

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'A' Bench, Hyderabad
श्री विजय पाल राव, उपाध्यक्ष एवं श्री मधुसूदन सावडिया, लेखा सदस्य के समक्ष ।
BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT
AND
SHRI MADHUSUDAN SAWDIA, ACCOUNTANT MEMBER
आ.अपी.सं /ITA No.1268/Hyd/2025
(निर्धारण वर्ष/Assessment Year:2022-23)

Satya Sayee Babu Divi, Hyderabad. PAN: AYEPS7457B (Appellant)	Vs.	ACIT, Central Circle-2(1), Hyderabad. (Respondent)
निर्धारिती द्वारा/Assessee by:	Shri Amrit Kumar Kota, CA	
राजस्व द्वारा/Revenue by::	Ms. Payal Gupta, Sr.AR	
सुनवाई की तारीख/Date of hearing:	09/02/2026	
घोषणा की तारीख/Pronouncement:	13/02/2026	

आदेश/ORDER

Per Madhusudan Sawdia, A.M.:

This appeal is filed by Shri Satya Sayee Babu Divi, ("the assessee"), feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals)-12, Hyderabad ("Ld. CIT(A)"), dated 25/06/2025 for the Assessment Year ("A.Y.") 2022-23.

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

"1. The Commissioner of Income Tax (Appeals) erred in adding Rs. 88,200/-to the total income of the assessee under the head of Income from House Property by considering Yarlagadda residency (sale deed executed on 01.11.2021) Flat no. 202, 1st floor, Yarlagadda Residency, Gunadala, Vijayawada as deemed let-out for 7 months. However, due to post covid period

no tenant has come. The assessee was intended to sell the property and the same was sold during the year on 01.12.2020.

2. Apartment Jayabheri Peak the Commissioner of Income Tax (Appeals) has considered this property as self-occupied. In fact, the property is still not occupied in the AY 2022-23 due to pending interior work. Because of this the assessee lost the opportunity to claim one more property as self-occupied. Hence, we request you to consider the facts and allow us to claim any other property as self-occupied.”

3. The Commissioner of Income Tax (Appeals) erred in adding Rs. 3,62,880/- to the total income of the assessee under the head of Income from House Property by considering Flat with Lodha-No. 123, Lodha, Kukatpally, Hyderabad-500072, Telangana as deemed let-out. However, the assessee has neither ownership nor the possession of the property. It is an advance towards the property.

4. The Commissioner of Income Tax (Appeals) erred in adding Rs. 9,41,640/- to the total income of the assessee under the head of Income from House Property by considering Maharaja Towers pent house-Flat no Phi 7th floor, RK beach, Vishakapatnam-530016 Andhra Pradesh as deemed let-out. However, the same was intended to let-out but no tenant has come and remained vacant for whole year. Later, in the FY 2022-23 relevant to AY 2023-24 the said property was let-out.

5. The Commissioner of Income Tax (Appeals) erred in adding Rs. 1,23,984/- to the total income of the assessee under the head of Income from House Property by considering Bhavya Sri Arcade- H.No. 7-1-01/2, No.301 Dharma Karam Road Ameerpet, Hyderabad as deemed let-out. However, the assessee inadvertently considered the said property as vacant. To be considered as self-occupied.

6. Flat no.506, Bougain Villea Apartment, Ameerpet- The Commissioner of Income Tax (Appeals) has considered this property as self-occupied. However, the same was used for the Business of Svaasa Infra Limited(LLP) where the assessee is the partner.

7. The Commissioner of Income Tax (Appeals) erred in adding Rs. 1,60,920/- to the total income of the assessee under the head of Income from House Property by considering Madhurawada S.No.26-1, Madhura Wada, Visakhapatnam as deemed let-out. However, the said property was not vacant during the year. Income earned and offered to tax in the same year. Despite of recording and offering tax on the total rental income earned during the year, the CIT-(A) still calculated the rental income by considering the Deemed Let-out provisions is not correct.

8. The Commissioner of Income Tax (Appeals) erred in adding Rs. 1,22,024/- to the total income of the assessee under the head of Income from House Property by considering Lanco Hills (sale-deed executed on 17.06.2021) Flat no. 1403, Tower 5LH, Hyderabad as deemed let-out for 2 months. However, due to post covid period no tenant has come. The assessee was intended to sell the property and the same was sold during the year on 17.06.2020.”

3. The brief facts of the case are that the assessee is an individual who filed his return of income for the Assessment Year (“A.Y.”) 2022–23 on 30.12.2022, admitting total income of Rs.2,43,53,540/- and agricultural income of Rs.4,90,000/-. The case of the assessee was selected for scrutiny under CASS and accordingly, notice under section 143(2) of the Income Tax Act, 1961 (“the Act”) dated 31.05.2023 was issued by the Learned Assessing Officer (“Ld. AO”). After considering the submissions of the assessee, the Ld. AO made additions under the head “Income from House Property” on the basis of notional/fair rental value in respect of various properties as under:

Based on the above discussion, the total income of the assessee is determined as under

(Amount in Rupees)

Total Income returned	2,43,53,541/-
Add: Lodha, Kukatpally House property income	3,62,880/-
Add: Maharaja Towers pent house, RK beach, Visakhapatnam House property income	9,41,640/-
Add: Bhavya Sri Arcade, Dharma Karam Road Ameerpet, Hyderabad House property income	1,23,984/-
Add: Rent from Madhura Wada plot	3,04,920/-
Add: income Lanco Hills, Hyderabad house	1,22,024/-

property	
Add: Yarlagadda Residency, Gunadala, Vijayawada House property income	88,200/-
Total Income Assessed	2,62,97,189/-

Accordingly, the assessment was completed by the Ld. AO under section 143(3) of the Act vide order dated 30.03.2024 determining the total income of the assessee at Rs.2,62,97,189/-.

4. Aggrieved with the order of the Ld. AO, the assessee filed an appeal before the Ld. CIT(A), who partly allowed the appeal of the assessee.

5. Aggrieved with the order of the Ld. CIT(A), the assessee is in further appeal before this Tribunal. The Learned Authorised Representative ("Ld. AR") submitted that ground no.1 of the appeal of the assessee is related to addition of Rs.88,200/- on account of property at Yarlagadda Residency and ground no.8 of the appeal of the assessee is related to addition of Rs.1,22,024/- on account of property at Lanco Hills. He submitted that the addition made by the Ld. AO on account of both these properties is wholly unjustified. It was submitted that the property at Yarlagadda Residency was sold on 01.12.2021, and the property at Lanco Hills was sold on 17.06.2021. Both the properties remained vacant till the date of their respective sale and no actual rent was received by the assessee during the year under consideration. The Ld. AR further submitted

that the relevant period coincided with the COVID-19 pandemic, during which there was severe disruption in the real estate and rental market. It was specifically contended that no prospective tenants were coming forward to take the properties on rent, and due to repeated vacancies and market uncertainty, the assessee had already taken a conscious and commercial decision to sell both the properties. It was further submitted that once the decision to sell was taken, it was commercially impractical to let out the properties, as a tenanted property cannot be easily sold. Therefore, the properties were necessarily kept vacant for facilitating sale. The Ld. AR contended that the Ld. AO, without appreciating these factual and economic realities, treated the properties as deemed let out and brought notional rental income to tax merely on the basis of ownership till the date of sale. It was argued that the Ld. CIT(A) also failed to appreciate that there is no dispute on facts that no rent was received and that both the properties were actually sold during the year. Accordingly, it was prayed that the additions be deleted.

6. Per contra, the Learned Departmental Representative ("Ld. DR") relied upon the orders of the lower authorities and submitted that since the assessee continued to be the owner of the properties till the date of sale, the Ld. AO was justified in estimating rental income by treating the properties as deemed let out. She prayed that the order of the Ld. CIT(A) be upheld.

7. We have carefully considered the rival submissions and perused the material available on record. There is no dispute regarding the fact that the assessee did not receive any actual rent from the two properties, namely,

Yarlagadda Residency, Gunadala, Vijayawada and Lanco Hills, Hyderabad, during the year under consideration. It is also an admitted position that both the properties were actually sold during the relevant previous year, i.e., on 01.12.2021 and 17.06.2021 respectively. We further find merit in the submission of the Ld. AR that the relevant period fell during the COVID-19 pandemic, when the rental market was severely affected, and there was a general reluctance on the part of tenants to take properties on rent. In such extraordinary circumstances, the inability of the assessee to find tenants cannot be viewed adversely. It is also a matter of normal commercial prudence that once an owner takes a conscious decision to sell a property, the property is generally kept vacant, as a tenanted property cannot be easily sold. Letting out the property would not only delay the sale but would also adversely impact the sale value. The intention of the assessee to sell both the properties stands clearly established from the undisputed fact of actual sale during the year itself. The additions in the present case have been made purely on the basis of notional/fair rental value by treating the properties as deemed let out, without bringing any material on record to show that the assessee had, in fact, exploited the properties for earning rental income or that the properties were capable of being let out during the pandemic-affected period. In the absence of any actual receipt of rent and considering the exceptional circumstances prevailing during the COVID-19 period, coupled with the fact that the properties were sold during the year, we are of the considered view that the notional rental income cannot be brought to tax merely on the ground that the assessee continued to be the

owner till the date of sale. Hence, we direct the Ld. AO to delete the additions of Rs.88,200/- in respect of Yarlagadda Residency, Gunadala, Vijayawada and Rs.1,22,024/- in respect of Lanco Hills, Hyderabad. Accordingly, ground nos.1 and 8 of the appeal of the assessee are allowed.

8. Ground No. 3 raised by the assessee relates to the addition of Rs.3,62,880/- made by the Ld. AO under the head "Income from House Property" in respect of the property at Lodha, Kukatpally. The Ld. AR submitted that the assessee had merely made payments towards a residential property at Lodha, Kukatpally. It was submitted that the said amount was reflected in the balance sheet as "investment in house property"; however, this accounting treatment was inadvertent and erroneous. According to the Ld. AR, the amount actually represented advance paid to the seller, and not an investment in a completed house property. It was further submitted that the assessee has neither taken possession of the property nor has the property been registered in the name of the assessee till date. Therefore, the assessee cannot be regarded as the owner of the property during the year under consideration. The Ld. AR argued that the Ld. AO wrongly presumed that possession of the property had been taken and, on that basis alone, brought notional rental income to tax. The Ld. CIT(A) also confirmed the addition without appreciating the basic legal requirement under section 22 of the Act. It was contended that ownership of the property is a sine qua non for charging income under the head "Income from House Property". Since the assessee was not the owner of the property, either in law or in fact, no addition could be made in the hands of the

assessee under section 22 of the Act. Accordingly, the Ld. AR prayed that the addition made by the Ld. AO and confirmed by the Ld. CIT(A) be deleted.

9. Per contra, the Ld. DR relied upon the orders of the lower authorities. She invited our attention to page no.6 of the assessment order, wherein the Ld. AO has recorded that, based on a local enquiry conducted by the Inspector, the Lodha, Kukatpally community had residential occupied apartments during the relevant year. On the basis of this observation, she submitted that the Ld. AO was justified in treating the property as occupied and in making the addition. Accordingly, she prayed for confirmation of the addition.

10. We have carefully considered the rival submissions and perused the material available on record. The issue for our consideration is whether the assessee can be treated as the owner of the property at Lodha, Kukatpally so as to bring notional rental income to tax under section 22 of the Act. In this regard, we have gone through the relevant part of the assessment order placed at page nos. 5 & 6, which is to the following effect:

“In respect No.123, Flat with Lodha, Kukatpally, Hyderabad-500072, Telangana, assessee has stated that he has only booked the flat by giving the advance and neither the sale deed is executed in his favour nor the possession is given and therefore he holds no ownership rights. The assessee’s submission can't be accepted for multiple reasons. Firstly, it is observed that the assessee has populated this property in assets and liabilities schedule under the head Immovable Asset and not categorised it under 'Loans and Advances given. This itself is indicative of recognising ownership. Further, it is observed that this house property has been declared as and recognised in all ITRs as an Immovable Asset owned since AY 2017-18. Therefore, the assessee’s argument that he doesn't have ownership as sale deed has not been executed is not acceptable. Nevertheless, without prejudice to the above, sale agreement entered into with the builder based on which advance

has been paid over 5 years earlier does transfer ownership rights as the purchaser has performed his part of the contract. Further, on local enquiry conducted by the Inspector, it is clear that the community Lodha, Kukatpally has been having residents occupy apartments during the relevant year. Hence, the property would have received occupancy certificate by the financial year under question. Therefore, the contentions raised by the assessee deserve to be rejected and the house property is treated as deemed let out.”

11. On perusal of above, we find that the Ld. AO has merely recorded that, based on a local enquiry conducted by the Inspector, the Lodha, Kukatpally community was having residential occupied apartments during the relevant year. However, nowhere has the Ld. AO recorded a finding that the specific property in question was occupied by the assessee, or that possession of the said property had been handed over to the assessee. We further find merit in the contention of the Ld. AR that the assessee has neither taken possession of the property nor got the same registered in his name during the year under consideration. The mere fact that other apartments in the same residential complex were occupied cannot lead to the conclusion that the assessee was in possession of, or was the owner of, the subject property. Further, we find that Section 22 of the Act clearly provides that income under the head “Income from House Property” can be charged to tax only in the hands of the owner of the property. In the absence of ownership, either legal or deemed, no notional income can be brought to tax. In the present case, except for an inadvertent accounting classification in the balance sheet, there is no material on record to establish that the assessee was the owner or was in possession of the property. The Ld. AO has also not brought any evidence to show that the property was

occupied by the assessee or that the assessee derived any benefit from the said property during the relevant year. In view of the present facts and the clear mandate of section 22 of the Act, we are of the considered opinion that the assessee cannot be treated as the owner of the property at Lodha, Kukatpally during the year under consideration. Consequently, the addition of Rs.3,62,880/- made under the head "Income from House Property" is unsustainable. Hence, we direct the Ld. AO to delete the addition made in respect of the Lodha, Kukatpally property. Accordingly, ground no.3 of the appeal of the assessee is allowed.

12. Ground No. 4 raised by the assessee relates to the addition of Rs.9,41,640/- made by the Ld. AO under the head "Income from House Property" in respect of the property at Maharaja Towers penthouse, RK Beach. In this regard, the Ld.AR submitted that the property at Maharaja Towers penthouse, RK Beach remained vacant throughout the year under consideration. It was submitted that the relevant period coincided with the COVID-19 pandemic, during which there was a complete disruption of normal economic and social activities, including the real estate and rental market. It was contended that due to the pandemic situation, restrictions on movement, health concerns and absence of demand, it was not possible to let out the property. The Ld. AR submitted that there is no dispute on facts that the property remained vacant during the year under consideration and that no actual rent was received by the assessee. It was argued that the Ld. AO, without appreciating these peculiar and exceptional circumstances, proceeded to

compute notional rental income by adopting fair rental value and treating the property as deemed let out. The Ld. CIT(A) also mechanically confirmed the addition without examining the impact of the pandemic and the surrounding factual realities. Accordingly, it was prayed that the addition made by the Ld. AO and confirmed by the Ld. CIT(A) be deleted.

13. Per contra, the Ld. DR submitted that even if the property was vacant during the year under consideration, the fair rental value is liable to be brought to tax by treating the property as deemed let out. She relied upon the orders of the lower authorities and prayed that the addition be sustained.

14. We have carefully considered the rival submissions and perused the material available on record. It is an undisputed fact that the property at Maharaja Towers penthouse, RK Beach remained vacant during the entire year under consideration and that no actual rent was received by the assessee. We also find merit in the submission of the Ld. AR that the relevant period fell during the COVID-19 pandemic, an unprecedented situation which severely impacted normal life, business activities and the rental market. During such period, the ability of property owners to let out residential properties was significantly impaired due to restrictions, health concerns and lack of willing tenants. In the present case, the Ld. AO has brought notional rental income to tax merely on the basis of fair rental value, without considering the peculiar and extraordinary circumstances prevailing during the pandemic. The approach adopted by the Ld. AO ignores the commercial and practical realities faced by the assessee during the relevant period. We further note that the addition is based purely on

presumption, without any material on record to suggest that the property was capable of being let out during the pandemic period or that there was any deliberate intention on the part of the assessee to keep the property vacant for deriving any undue tax advantage. Therefore, in our considered view, the law cannot be applied in isolation from ground realities. When a property remains vacant due to circumstances beyond the control of the assessee, particularly during an extraordinary situation like the COVID-19 pandemic, bringing notional rental income to tax would lead to an unjust and unrealistic result. Considering the peculiar facts of the present case, and the undisputed position that the property remained vacant due to the pandemic situation, we are of the considered opinion that the notional rental income in respect of the property at Maharaja Towers penthouse, RK Beach cannot be brought to tax. Hence, we direct the Ld. AO to delete the addition of Rs.9,41,640/- made in respect of the said property. Accordingly, ground no.4 of the appeal of the assessee is allowed.

15. Ground Nos. 5 and 6 raised by the assessee relate to the addition of Rs.1,23,984/- made under the head "Income from House Property" in respect of the property situated at Bhavya Sri Arcade, Dharam Karam Road, Ameerpet. In this regard, the Ld. AR submitted that the property at Bhavya Sri Arcade, Dharam Karam Road, Ameerpet was self-occupied by the assessee and, therefore, the annual let out value of the said property should be taken at nil. It was further submitted that, inadvertently, while filing the computation of income, the assessee had shown the property at Bougain Villea Apartment, Ameerpet as self-occupied instead of the property at Bhavya Sri Arcade, Dharam Karam

Road, Ameerpet. The Ld. AR contended that the property at Bougain Villea Apartment, Ameerpet was actually used for business purposes by Svaasa Infra LLP, in which the assessee is a partner, whereas the property at Bhavya Sri Arcade, Dharam Karam Road, Ameerpet was used for self-occupation by the assessee. It was therefore argued that no addition could be made in respect of the Bhavya Sri Arcade, Dharam Karam Road, Ameerpet, and the addition made by the Ld. AO and sustained by the Ld. CIT(A) was liable to be deleted.

16. Per contra, Ld. DR strongly relied upon the order of the Ld. CIT(A). She invited our attention to para nos. 6.3.3 and 6.3.4 of the order of the Ld. CIT(A), wherein it has been clearly recorded that the assessee has been consistently showing the Bougain Villea Apartment, Ameerpet property as self-occupied across multiple years, including the year under consideration. The Ld. DR submitted that even in the computation of income filed for the relevant assessment year, the assessee himself has declared the Bougain Villea Apartment, Ameerpet property as self-occupied. According to her, the explanation now offered by the assessee that the self-occupied property was wrongly mentioned is clearly an afterthought, made only after filing the return of income and after the assessment proceedings. She further submitted that except for placing reliance on the LLP agreement and MCA master data of Svaasa Infra LLP, the assessee has not produced any material or evidence to demonstrate that the Bhavya Sri Arcade, Dharam Karam Road, Ameerpet property was, in fact, used for self-occupation or that the Bougain Villea Apartment, Ameerpet property was actually used for business purposes during

the year under consideration. Accordingly, the Ld. DR prayed for confirmation of the addition.

17. We have carefully considered the rival submissions and perused the material available on record. The core issue for our consideration is whether the assessee has been able to establish that the property at Bhavya Sri Arcade, Dharam Karam Road, Ameerpet was self-occupied and that the property at Bougain Villea Apartment, Ameerpet was used for business purposes during the relevant year. In this regard, we have gone through para nos. 6.3.3 and 6.3.4 of the order of Ld. CIT(A) which is to the following effect:

“6.3.3 During the appellate proceedings, the appellant reiterated that Bhavya Sri Arcade was the self-occupied property, and Flat No. 506, Bougainvillea Apartment was being used for business. In support, the appellant submitted the LLP agreement and MCA master data of SVAASA Infra LLP, along with the firm's income tax return, and claimed that the business address of the firm is Flat No. 506, Bougainvillea Apartment. Ameerpet, Hyderabad.

6.3.4 I have gone through the submissions of the appellant. The claim of the appellant that the firm's address is Flat No. 506, Bougainvillea Apartment, Ameerpet, Hyderabad is noted. However, mere contention that the address of the firm as per official records indicates flat no.506, is not sufficient to establish actual business use. No further corroborative evidence such as electricity bills showing commercial usage, property tax records indicating business use, employee records, was submitted. The assessee has declared the Bougainvillea Apartment as self-occupied consistently across multiple years, the changed claim of the appellant at this juncture is not acceptable and not reliable.”

18. On perusal of the above, we find that the Ld. CIT(A) has categorically recorded a finding that the assessee has been consistently showing the Bougain Villea Apartment, Ameerpet property as self-occupied in earlier years as well as in the year under consideration. This factual position is also evident

from the computation of income filed by the assessee for the relevant assessment year (page no.3 of the paper book). The explanation now advanced by the assessee that the self-occupied property was wrongly mentioned in the return of income and that the actual self-occupied property was Bhavya Sri Arcade, Dharam Karam Road, Ameerpet, is not supported by any contemporaneous material. Such an explanation, raised after filing the return of income and after the assessment proceedings, cannot be accepted in the absence of cogent evidence and clearly bears the character of an afterthought. We further note that the assessee has not produced any evidence to substantiate the claim that the Bhavya Sri Arcade, Dharam Karam Road, Ameerpet property was, in fact, used for self-occupation during the year under consideration. Likewise, except for producing the LLP agreement and MCA master data of Svaasa Infra LLP, no material has been brought on record to demonstrate actual business use of the Bougain Villea Apartment, Ameerpet property. In the absence of any credible evidence to support the revised stand taken by the assessee, we find no infirmity in the findings of the Ld. CIT(A), who has rightly upheld the addition by relying on the assessee's own declarations made in the return of income and the consistent stand taken by the assessee in earlier years. Accordingly, we hold that the assessee has failed to discharge the onus of proving that the property at Bhavya Sri Arcade, Dharam Karam Road, Ameerpet was self-occupied during the relevant year. The addition of Rs.1,23,984/- made on this account is therefore justified. Accordingly, ground nos. 5 & 6 of the appeal of the assessee are dismissed.

19. Ground No. 7 raised by the assessee relates to the addition of Rs.3,04,920/- made by the Ld. AO on account of notional rental income in respect of the plot situated at Madhura Wada. In this regard, the Ld. AR submitted that the assessee had already offered rental income of Rs.1,44,000/- from the said plot in the return of income filed for the year under consideration. It was submitted that despite this factual position, the Ld. AO proceeded on an erroneous assumption that the plot remained vacant during the year and, on that basis, worked out the fair rental value at Rs.3,04,920/-, which was added to the income of the assessee. It was further submitted that while the Ld. CIT(A) reduced the addition to the extent of Rs.1,44,000/-, being the rent already offered by the assessee, the Ld. CIT(A) nevertheless upheld the balance addition by accepting the working of fair rental value made by the Ld. AO. The Ld. AR contended that the entire addition is unsustainable, as the Revenue has failed to bring on record any specific instances or comparable cases to demonstrate that the fair rental value of the plot in the open market was higher than the rent of Rs.1,44,000/- already declared by the assessee. It was submitted that the Ld. AO relied merely on a general oral enquiry conducted by the Income Tax Inspector, without any supporting material, comparable data or documentary evidence. Accordingly, the Ld. AR prayed that the entire addition sustained by the Ld. CIT(A) be deleted.

