

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No. 1621/Bang/2025
Assessment Year : 2022-23

M/s. Castles Vista Pvt. Ltd., C-5, Rich Homes, No. 5/1, Richmond Road, Richmond Town, Bengaluru – 560 025. PAN: AABCL0438P	Vs.	The Assistant Commissioner of Income Tax, Central Circle – 2(2)(1), Bengaluru.
APPELLANT		RESPONDENT

Assessee by	:	Sri V. Narendra Sharma, Advocate
Revenue by	:	Sri Shivanad Kalakeri – CIT DR

Date of Hearing	:	29-04-2026
Date of Pronouncement	:	14-07-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. M/s. Castles Vista Pvt. Ltd. (the assessee/appellant) has filed this appeal for Assessment Year 2022–23 against the appellate order dated 7 July 2025 passed by the National Faceless Appeal Centre, Delhi [the learned CIT(A)]. By that order, the learned CIT(A) dismissed the assessee's appeal against the assessment order passed by the National Faceless Assessment Centre, New Delhi [the learned Assessing Officer], under section 143(3) read with section 144B of the Income-tax Act, 1961 (the Act). The assessment determined total income at ₹ 220,838,930, as against the business loss of ₹ 418,505,428 returned by the appellant.
2. Aggrieved by the said order, the assessee has preferred this appeal before us on several grounds, the substance of which is as follows:

- (i) To the extent they are adverse to the appellant, the orders of the authorities below are contrary to law, equity, evidence on record, probabilities, and the facts and circumstances of the case.
- (ii) The appellant denies liability to be assessed on a total income of ₹ 220,838,930, as against the business loss of ₹ 418,505,428 reported by the appellant, on the facts and circumstances of the case.
- (iii) On the facts and in the circumstances of the case, the learned NFAC erred in confirming the disallowance of ₹ 38,473,364 made under section 40(a)(ia) of the Income-tax Act, 1961.
- (iv) The learned CIT(A) ought to have appreciated that the appellant had obtained Form No. 26A from the payees to whom interest was payable and therefore could not be treated as an assessee in default under the first proviso to section 201(1), read with the second proviso to section 40(a)(ia), of the Act. Consequently, no disallowance was called for.
- (v) The learned CIT(A) ought to have appreciated that the appellant's inability to upload Form No. 26A on the income-tax portal, due to technical glitches, was only a technical lapse and did not by itself justify disallowance under section 40(a)(ia). Such disallowance would result in double taxation of the same amount, once in the appellant's hands by way of disallowance and again in the payees' hands as income.
- (vi) The learned CIT(A) ought to have considered that, once Form No. 26A was obtained, the appellant could not be treated as an assessee in default. The provisos to section 201(1A) and section 40(a)(ia) are beneficial provisions intended to mitigate hardship, and the authorities below ought to have examined the Form No. 26A filed by the appellant instead of sustaining the disallowance of ₹ 38,473,364.
- (vii) The learned CIT(A) erred in sustaining the addition of ₹ 366,720,000 by charging notional interest at 12% on advances made by the appellant.
- (viii) The learned CIT(A) ought to have appreciated that the advances were made for the assessee's business purposes in an earlier financial year, and therefore no notional interest could be added in the facts and circumstances of the case.
- (ix) The learned CIT(A) ought to have appreciated that only real income earned by the assessee can be taxed, and no notional income can be brought to tax unless expressly provided by statute.
- (x) The learned CIT(A) ought to have appreciated that no interest had accrued to or been received by the appellant, and therefore such interest could not be taxed on a purely notional basis.
- (xi) The learned CIT(A) erred in sustaining the addition of ₹ 233,332,982 on account of ICDS adjustments.

- (xii) The learned CIT(A) ought to have appreciated that the appellant computed the ICDS adjustment in accordance with the applicable principles, and the decrease in profit of ₹ 233,332,982 was required to be reduced in the computation rather than added to the appellant's income.
 - (xiii) The learned CIT(A) failed to appreciate that an inadvertent human error occurred while filing the return, whereby the appellant filled column No. 4 of Part A-OI instead of the relevant column 3B. The learned Assessing Officer ought not to have relied on this patent mistake to make an addition of ₹ 233,332,982.
 - (xiv) The learned CIT(A) ought to have considered CBDT Circular No. 14(XL-35) of 1955 dated 11 April 1955, which requires authorities to grant all admissible reliefs and benefits even if not claimed in the return. Accordingly, the addition of ₹ 233,332,982 on account of ICDS adjustments ought not to have been made.
 - (xv) The learned CIT(A) erred in sustaining the addition of ₹ 818,012, being creditors' balances outstanding as on 31 March 2022, as unexplained credit under section 68 of the Act.
 - (xvi) The learned CIT(A) ought to have appreciated that mere non-response by sundry creditors to summons issued under section 133(6) of the Act cannot justify treating the amounts shown as payable as unexplained credits under section 68.
 - (xvii) Without prejudice, the learned CIT(A) erred in sustaining the addition of the opening balance of ₹ 493,395 as on 31 March 2021 out of the total closing payable balance of ₹ 818,012, as the opening balance could not be added under section 68 of the Act.
 - (xviii) The additions and disallowances sustained by the learned CIT(A) are contrary to law, arbitrary, and based on suspicion, surmises, conjectures, and presumptions. They therefore deserve to be deleted.
 - (xix) The learned CIT(A) ought to have appreciated that the appellant was entitled to carry forward the current year loss as returned.
 - (xx) Without prejudice and reserving the right to seek waiver from the competent authority, the appellant denies liability to interest under section 234B of the Act, which deserves to be cancelled in the facts and circumstances of the case.
 - (xxi) For the above grounds and such other grounds as may be urged at the time of hearing, the appellant prays that the appeal be allowed, appropriate relief be granted, costs of prosecuting the appeal be awarded, and the institution fee be refunded as part of the costs.
3. Briefly, the assessee is a company engaged in real estate business. For the year under consideration, it filed its return of income on 31 December 2022 declaring

nil total income, while reporting income from business or profession and from other sources, and computing a current-year business loss of ₹ 418,505,428. The return was processed under section 143(1) of the Income-tax Act, 1961. Thereafter, the case was selected for complete scrutiny to verify, among other matters: lower disallowance under section 40(a)(ia) than the defaults reflected under section 200A, based on data received from the Central Commissioner of Income Tax; high interest expenditure and advances exceeding total properties; fund inflows in an entity consistently reporting losses before depreciation; high liabilities despite low income receipts; claims for tax deduction on non-salary payments where corresponding TDS statements were either not filed or reflected substantially lower tax deduction at source; significant differences between the opening stock of the current year and the closing stock of the preceding year; and reduction in profit on account of the application of Income Computation and Disclosure Standards.

4. During the assessment proceedings, the assessee responded to various notices issued from time to time. The scrutiny assessment was completed under section 143(3) read with section 144B of the Income-tax Act, 1961, by order dated 27 March 2024, determining total income at ₹ 220,838,930. The additions and disallowances made in the assessment, and contested before the first appellate authority, were as follows:
 - I. Disallowance of expenditure for non-deduction of tax under section 40(a)(ia), amounting to ₹ 38,473,364.
 - II. Addition on account of notional interest charged, amounting to ₹ 366,720,000.
 - III. Disallowance relating to the computation of decreased profit under ICDS, amounting to ₹ 233,332,982.
 - IV. Addition under section 68 of the Income-tax Act, 1961, in respect of creditors' balances amounting to ₹ 818,012, along with application of section 115BBD of the Act.
 - V. Disallowance of set-off of losses against income.
5. Aggrieved by the assessment order, the assessee preferred an appeal before the learned CIT(A). The National Faceless Appeal Centre, Delhi [the learned CIT(A)], by order dated 7 July 2025, dismissed the appeal on all grounds. The assessee has therefore preferred the present appeal before us.
6. Ground Nos. 1 and 2 are general in nature. In the absence of any specific arguments on these grounds, they are dismissed.
7. Ground No. 3 relates to the disallowance of ₹ 38,473,364 under section 40(a)(ia) of the Act. On examining the financial statements, the learned Assessing Officer found that the assessee had paid interest of ₹ 128,244,548 to related parties,

comprising ₹ 10,292,401 to Propcare Mall Management India Private Limited, ₹ 46,388,232 to Mantri Developers Private Limited, ₹ 70,659,852 to Trigger Supply Private Limited, ₹ 137,122 to Suraj In, ₹ 609,348 to Mantri Infrastructure Private Limited, and ₹ 515,762 to Deeta Constructions Private Limited. He noted that no tax had been deducted at source on these payments. The assessee explained that tax was not deducted because the payees had furnished Form No. 26A satisfying the conditions in the first proviso to section 201(1), and copies of the forms were submitted before him. The Assessing Officer rejected this explanation on the grounds that the forms required to be filed by 31 May 2022, were uploaded only on 10 January 2023. He therefore issued a show-cause notice proposing to disallow 30% of the interest expenditure of ₹ 128,244,548.

8. The assessee submitted that Form No. 26A had been obtained but could not be uploaded within the prescribed time because of technical glitches on the portal, and the related error report was placed before the Assessing Officer. It was therefore contended that no disallowance was warranted. The Assessing Officer, however, held that the assessee was required to deduct tax at source on the interest payments of ₹ 128,244,548 made to related parties and had failed to do so. He further held that technical difficulties in uploading Form No. 26A did not justify non-deduction of tax. Accordingly, he disallowed ₹ 38,473,364, being 30% of the total interest expenditure, under section 40(a)(ia) of the Act.
9. On appeal, the learned CIT(A) confirmed the disallowance, holding that the Assessing Officer had rightly invoked section 40(a)(ia) due to non-compliance with the Form No. 26A filing requirement. The learned CIT(A) further observed that such procedural compliance was an essential condition for availing the statutory benefit and not a mere formality.
10. The assessee has challenged the disallowance in Ground No. 3. The learned authorized representative, appearing for the assessee, vehemently submitted that the assessee had obtained and furnished Form No. 26A from the respective payees in terms of the proviso to section 201 of the Act. The payees confirmed that the interest received from the assessee had been included in their respective returns of income, and the relevant forms were placed at pages 119 to 137 of the paper book. Referring to page 119, he submitted that Mantri Developers Private Limited had issued Form No. 26A in respect of interest of ₹ 46,388,230. He further referred to page 123, where Propcare Mall Management India Private Limited had issued Form No. 26A for ₹ 10,292,411, and to page 127 concerning another Form No. 26A issued by Propcare Mall Management India Private Limited. He submitted that each recipient had furnished Form No. 26A, which had also been accepted by the Revenue. These certificates were issued in accordance with Rule 31ACB of the Income-tax Rules as accountant's certificates under the first proviso to section 201(1) of the Income-tax Act, 1961, certifying that the payees had fulfilled all conditions prescribed under that proviso.

He further submitted that there was no dispute regarding the interest amounts payable by the assessee or the amounts covered by the certificates, and each payee had also furnished the acknowledgement of its return of income. The learned authorized representative explained that the assessee could not upload the forms within time because of technical glitches on the income-tax portal. In support, he referred to page 138 of the paper book and to grievance acknowledgement No. 10448687 dated 10 January 2023, filed by Shri K. Krishnan Rao, Chartered Accountant, who was assigned to upload Form No. 26A. The grievance recorded that the payee-name field was not being displayed, preventing the form being filed, and a screenshot was attached. He therefore submitted that the delay in uploading Form No. 26A occurred for reasons beyond the assessee's control and, consequently, no disallowance could be made.

11. Per contra, the learned Commissioner of Income-tax (Departmental Representative), Shri Shivanad Kalakeri, strongly supported the orders of the lower authorities. He submitted that, under Rule 31ACB, the assessee was required to furnish Form No. 26A before the Assessing Officer in accordance with the first proviso to section 201(1) of the Income-tax Act. Since the forms were not filed within the prescribed time, he contended that the assessee was not entitled to the benefit of the statutory provisions. Accordingly, he submitted that there was no infirmity in the disallowance made by the Assessing Officer.
12. We have carefully considered the rival contentions and perused the orders of the lower authorities. It is undisputed that the assessee paid interest of ₹ 128,244,548 to six parties. Each of the six payees furnished Form No. 26A to the assessee, certifying that the interest received from the assessee had been included in their respective returns of income. Copies of the acknowledgements of return, along with Form No. 26A, were also placed on record. The said form is prescribed under Rule 31ACB of the Income-tax Rules as the accountant's certificate required under the first proviso to section 201(1) of the Income-tax Act. Under that proviso, a person who fails to deduct the whole or any part of tax on a sum paid to a payee shall not be treated as an assessee in default if the payee has furnished its return of income under section 139, taken the relevant sum into account in computing income in that return, paid the tax due on the income so declared, and the payer furnishes an accountant's certificate to that effect.
13. Section 201 of the Act provides that a person required to deduct tax at source, who either fails to deduct such tax or, after deduction, fails to pay the whole or any part of it, shall be deemed to be an assessee in default in respect of such tax. However, the payer is not to be treated as an assessee in default if the recipient has filed a return of income under section 139, included the relevant income in that return, paid the tax due thereon, and the payer furnishes a prescribed certificate from a chartered accountant to that effect. Consequently, once the first proviso to section 201 is complied with, the payer cannot be treated

as an assessee in default and no disallowance under section 40(a)(ia) can be made. In the present case, the assessee produced accountant's certificates in Form No. 26A in respect of the payments in question. There is no dispute that the forms were complete and available before the Assessing Officer. The only objection is that, under Rule 31ACB of the Income-tax Rules, the forms were required to be filed online by 31 May 2022, whereas the assessee uploaded them on 10 January 2023. The assessee explained that the delay occurred because technical glitches on the income-tax portal prevented timely uploading, and it supported this explanation by referring to the grievance lodged, which remained unresolved. Thus, the assessee could not file Form No. 26A within time only because of technical difficulties on the portal.

14. Thus, the assessee substantially complied with the first proviso to section 201 of the Income-tax Act. Although Form No. 26A was filed belatedly through the online system, the delay was not attributable to the assessee but to technical glitches, for which supporting evidence was produced. Neither the learned Assessing Officer nor the learned CIT-DR has disputed this evidence. In these circumstances, we hold that there was no default by the assessee in complying with the proviso to section 201 of the Act. It is also not the Revenue's case that Form No. 26A was defective or not in accordance with law, or that the recipients had not offered the relevant income in their returns filed under section 139. The accountants of the recipient entities have certified compliance with these requirements.
15. In view of the above facts, we hold that the disallowance of interest made by the lower authorities is unsustainable. The assessee had complied with the first proviso to section 201(1) of the Act by obtaining and filing Form No. 26A from the payees, though belatedly for reasons beyond its control. Accordingly, we direct the learned Assessing Officer to delete the disallowance of ₹ 38,473,364 made under section 40(a)(ia) of the Income-tax Act. Ground No. 3 of the appeal is allowed.
16. Ground No. 4 concerns the addition of ₹ 36,67,20,000, being notional interest computed at 12% on advances made by the assessee to M/s. Abhishek Prop Build Private Limited. Briefly, the assessee had advanced ₹ 305,60,00,000 to the said entity under business advance agreements dated 5 August 2016 and 1 August 2019 for the purpose of procuring land. The agreements were produced before the learned Assessing Officer. However, he rejected them on the ground that they were executed on plain paper and provided for interest-free advances without any security. He also examined the financial position of Abhishek Prop Build Private Limited and observed that, in view of its substantial liabilities and weak balance sheet, such large advances were not commercially justified. The Assessing Officer further noted that the assessee had itself borrowed funds from various parties. He therefore held that proportionate notional interest on the

advances should be taxed as the assessee's income and computed such interest at 12%, resulting in an addition of ₹ 36,67,20,000.

17. Aggrieved by the above addition, the assessee preferred an appeal before the learned CIT(A) and submitted that notional interest could not be taxed in its hands. The assessee contended that the learned Assessing Officer made the addition only because interest-free advances had been given to a company with a weak financial position. The learned CIT(A), however, rejected the assessee's explanation, holding that the assessee had failed to establish commercial expediency or business rationale for granting interest-free advances. He further held that the Assessing Officer's estimate of interest at 12% was reasonable, considering prevailing market rates and the absence of contrary evidence, and that the addition was consistent with settled principles relating to real income and misuse of borrowed funds. Accordingly, the learned CIT(A) confirmed the addition of ₹36,67,20,000 as notional interest income.
18. The learned authorized representative strongly submitted that there is no concept of notional interest being chargeable to tax as income of the assessee. Referring to page 140 of the paper book, being the ledger account of M/s. Abhishek Prop Build Private Limited in the assessee's books, he pointed out that the assessee had advanced ₹ 305,60,00,000 to that company. He submitted that the amount was given under business advance agreements for procuring land from the said party and was therefore a business advance. In this regard, he referred to the terms of the business advance agreements dated 5 August 2016 and 1 August 2019. He further referred to the assessment order for Assessment Year 2017-18, where, on identical facts, the Assessing Officer had made no addition in the assessee's hands. The learned authorized representative also relied on several judicial precedents to contend that the assessee had neither collected interest nor agreed to charge interest under the agreements. In the absence of any stipulation for interest or evidence that the assessee had actually earned interest, the addition made by the Assessing Officer was without merit.
19. The learned CIT-DR strongly supported the orders of the lower authorities. He submitted that the assessee had advanced a substantial sum to its sister concern without charging interest or obtaining security. In his view, the Assessing Officer was justified in applying a 12% rate to the outstanding advances and treating the resulting amount as interest income of the assessee. He further submitted that no prudent person would grant such a large advance to a financially weak party without charging interest or securing the amount. Referring to the assessment order, he pointed out that the Assessing Officer had specifically recorded that the borrower lacked financial soundness. He therefore contended that the assessee ought to have charged interest at an appropriate rate and that the orders of the lower authorities called for no interference.

20. We have carefully considered the rival contentions and perused the orders of the lower authorities. The record shows that the assessee advanced ₹ 305,60,00,000 to M/s. Abhishek Prop Build Private Limited under business advance agreements for purchase of land. It is undisputed that no interest was charged on these advances and that the agreements did not contain any clause requiring payment of interest. The Revenue's case is not one of disallowance of interest expenditure on the ground that interest-bearing funds were diverted for non-business purposes. Rather, the addition has been made by imputing notional interest at 12% on the advances. In *Highway Construction Co. Pvt. Ltd. v. CIT* [1993] 199 ITR 702 (Gauhati), the Hon'ble Gauhati High Court held that notional interest cannot be added merely because the assessee ought to have charged interest, unless there is a finding that interest had in fact accrued or been collected but was not recorded in the accounts. Similar principles were followed by the Hon'ble Gujarat High Court in *CIT v. Arihant Avenue and Credit Ltd.* [2013] 36 taxmann.com 14 (Gujarat), after considering the decision of the Hon'ble Supreme Court in *CIT v. Shoorji Vallabhdas & Co.* [1962] 46 ITR 144 and the decision of the Hon'ble Gauhati High Court in *B&A Plantations and Industries Ltd. v. CIT* [2000] 242 ITR 22. The Hon'ble Delhi High Court in *Shivnandan Buildcon Pvt. Ltd. v. CIT* [2015] 60 taxmann.com 347 (Delhi) has also held that, in the absence of a specific statutory provision, notional interest on interest-free advances cannot be treated as income where there is neither a contractual right to receive interest nor evidence of actual receipt. Applying these principles, we hold that the impugned addition is unsustainable. There is no clause in the agreements providing for interest, no evidence that interest accrued or was received, and no provision in the Act enabling taxation of such notional interest on the facts of this case. We therefore direct the learned Assessing Officer to delete the addition computed at 12% on the advances given to M/s. Abhishek Prop Build Private Limited. Accordingly, Ground No. 4 of the assessee's appeal is allowed.
21. Ground No. 5 concerns the addition of ₹ 23,33,32,982 arising from the assessee's adjustment under the Income Computation and Disclosure Standards. One of the reasons for selecting the return for scrutiny was the reduction in profit on account of the application of ICDS. The learned Assessing Officer noted that, in column 34 of Schedule BP of the income-tax return, the assessee had reported ₹ 23,33,32,982 as a decrease in profit or increase in loss on account of ICDS adjustment and deviation in the method of stock valuation [column 3B plus column 4(e) of Part A-OI]. Since this reflected a substantial reduction in profit, as also reported in item 13(e) of Form No. 3CD, the Assessing Officer called upon the assessee to furnish the relevant details.
22. The assessee submitted that, while filing the return of income, it inadvertently disclosed the amount in column 4(e), which relates to a decrease in profit or increase in loss on account of any deviation from the method of valuation

prescribed under section 145A of the Act. According to the assessee, the amount ought to have been disclosed in column 3B of Part A-OI, which pertains to a decrease in profit or increase in loss arising from deviation, if any, under the Income Computation and Disclosure Standards notified under section 145(2) of the Act. The assessee therefore explained that the entry in column 4(e), instead of column 3B, was merely a clerical error. There was no change in the returned income; the figure was only entered in one column instead of another. Accordingly, the assessee submitted that no addition was warranted.

