

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

**BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT**  
**AND**  
**SHRI MANJUNATHA G. ACCOUNTANT MEMBER**

आ.अपी.सं / **ITA No.1013/Hyd/2025**  
 Assessment Year 2018-2019

KP Advisory Services LLP, Hyderabad. PIN-500 016. Telangana. PAN AARFK7349F	vs.	The ACIT, Central Circle-2(1), Hyderabad.
(Appellant)		(Respondent)
निर्धारिती द्वारा / Assessee by:	Sri SP Chidambaram, Advocate	
राजस्व द्वारा / Revenue by:	Sri Ashutosh Pradhan, Sr. AR	
सुनवाई की तारीख / Date of hearing:	10.12.2025	
घोषणा की तारीख / Pronouncement:	09.01.2026	

**आदेश / ORDER**

**PER VIJAY PAL RAO, VICE PRESIDENT :**

This appeal by the Assessee is directed against the Order dated 27.03.2025 of the learned CIT(A)-12, Hyderabad, for the assessment year 2018-2019.

2. The assessee has raised the following grounds of appeal:

1. *“That on the facts and in the circumstances of the case and in law, the order passed by the office of Commissioner of Income tax (Appeals)-12, Hyderabad [Learned CIT(A)] by upholding the order passed by the Income Tax officer, National e-assessment centre, [Learned AO] is arbitrary, contrary to law, and liable to be quashed.*
2. *That on the facts and circumstances of the case and in law, the Learned CIT(A) erred in upholding the addition of Rs.69,48,001 made by the Centralized Processing Centre, Bengaluru representing the dividend income earned without appreciating the fact that such dividend income earned is exempt from levy of Income Tax as per the provisions of Section 10(34) of the Income Tax Act 1961.*
3. *On the facts and circumstances of the case and in law, the Learned CTT(A) erred by upholding the addition of Rs.12,07,950 made by the Learned AO under Section 14A of the Act disregarding the fact that no expenditure was incurred by the Appellant in earning any exempt income.*
4. *On the facts and circumstances of the case, the Learned CIT(A) erred by not allowing deduction of Rs.64,93,628 from the Capital Gains, which was already considered in the Assessment Year 2017-18, thus taxing the same income twice, which is against the principles of taxation.*
5. *Based on the facts and in the circumstances of the case and in law, the Learned CIT(A) erred in upholding the order of Learned AO wherein Income from Capital Gains of Rs.447,62,58,609 was considered in the Computation of Total Income Statement as per the assessment order as against Rs. 446,87,55,610 finalized in*

*the Assessment order under section 143(3), thereby subjecting a wrong and arbitrary income to tax without providing any basis for doing so.*

6. *That on the facts and circumstances of the case and in law, the Learned AO had grossly erred in levying interest under Section 234A, 234B and 234C of the Act.*
7. *That on the facts and circumstances of the case and in law, the Learned AO had grossly erred in initiating penalty proceedings under Section 270A of the Act without appreciating the case in entirety*
8. *The Appellant craves leave to add to and/or to alter, amend, rescind, modify, withdraw all or any of the grounds of appeal herein above or add any further grounds may be considered necessary and to submit such statements, documents, facts and evidence as may be considered necessary either before or at the time of bearing of this appeal.”*

3. Ground no.1 of the assessee’s appeal is general in nature and does not require any specific adjudication.

4. Ground no.2 of the assessee’s appeal is regarding the dividend income has been assessed to tax by the CPC while processing the return u/sec.143(1) of the Income Tax Act [in short "the Act"], 1961 due to the mistake in the ITR.

5. Learned Counsel for the Assessee has submitted that there was an inadvertent mistake in reporting the dividend income being income from other sources under Schedule-BP [Business or Profession] instead of Schedule-OS [Other Sources]. Therefore, only because of this bonafide mistake the CPC has assessed the dividend income which is otherwise exempt u/sec.10(34) of the Act. Thus, the learned Counsel for the Assessee has submitted that the addition made by the CPC be deleted. He has further submitted that after the return of income was processed u/sec.143(1), the case of the assessee was selected for scrutiny, and the Assessing Officer has passed the order u/sec.143(3) of the Act whereby made disallowance u/sec.14A of the Act. Therefore, the disallowance made by the Assessing Officer and the addition made by the CPC are contradictory to each other. He has pointed out that the learned CIT(A) has declined to entertain the issue by citing the reason that the assessee has not filed a separate appeal against the order passed u/sec.143(1) by the CPC.

6. On the other hand, the learned DR has submitted that the assessee has not claimed any exemption u/sec.10(34) of the Act before the Assessing Officer and, therefore, the addition/assessment of the said income claimed by the assessee as dividend income is not justified in the absence of any claim of exemption u/sec.10(34) of the Act.

7. We have considered the rival submissions as well as the relevant material on record. In the return of income in Schedule-BP the assessee has shown an income of Rs.69,48,001/- as income from other sources. This income is claimed by the assessee as dividend income which is exempt u/sec.10(34) of the Act. Further since this income was not declared in Schedule-OS, and dividend income under the said Schedule, the CPC while processing the return of income has taxed the said income. It is pertinent to note that in Schedule-EI [Exempt Income] of the return of income, the assessee has also shown the said amount of Rs.69,48,001/- as dividend income as under:

<b>Schedule EI</b>			
<b>Details of Exempt Income [Income not to be included in Total Income].</b>			
1.	Interest Income	1	0
2.	Dividend income	2	6948001
3.	Long term capital gains from transactions on which Securities Transaction Tax is paid	3	0

