it appropriate to remit the matter back to the file of Id. Jurisdictional Assessing Officer (JAO) for limited purpose of verification

of this factual position and consider the claim of the assessee of taking income into consideration on receipt basis. Needless to say that assessee be given reasonable opportunity of being heard and furnish any further document, if so required. Accordingly, ground raised by the assessee in this respect is allowed for statistical purpose.

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

Order is pronounced in the open court on 06 January, 2026

Sd/-
(Pawan Singh)
Judicial Member

Sd/-
(Girish Agrawal)
Accountant Member

Dated: 06 January, 2026

MP, Sr.P.S.

Copy to :

- 1 The Assessee
- 2 The Respondent
- 3 DR, ITAT, Mumbai
- 4 Guard File
- 5 CIT(A)

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai