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

श्री रविश सूद, न्यायिक सदस्य एवं श्री मधुसूदन सावड़िया लेखा सदस्य समक्ष|
Before Shri Ravish Sood, Judicial Member
A N D
Shri Madhusudan Sawdia, Accountant Member

आ.अपी.सं /**ITA No. 416/Hyd/2026**
(निर्धारण वर्ष/Assessment Year: 2023-24)

M/s. Ashoka Developers & Builders Ltd, Hyderabad PAN:	Vs.	Assistant Commissioner of Income Tax Central Circle 1(1) Hyderabad
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	CA C. Maheshwar Reddy	
राजस्व द्वारा/Revenue by:	Shri Mohan Babu, Sr. AR	
सुनवाई की तारीख/Date of hearing:	01/07/2026	
घोषणा की तारीख/Pronouncement:	08/07/2026	

आदेश/ORDER

Per Madhusudan Sawdia, A.M.:

This appeal is filed by M/s. Ashoka Developers & Builders Ltd ("the assessee"), feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals)-11, Hyderabad ("Ld. CIT(A)") dated 03.01.2026 for the A.Y. 2023-24.

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

1. The order of the CIT(A), Hyderabad-11 is erroneous both on facts and in law.

2. The ld. CIT(A) erred in dismissing the appeal without considering the actual facts of the case.

3.

(a) The ld. CIT(A) ought to have appreciated the fact that the assessee has been consistently following the same method of accounting of its income for the last several years earlier to the asst. year consideration and that no disallowance of credit for TDS has been made by the Department.

(b) The ld. CIT(A) ought to have followed the Rule of Consistency and ought to have allowed the grounds of appeal raised before him.

4. The ld. CIT(A) ought to have appreciated the documents on record i.e., "traces of TDS" i.e Form 26AS indicates that the total amount of TDS is Rs. 67,37,722/- and the assessee is entitled to the full amount of refund but AO has permitted for only Rs. 36,18,694/- by erroneously applying rule 37BA of the IT Act.

5. The ld. CIT(A) ought to have appreciated that in terms of Rule 37BA(3)(i), benefit of TDS should be given to the assessee for the asst. year for which corresponding income is assessable dehors the fact that the deductor(s) deposits the amounts of TDS made in the subsequent assessment year(s).

6. Without prejudice to other grounds, The Ld.CIT(A) ought to have observed the fact that the Ld.AO has granted relief for the A.Y 2021-22 and A.Y 2020-21 and has issued with full refund.

7. The Appellant craves to add/alter/modify/leave any other grounds at the time of hearing.

3. The brief facts of the case are that the assessee is a company engaged in the business of construction of houses, flats, commercial complexes and execution of civil works. The assessee filed its return of income for Assessment Year 2023-24 on 13.10.2023 declaring total income of ₹2,43,21,630/-,

claiming total TDS credit of ₹67,37,722/-. The return of income of the assessee was processed by the Central Processing Centre ("CPC") under section 143(1) of the Income-tax Act, 1961 ("the Act") on 09.01.2024, wherein TDS credit of only ₹36,18,694/- was allowed against the total claim of ₹67,37,722/-. Thus, TDS credit amounting to ₹31,19,028/- was not allowed by the CPC.

4. Aggrieved by the intimation issued by the CPC under section 143(1) of the Act, the assessee filed an application for rectification under section 154 of the Act before CPC. The said rectification application was rejected by CPC vide order under section 154 of the Act dated 08.04.2024.

5. Aggrieved by the rectification order of the CPC, the assessee preferred an appeal before the Ld. CIT(A). The Ld. CIT(A), after considering the submissions of the assessee, upheld the action of CPC and dismissed the appeal of the assessee.

6. Aggrieved by the order of the Ld. CIT(A), the assessee is in further appeal before the Tribunal. At the outset, the Learned Authorized Representative ("Ld. AR") submitted that the solitary issue arising from the grounds of appeal of the assessee relates to the denial of TDS credit amounting to ₹31,19,028/-. Inviting our attention to Serial No. 39 of the rectification order of the CPC, the Ld. AR submitted that the assessee had claimed total TDS credit of ₹67,37,722/- whereas CPC allowed only ₹36,18,694/-. The Ld. AR submitted that the assessee is engaged in the business of construction of houses, flats, commercial complexes and execution of civil works and is following the percentage completion method of accounting. It was submitted that in all the preceding assessment years,

i.e., Assessment Years 2016-17 to 2022-23, and also in Assessment Year 2024-25, CPC has allowed the TDS credit as claimed by the assessee in the return of income. Therefore, following the principle of consistency, the TDS credit denied during the year under consideration should also be allowed. The Ld. AR further submitted that the claim of TDS credit is duly supported by Form 26AS and therefore the balance credit of ₹31,19,028/- deserves to be allowed.

7. Per contra, the Learned Departmental Representative ("Ld. DR") strongly relied upon the orders of the lower authorities. The Ld. DR submitted that the Ld. CIT(A), in para nos. 6.3.1 to 6.3.11 of the impugned order, has elaborately discussed the provisions of section 199 of the Act and Rule 37BA of the Income-tax Rules, 1962 ("the Rules") and thereafter rightly upheld the action of CPC. It was submitted that the assessee failed to reconcile the TDS claimed with the income offered to tax during the relevant assessment year. Therefore, the denial of TDS credit by CPC and its confirmation by the Ld. CIT(A) is fully justified. Accordingly, the Ld. DR prayed before the Bench to upheld the order of the Ld. CIT(A).

8. We have heard the rival submissions and perused the material available on record. The solitary dispute involved in the present appeal relates to the denial of TDS credit amounting to ₹31,19,028/-. In this regard, we have gone through para nos. 6.3.1 to 6.3.11 of the order of the Ld. CIT(A), which is to the following effect:

6.3.1 On perusal of the grounds of appeal and the additional grounds of appeal it is noticed that although multiple grounds have been raised, all of them arisen from a single grievance, namely, denial of TDS credit by the CPC. The grounds are inter-connected and revolve around the same issue. Accordingly, for the sake of convenience and brevity, all the grounds of appeal are taken up together and adjudicated in a consolidated manner.

6.3.2 The Central Processing Center(CPC), during the processing of return of income u/s. 143(1), disallowed the TDS claim of Rs. 31,27,995/- from the total claim of Rs. 67,46,689/-, applying the provisions of Rule 37BA of Income tax Rules. On an application filed by the appellant seeking the entire claim of TDS, the CPC vide order u/s. 154 Dt. 08.04.2024, rejected the request of the appellant, with a note 'TDS credit, as restricted under Rule 37BA will be allowed to the extent of matched credit".

6.3.3 During the appellate proceedings, the Appellant submitted that the CPC, while processing the return of income for A.Y. 2023-24, has erroneously denied the TDS credit claimed as per Form 26AS by invoking Rule 37BA, even though the Appellant has been consistently following the percentage completion method for recognition of revenue in its real-estate business. Due to this method of accounting, there is a natural timing mismatch between income recognised in the books and receipts reflected in Form 26AS, as TDS is deducted by buyers at a later stage, usually upon execution of sale deeds, whereas income is offered to tax over multiple years based on project completion. It is submitted that in all earlier assessment years up to A.Y. 2022-23, as well as in the subsequent year A.Y. 2024-25, the CPC has accepted the Appellant's returns and allowed TDS credit on identical facts, and therefore, adopting a contrary approach for the year under consideration is arbitrary and violative of the rule of consistency. The Appellant further submits that the income corresponding to the TDS claimed has already been offered to tax in earlier years and that the TDS claimed in A.Y. 2023-24 has not been claimed in any other assessment year, eliminating any possibility of double benefit. Reliance is placed on various judicial precedents which have consistently held that TDS credit cannot be denied merely due to mismatch between income and Form 26AS arising fro differences in accounting methods, and that credit must be granted subject only verification to avoid double claim. In view of the above facts, accounting principle and settled legal position, the Appellant submits that the CPC was not justified denying the TDS credit for A.Y. 2023-24 and prays that full credit of TDS as reflect in Form 26AS be allowed and the consequential demand be deleted.

6.3.4 The submissions of the appellant have been carefully considered. it relevant to examine the Rule 37BA of the I.T. Rules.

> "*37BA. (1) Credit for tax deducted at source and paid to the Central Government in accordance with the provisions of Chapter XVII, shall be given to the person to whom payment has been made or credit has been given (hereinafter referred to as deductee) on the basis of information relating to deduction of tax furnished by the deductor to the income-tax authority or the person authorised by such authority.*
>
> *(2) (i) Where under any provisions of the Act, the whole or any part of the income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, credit for the whole or any part of the tax deducted at source, as the case may be, shall be given to the other person and not to the deductee :*
>
> *Provided that the deductee files a declaration with the deductor and the deductor reports the tax deduction in the name of the other person in the information relating to deduction of tax referred to in sub-rule (1).*
>
> *(ii) The declaration filed by the deductee under clause (i) shall contain the name, address, permanent account number of the person to whom credit is to be given, payment or credit in relation to which credit is to be given and reasons for giving credit to such person.*
>
> *(iii) The deductor shall issue the certificate for deduction of tax at source in the name of the person in whose name credit is shown in the information relating to deduction of tax referred to in sub-rule (1) and shall keep the declaration in his safe custody.*

(3) (i) Credit for tax deducted at source and paid to the Central Government, shall be given for the assessment year for which such income is assessable.

(ii) Where tax has been deducted at source and paid to the Central Government and the income is assessable over a number of years, credit for tax deducted at source shall be allowed across those years in the same proportion in which the income is assessable to tax.

