IN THE INCOME TAX APPELLATE TRIBUNAL
'A'BENCH: BANGALORE

BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
&
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER

ITA No. 2344/Bang/2025
Assessment Year:2020-21

KUSUMA RAMAKRISHNAPPA 322, 3A Cross, II Block, III Stage, Basaveshwarnagar, Bangalore, Karnataka 560079 **PAN – AFOPK5337H**	**Vs.**	The Income Tax Officer Ward - 6 (2) (1) BMTC Building, Koramangala, Bengaluru 560034
APPELLANT		**RESPONDENT**

Assessee by	**:**	Sri. V. Chandrasekhar - Advocate
Revenue by	**:**	Sri. Balusamy N - JCIT

Date of Hearing	**:**	01-04-2026
Date of Pronouncement	**:**	02 -04-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. ITA No. 2344/Bang/2025 for assessment year 2020-21 is filed by Kusuma Ramakrishnappa against the appellate order passed by the National faceless appeal Centre, Delhi (the learned CIT – A) on 22nd August, 2025 wherein the appeal filed by the assessee against the assessment order passed under section 143 (3) of the Income Tax Act, 1961 (the act) on 28th September, 2022 by the assessment unit (the learned Assessing Officer) was dismissed.

2. The assessee is in appeal before us, raising several grounds of appeal. One of the main grievances is that the learned CIT – A passed an ex parte order

without hearing the side of the assessee which is grave violation of principles of natural justice. Several grounds are also taken on the merits of the case.

3. Brief facts of the case shows that assessee is an individual filed his return of income on 31st of March 2021 declaring total income of ₹ 28,64,940/–. The return was picked up for scrutiny. The assessee has earned income from house property by way of rent, income from partnership firms and income from other sources. The learned assessing officer noted that there is a lease agreement dated 11thApril 2018 where there was a mention of interest free security deposit of ₹ 50 lakhs. The assessee has claimed tax deduction at source credit of ₹ 7,99,523. As the rate of tax deduction is 10%, the assessing officer computed the corresponding receipt being 10 times of tax deduction at source at ₹ 79,95,230. Further as the amount of Rs. 50 lakhs being security deposit is refundable to the assessee; it was transferred to some other person Shri. C. Gangadhara Murthy. The AO was of the view that even after deducting the security deposit, a further amount of ₹ 29,95,230 remains unexplained. Thus, accordingly the assessment order was passed under section 143 (3) read with section 144 B of the Income Tax Act on 28th September 2022 at a total income of ₹ 58,60,170 against the returned income of ₹ 28,64,940 making an addition of ₹ 29,95,230.

4. The assessee aggrieved with the same preferred appeal before the learned CIT – A. Before him the assessee submitted a detailed statement of facts and submitted that addition of ₹ 29,95,230 made by the learned AO is incorrect. The learned CIT – A recorded the facts of the case called out from the assessment order. He noted in paragraph No. 4.1 those various notices (five notices were issued to the assessee on email ID provided by the assessee, however the assessee did not submit any response but applied adjournment only on two occasions. As the assessee did not reply, as per paragraph No. 5 of the appellate order he held that assessee was not interested in prosecuting the matter. However, in paragraph No. 6 he discussed the facts of the case and held that as assessee could not furnish any explanation or evidence, the appeal of the assessee is dismissed.

5. Assessee is aggrieved with the appellate order preferred this appeal. Sri. V. Chandrashekhar – Advocate appearing on behalf of the assessee submitted that no doubt the assessee could not appear before the learned CIT – A but assessee has furnished the detailed statement of facts. Thesestatements of facts if considered from the right perspective, the addition could not have been made in the hence of the assessee. He submitted that that assessee has claimed credit of tax deducted at source of ₹ 7,99,523, the assessing officer multiplied it by 10 times and stated that income corresponding to the TDS is ₹ 79,95,230. As the assessee has been given security deposit of ₹ 50 lakhs, same was reduced from the above sum and the balance sum of ₹ 29,95,230 was stated to be income from house property. The assessee further stated in the statement of fact that assessee has taken a property on lease agreement from one CGangadhara which was subleased to various entities and lease rentals from these subleases had already been offered for income tax. He submits that in the show cause notice the AO discussed only the lease rent of Wildcraft India Private Limited. During hearing before the AO, the assessee categorically stated that Wildcraft India Private Limited has given him an advance rent of 1,58,33,333. The details of payment received, along with the permanent account number of Wildcraft India Private Limited was also provided the assessee also stated that the lease rent is shown in the three assessment years differently. Assessee also submitted that the TDS credit of ₹ 7,99,523 is an income of the assessee and corresponding expenditure of ₹ 7,99,523 being the excess amount paid to Mr. ganga dharamurthy should be granted as deduction to the assessee. He further stated that there is a detailed rebuttal in the statement of facts filed before the learned CIT which is not at all been considered. In the end he submitted that the learned assessing officer is incorrect in making an addition of ₹ 29,95,230.

6. The learned Departmental Representative Sri. N. Balusamy vehemently submitted that assessee has been given five opportunities before the learned CIT – A but assessee did not avail any of the same and therefore no infirmity can be found in the order of the learned CIT – A. He further supported the order of the learned assessing officer and stated that all the facts have been considered by him.

7. We have carefully considered the rival contention and perused the orders of the learned lower authorities. The addition made by the learned assessing officer is based on the tax deduction at source shown by the assessee of ₹ 7,99,000. The assessing officer multiplied the same by 10 and stated that assessee should have disclosed the rental income of ₹ 79,95,230. He granted a deduction of ₹ 50 lakhs been the amount of security deposit. He takes the balance sum of ₹ 29,95,230 as addition based on receipts for TDS. He rejected the explanation given by the assessee that there is no income earned by the assessee. He also ignored the request of the assessee that a sum of ₹ 7,99,523 is an excess TDS credit claimed by the assessee in the return of income which may not be granted to him. It was also the claim that assessee deserves the deduction of expenditure of ₹ 7,99,523 being expenditure of the rent which was transferred to C Gangadhara Murthy. The learned Assessing Officer ignored the same. The learned CIT – A admittedly issued five notices to the assessee but none of them replied to except in case of two notices where only the adjournment request was made. The learned CIT – A granted the adjournment. Despite this in subsequent notices the assessee did not submit any reply. Thus, the learned CIT – A did not have any other option but to decide the appeal of the assessee as per facts available on record. He discussed the merits of the case and as assessee could not add further, dismissed the appeal of the assessee.

8. However we find that in the statement of facts before him, the assessee made elaborate discussion of the issue, the fact that there is no differential income to the extent of addition made of ₹ 29,95,230 by the AO. It was submitted that: -

> “The action of the AO is not justified as the AO has not provided the opportunity of hearing before passing of the Assessment Order since the AO in the show cause notice issued dated 02.09.2022 or during the personal hearing, never discussed the lease agreement dated 11.04.2018 or its content which is the basis of addition of Rs. 29,95,230/-. The action of

the AO making addition to the returned income without issue of show cause notice/providing opportunity of hearing to the Appellant is bad in law. b. The action of the AO is not justified as the AO has not provided the section and rule under which the income becomes taxable except for quoting that it is unexplained. c. Further, the AO has not appreciated the fact that the income resulting in excess TDS credit received and utilized by the appellant in FY 18-19/19-20 has a corresponding expenditure which is incurred in the form of excess payment to C Gangadhara Murthy on behalf of M/s Wildcraft India Pvt Ltd i.e., by transfer Rs. 1,08,73,708/- instead of Rs. 97,86,337/-. If the AO wishes to tax the excess TDS credit, then the corresponding expenditure/loss incurred by the Appellant by transferring rental advance rent should also be considered. d. The Appellant would like to submit the action of the AO treating Rs. 29,95,230/- as Income in FY 19-20 is bad in law as the actual excess TDS credit was received in FY 18-19 and not in FY 19-20. e. The Appellant would like to submit that action of the AO treating Rs. 29,95,230/- as Income in FY 19-20 is bad in law as this is a non existent amount which was never received by the Appellant nor did it accrue to her at no point in time. The AO is forcing the Appellant to offer to Rs. 29,95,230/- as income just because the M/s Wildcraft India Pvt Ltd had made TDS on Rental Advance Payment even though the same was not adjusted against the rent receivable by the Appellant."

9. He did not consider these merits and stated that the assessee has nothing else to say. In fact, before deciding the issue on merits he should have considered the statement of facts filed before him. The learned CIT – A has

failed to consider this. Thus, the order of the learned CIT – A is not sustainable. However, it is also a fact that assessee could have made the submission before the learned CIT – A when five different opportunities were given by him. No explanation was given to us why assessee did not respond to notices by the ld. CIT [A]. The assessee did not avail any of the opportunity and therefore we impose a cost of ₹ 1000/- on the assessee to be deposited to the Prime Minister's National relief fund within 90 days from the date of receipt of this order.

10. We also restore this issue back to the file of the Assessing Officer to consider the claim of the assessee that the credit claimed by the assessee of ₹ 7,99,523, assessee is not entitled to the same. If the assessee is not entitled to the credit of TDS, corresponding addition made in the hands of the assessee also deserves to be deleted prima facie. The claim of the assessee is also that corresponding expenditure of ₹ 7,95,523 which is the TDS credit forgone, because of the reason that it is an expenditure in relation to the rental advance received from Wildcraft India Private Limited which was transferred to C. Gangadhara Murthy should be allowed. Thus, we restore the whole issue back to the file of the learned Assessing Officer to examine these two facts. The Assessing Officer on examination may withdraw the credit of ₹ 7,99,523 of TDS and may also examine that assessee is entitled to deduction of the corresponding expenditure on the facts as discussed above.

11. As all the grounds are supportive and against principles of violation of natural justice as well as on merits, we allow those grounds as indicated above.

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

Order pronounced in the open court on 02nd April 2026.

Sd/-	Sd/-
(SOUNDARARAJAN K.)	(PRASHANT MAHARISHI)
JUDICIAL MEMBER	VICE-PRESIDENT

Bangalore,
Dated, the 02nd April 2026.

VM

Copy to:

1. Appellant 2. Respondent
3. CIT 4. DR, ITAT, Bangalore
5. CIT(A)

By order
Assistant Registrar,
ITAT, Bangalore