23. The learned Assessing Officer held that the assessee was required to disclose the amount in column 3B of Part A-OI of the income-tax return, which contains other information. Since the assessee had instead reported the amount in column 4(e), the Assessing Officer made the addition on that basis.
24. Aggrieved by the assessment order, the assessee preferred an appeal before the learned CIT(A). The learned CIT(A) accepted that the same figure had been mentioned in the wrong column. However, he held that the assessee had neither revised its return nor filed a valid rectification request in the prescribed manner. On that basis, he confirmed the addition.
25. The assessee is in appeal before us on this issue under Ground No. 5. The learned authorized representative submitted that, while filing the return of income, the appellant inadvertently entered the amount in column 4(e) of Part A-OI, relating to other information, instead of column 3B of the same part. He submitted that this was merely a human and clerical error, and that the learned Assessing Officer and the learned CIT(A) ought not to have used it as the basis for making an addition of ₹ 23,33,32,982. He further submitted that there was no error in the computation of total income; the amount was entered in one column instead of another, and both columns had the same effect. The assessee should not be penalized merely for placing the figure in a different column. He also stated that, by the time the issue was brought to the assessee's notice, the time limit for revising the return had expired. Therefore, the Assessing Officer and the learned CIT(A) should not have taken advantage of an inadvertent mistake, particularly when they accepted that no income had escaped assessment. The assessee had already disclosed ₹ 23,33,32,982 in the return of income, and hence the addition deserves to be deleted. Reliance was also placed on CBDT Circular No. 14 of 1955 dated 11 April 1955 to submit that the Assessing Officer should not take advantage of an unintentional error committed by the assessee.
26. The learned CIT-DR supported the orders of the lower authorities. However, he fairly confirmed that the addition was made only because the assessee disclosed the amount in column 4(e) instead of column 3B of Part A-OI. He also accepted that, had the amount been reported in column 3B, no further income would have been required to be offered by the assessee.

27. We have carefully considered the rival contentions and perused the orders of the lower authorities. The assessee computed the adjustment under the Income Computation and Disclosure Standards, and the net change on account of following the percentage completion method was ₹ 23,33,32,982. While filing the return, the assessee inadvertently entered this figure in column 4(e) of Part A-OI, relating to other information, instead of column 3B of the same part. This was only a clerical error. It did not result in any increase in income, nor did it warrant any addition. Merely because the assessee entered the figure in a different column, the amount cannot be added to its total income. Even if the Assessing Officer corrected the entry, he would also have to reduce the amount wrongly reflected in column 4(e). Thus, there is no impact on the assessee's income. The addition was made merely by taking advantage of a clerical mistake, which the Assessing Officer and the learned CIT(A) ought not to have done. Accordingly, we allow Ground No. 5 and direct the Assessing Officer to delete the addition of ₹ 23,33,32,982; otherwise, it would result in a double addition.
28. Ground No. 6 concerns the addition of ₹ 8,18,012 made under section 68 of the Income-tax Act in respect of creditors' balances outstanding as on 31 March 2022. Briefly, the assessee had shown an outstanding payable to Sign Time Display Systems [C.V. Murthy Mani], from whom advertisement services had been availed. The party did not respond to the notice issued under section 133(6) of the Act. Solely on that basis, and by invoking section 115BBE, the learned Assessing Officer treated the outstanding balance as unexplained credit under section 68. He noted that Sign Time Display Systems [shivMurthy Mani], having PAN AGIPM3104H, had an outstanding balance of ₹ 8,18,012 but had not confirmed the same in response to the notice. The verification unit also reported that the address was newly constructed, that the party did not reside there, and that neighbours had not heard of the said person or concern. The Assessing Officer therefore issued a show-cause notice. In response, the assessee explained that Sign Time Display Systems had provided advertisement services worth ₹ 3,84,617 during the year, against which ₹ 60,500 had been paid, leaving an outstanding balance of ₹ 8,18,012, including an opening balance of ₹ 4,93,395. The assessee also furnished the ledger account and invoice copies. However, the Assessing Officer rejected the explanation, relying on the non-response to the notice under section 133(6) and the verification-unit report, and accordingly made the addition of ₹ 8,18,012.
29. The assessee challenged the addition before the learned CIT(A). The learned CIT(A) confirmed the action of the Assessing Officer, holding that the assessee had failed to discharge the initial burden of proof under section 68 of the Income-tax Act. He further held that the creditor's non-response, coupled with the absence of confirmation or other independent evidence, justified the addition made by the Assessing Officer.