7.1. Once the assessee has declared the dividend income in the return of income in the Schedule-EI, then a mere mistake of showing the said income in Schedule-BP instead of Schedule-OS has resulted the assessment of the said exempt income to tax by the CPC. The facts as declared in the return of income as well as considered by the CPC are not in dispute. We further note that in the scrutiny assessment u/sec.143(3) of the Act, the Assessing Officer has also considered the said income of Rs.69,48,001/- as exempt income in Paras 6.1 as under:

*“6.1. From the perusal of the balance sheet filed by the assessee, it is seen that the assessee has made large investments, the income of which is exempt from tax. The assessee has received Dividend income of Rs.60,48,001/- which has been claimed as Exempt income. However, no disallowance u/s 14A has been made by the assessee in the computation of income.”*

7.2. Accordingly, it is an admitted fact that dividend income of Rs.69,48,001/- is an exempt income and, therefore, the same cannot be assessed to tax. Hence, in the facts and circumstances of the case, we delete the addition of Rs.69,48,001/- assessed to tax by the CPC. It is also pertinent to note that after the return of income was processed u/sec.143(1), the same was also selected for scrutiny and the Assessing Officer has passed an order u/sec.143(3) of the Act. Thus, the Order of the CPC u/sec.143(1) merges with the Order passed by the Assessing Officer u/sec.143(3) of the Act and hence, there is no requirement of filing a separate appeal against the Order of CPC u/sec.143(1) as it merges with the scrutiny assessment Order passed by the Assessing Officer u/sec.143(3) of the Act. Grounds of appeal no.2 of the assessee are allowed.

8. Ground no.3 of assessee's appeal is regarding disallowance made u/sec.14A of the Act.

9. At the time of hearing, learned Counsel for the Assessee has stated at Bar that the assessee does not press this ground of appeal regarding disallowance made by the Assessing Officer u/sec.14A of the Act. On the other hand, the learned DR has no objection if ground no.3 of assessee's appeal is dismissed as not pressed. Accordingly, in view of our finding on ground no.2 as well as the statement made by the learned Counsel for the Assessee at Bar the ground no.3 of assessee's appeal is dismissed being not pressed.

10. Ground no.4 of assessee's appeal is regarding double taxation of short-term capital gain.

11. Learned Counsel for the Assessee has submitted that the assessee has offered short term capital gain for the year under consideration. However, the said income was already assessed by the Assessing Officer for the assessment year 2017-2018 which has resulted double taxation of the same income. Learned Counsel for the Assessee has pointed out that at the time of filing the return of income for the year under consideration, the assessment order for the assessment year 2017-2018 was yet to be passed by the

Assessing Officer and only after the said order of assessment for the assessment year 2017-2018, the assessee came to know that the Assessing Officer has assessed short term capital gain arising from the same transaction in the assessment year 2017-2018. He has referred to the assessment order for the assessment year 2017-2018 placed at Pages-110 to 114 of the paper book and submitted that the assessee has raised this issue before the Assessing Officer as per the reply of the assessee placed at pages-94 and 96 of the paper book.

12. On the other hand, the learned DR has relied upon the Orders of the authorities below and submitted that until and unless this issue involved in the assessment year 2017-2018 is attained finality, the taxability of the short term capital gain for the year under consideration cannot be determined.

13. We have considered the rival submissions as well as the relevant material on record. There is no dispute that for the assessment year 2017-2018 the Assessing Officer in the order dated 30.12.2019 has assessed the capital gain of

Rs.64,93,628/- in terms of provisions of sec.111A of the Act arising from the conversion of the LLP into Private Limited Company. For the year under consideration, the assessee claimed that the said income was offered by the assessee to tax for the assessment year 2018-2019 and since the Assessing Officer had already taxed the same income for the assessment year 2017-2018, it amounts to double taxation. We further note that the return of income was filed by the assessee for the year under consideration before the assessment order dated 30.12.2019 passed for the assessment year 2017-2018. Therefore, there was no occasion for the assessee at the time of filing the return of income for the year under consideration to consider this aspect of the matter. Accordingly, in the facts and circumstances of the case, we remit this issue to the record of the Assessing Officer to verify these facts and grant relief to the extent of double taxation of the same income for the year under consideration if the addition made for the assessment year 2017-2018 on this account has attained

finality. Grounds of appeal no.4 is allowed for statistical purposes.

14. Ground no.5 is regarding some discrepancy in the computation of total income and the income from capital gain.

15. We have heard the learned Counsel for the Assessee as well as learned DR and considered the relevant record. Since this appears to be a typographical error, therefore, it can be verified at the level of Assessing Officer. Accordingly, we direct the Assessing Officer to verify and examine this claim of the assessee regarding the mistake in the amount of capital gain as claimed by the assessee and carry out the necessary rectification, if any. Ground no.5 of the assessee is allowed for statistical purposes.

16. Ground no.6 is regarding the interest u/sec.234A, 234B and 234C of the Act, which are consequential in nature.

17. In the result, appeal of the Assessee is partly allowed for statistical purposes.

Order pronounced in the open Court on 09.01.2026.

Sd/-  
[MANJUNATHA G.]  
ACCOUNTANT MEMBER

Sd/-  
[VIJAY PAL RAO]  
VICE PRESIDENT

Hyderabad, Dated 09<sup>th</sup> January, 2026.

VBP

Copy to :

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2.	The ACIT, Central Circle-2(1), Aaykar Bhavan, Opp. LB Stadium, Hyderabad – 500 004. Telangana.
3.	The CIT(A)-12, 6 <sup>th</sup> Floor, Aaykar Bhavan, Basheerbagh, Hyderabad – 500 004. Telangana.
4.	The Pr. CIT (Central), Hyderabad.
5.	The DR, ITAT, “B” Bench, Hyderabad.
6.	Guard file.

BY ORDER

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