20. Per contra, the Ld. DR relied on the orders of the lower authorities. She invited our attention to page no.9 of the assessment order and submitted that the assessee had failed to produce any documentary evidence such as a lease

deed or rental agreement to substantiate the receipt of rent of Rs.1,44,000/-.

She further submitted that the Ld. AO, on the basis of local enquiry conducted by the Income Tax Inspector, had reasonably determined the fair rental value of the plot at Rs.3,04,920/-. Accordingly, she submitted that the fair rental value calculated by the Ld. AO is backed by proper enquiry and prayed before the Bench to uphold the addition sustained by the Ld. CIT(A).

21. We have carefully considered the rival submissions and perused the material available on record. It is an admitted position that the assessee has already offered rental income of Rs.1,44,000/- from the plot at Madhura Wada in the return of income. The dispute before us is confined to the balance addition sustained on the basis of estimated fair rental value. In this regard, we have gone through the relevant portion of order of Ld. AO placed at page nos. 9 of his order, which is to the following effect:

“The assessee has stated that **Plot in S.No.26-1, Madhura Wada**, is not vacant and he has received income of Rs. 1,44,000 for the financial year 2021-22 and the same was declared in the return of the income. However, to the contrary in the ITR the assessee has stated the property to be Vacant and the value of gross rent received/receivable as Rs. 1,44,000/- can't be considered. The assessee failed to prove it was indeed leased out with documentary evidences, confirmations or lease agreements. Hence, the same can't be accepted and needs to be assessed at fair rental value. As the assessee has himself populated the property under Schedule House Property, the same is being treated as house property and deemed let out. The fair rental value is being determined at Rs.25,410/- per month as per the local enquiries made by the Income tax inspector vide his report dated 21.03.2024 as per which fair lease value of the property is about Rs.14/Sq Yd/Month.

Annual lettable value is Rs.3,04,920/-(Rs.25,410/-X 12 Months)

Addition: Rs.3,04,920/-“

22. On perusal of the above, we find that the Ld. AO has relied solely on a local enquiry conducted by the Income Tax Inspector to arrive at the fair rental value of Rs.3,04,920/-. However, no details whatsoever have been brought on record to show the basis of such enquiry. There is no reference to any comparable properties, prevailing market rent, instances of similar plots being let out at higher rent, or any other cogent material to support the estimation made by the Ld. AO. It is well settled that an addition on account of notional or fair rental value cannot be sustained merely on the basis of general observations or oral enquiries, without bringing any concrete material on record. In the present case, the Revenue has failed to establish that the rental value of the plot in the market was higher than the rent of Rs.1,44,000/- already declared by the assessee. The mere absence of a written lease deed or rental agreement, by itself, does not justify adoption of a higher notional rent, particularly when the Revenue has not disproved the rent actually offered by the assessee with reference to any comparable evidence. In view of the present facts, we are of the considered opinion that the addition sustained by the Ld. CIT(A) is based on pure estimation and conjecture, without any supporting material. Therefore, the entire addition made on account of notional rental income in respect of the plot at Madhura Wada is unsustainable. We therefore direct the Ld. AO to delete the entire addition made in respect of the said plot. Accordingly, ground no.7 of the appeal of the assessee is allowed.

23. In the result, the appeal of the assesses is partly allowed.

Order pronounced in the Open Court on 13th February, 2026.

Sd/- (VIJAY PAL RAO) VICE PRESIDENT	Sd/- (MADHUSUDAN SAWDIA) ACCOUNTANT MEMBER
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Hyderabad, dated: 13th February, 2026

Okk, Sr. PS

Copy to:

S.No	Addresses
1	Satya Sayee Babu Divi, 506, Bougain Villa Apts, Ameerpet, Hyderabad, Telangana-500016.
2	ACIT, Central Circle-2(1), Aayakar Bhavan, Basheerbagh, Hyderabad, Telangana-500004.
3	Pr. CIT, Central Circle, Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order