30. The assessee, being aggrieved, is in appeal before us on this issue. It reiterated the submissions made before the lower authorities and furnished copies of the ledger account and invoices of M/s. Sign Time Display Systems. The assessee explained that the liability related to advertisement expenditure incurred in the earlier year, part of which remained outstanding during the year under consideration. It was further submitted that payments to the party were made through account-payee cheques. Therefore, the addition under section 68 was not justified, particularly when the Assessing Officer himself noted that the outstanding balance included an opening balance of ₹ 4,93,395. In any event, mere non-response by a sundry creditor to a notice issued under section 133(6) of the Act cannot, by itself, justify an addition under section 68 in the assessee's hands.
31. The learned CIT-DR strongly supported the orders of the lower authorities. He submitted that the creditor had not responded to the notice issued under section 133(6) of the Act. He further relied on the verification-unit report, which stated that the address was newly constructed, that the party did not reside there, and that the party could not be found. On this basis, he contended that the creditor was not in existence and that the addition made by the learned Assessing Officer deserved to be upheld.
32. We have carefully considered the rival contentions and perused the orders of the lower authorities. The record shows that the assessee entered into transactions with M/s. Sign Time Display Systems and issued a work order to the party on 31 March 2021. The bill of quantities, progress details, and particulars of the work carried out by the party were produced before the learned Assessing Officer and were also shown to us at pages 200 and 263 to 264 of the paper book. The work related to the supply and installation of signage boards bearing the company's logo. The invoices placed in the paper book, along with the retention-money clause requiring an equivalent bank guarantee, support the genuineness of the transaction. The evidence at pages 267 to 281 further shows that the party supplied and installed external signage for the Mantri logo at the Mantri Serenity Project, Phase 2. The assessee also paid ₹ 60,500 to the party during the year. The party's tax invoice contains its address, contact number, e-mail ID, website address, and GST number. Thus, the assessee discharged its burden by establishing the nature of work performed, the payment made, and the complete identification and contact details of the supplier. As regards the verification-unit report, the same was not furnished to the assessee. Moreover, it is unclear what findings were recorded by the verification unit and at which address the enquiry was conducted. In any event, the addition has been made under section 68 of the Income-tax Act, which applies only where a sum is credited in the assessee's books during the relevant year. Here, the record shows an opening balance of ₹ 4,93,395, which could not have been added under section 68. The assessee had

produced invoices, furnished the supplier's permanent account number, and explained the nature of work performed. The Assessing Officer did not disallow the advertisement expenditure itself. There may be several reasons why a supplier may not respond to a notice under section 133(6), but mere non-response cannot justify an addition under section 68 when the assessee has substantiated the transaction with adequate evidence. We therefore direct the learned Assessing Officer to delete the addition of ₹ 8,18,012. Accordingly, Ground No. 6 of the assessee's appeal is allowed.

33. Ground No. 7 is general in nature. As no arguments were advanced before us on this ground, it is dismissed.

34. Ground No. 8 concerns the assessee's entitlement to carry forward the current-year loss as claimed in the return of income. The learned Assessing Officer is directed to verify the amount of current-year loss, if any, remaining after giving effect to this order and to allow its carry-forward in accordance with law. Accordingly, Ground No. 8 of the appeal is allowed.

35. Ground No. 9 concerns the chargeability of interest under section 234B of the Act. Since the issue is consequential in nature, this ground is dismissed.

36. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 14th July, 2026.

Sd/-
(KESHAV DUBEY)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE-PRESIDENT

Bangalore,
Dated, the 14th July, 2026.

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

By order

Assistant Registrar,
ITAT, Bangalore