41[(3A) Notwithstanding anything contained in sub-rule (1), sub-rule (2) or sub-rule (3), for the purposes of section 194N, credit for tax deducted at source shall be given to the person from whose account tax is deducted and paid to the Central Government account for the assessment year relevant to the previous year in which such tax deduction is made.]

(4) Credit for tax deducted at source and paid to the account of the Central Government shall be granted on the basis of—

(i) the information relating to deduction of tax furnished by the deductor to the income-tax authority or the person authorised by such authority; and

(ii) the information in the return of income in respect of the claim for the credit,

subject to verification in accordance with the risk management strategy formulated by the Board from time to time."

6.3.5 Rule 37BA of the Income-tax Rules explains in what manner and to whom the credit for TDS can be granted. As per **sub-rule (1)**, TDS credit shall be given to the person to whom the payment has been made or credited (the deductee), based on information furnished by the deductor. Under **sub-rule (2)**, if the income is assessable in the hands of another person, the TDS credit shall be given to that person, provided the deductee files a declaration with the deductor and the deductor reports the TDS accordingly. **As per** sub-rule (3)**, credit is allowed in the assessment year in which the related income is assessable. If the income spreads over multiple years, the TDS credit is distributed proportionately across those years. sub-rule (3A) specifically deals with TDS under Section**

194N (on cash withdrawals), where credit is allowed to the account holder in the year of deduction, notwithstanding the earlier sub-rules. Finally, **sub-rule (4)** states that TDS credit is granted based on information furnished by the deductor and the taxpayer's return, subject to verification under the CBDT's risk management strategy.

6.3.6 As per the TDS schedule in the return of income, the appellant claimed TDS credit corresponding to gross receipts of Rs.28,49,82,700/- from business or profession. However, the total receipts actually admitted in the return were only Rs.15,59,16,283/-. There is a significant mismatch between claimed gross receipts and declared income and this indicates that the appellant has claimed excess TDS credit without offering the corresponding income to tax. Credit of TDS is not an independent or absolute claim by itself; it is a credit allowed against tax payable in respect of income which is offered to tax. Section 199 read with Rule 37BA provides the mechanism for granting such credit and, in substance, mandates that TDS credit shall be given for the assessment year for which the corresponding income is assessable. Therefore, where there is a mismatch between the income offered in the return and the receipts/credits on which tax has been deducted as reflected in Form 26AS, the credit is liable to be regulated in accordance with the statutory framework so that TDS is allowed in the correct year and in the correct proportion, and double credit is avoided.

6.3.7 In the present case, the CPC has restricted the credit on the basis of "matched credit" while processing under section 143(1) and reiterated the same in the order under section 154. The appellant has contended that the restriction is incorrect because the TDS is claimed as per Form 26AS and that, due to the percentage completion method, turnover in books and Form 26AS will not match year-wise. However, merely stating that the assessee follows percentage completion method does not automatically entitle the assessee to claim the entire TDS of the year if the corresponding receipts/income have not been offered to tax in the same year. The law requires a clear linkage of the TDS to the income assessable in the relevant year, or at least a reconciliation demonstrating that the income relatable to such TDS has already been offered in earlier years and that the assessee is not seeking double credit.

6.3.8 The appellant has also relied on the "rule of consistency" on the ground that in earlier years up to A.Y. 2022-23 and in A.Y. 2024-25, the CPC allegedly allowed full TDS credit. This contention cannot be accepted as a determinative factor. Each assessment year is a separate unit of assessment and processing under section 143(1) is an automated, summary adjustment based on available data. Mere acceptance in earlier years does not create any vested right to claim credit in a manner contrary to the statutory provisions in the year under appeal. Consistency can operate only where the facts and the legal position are identical and there is no statutory bar. In the present case, the governing provision is section 199 read with Rule 37BA, which specifically regulates the year and manner of granting credit. Therefore, if the system identifies that the TDS does not match with the corresponding income offered in the year, the CPC is empowered to restrict the credit to the extent permissible under the Rules.

6.3.9 The appellant has further claimed that there is no double claim of TDS in any other year. However, except for a general assertion, no year-wise reconciliation establishing (i) the exact deductor-wise TDS which has been restricted, (ii) the corresponding income offered in A.Y. 2023-24, (iii) the year(s) in which the related income was offered if not in the current year, and (iv) evidence/undertaking that such TDS has not been and will not be claimed in any other assessment year, has been brought on record in a manner enabling a clear factual finding. In absence of such verification-ready reconciliation, the appellate authority cannot direct allowance of the entire TDS merely on the basis of Form 26AS figures, particularly when the CPC has applied Rule 37BA and allowed only matched/proportionate credit.

6.3.10 As regards the contention relating to TDS deducted by banks on cash withdrawals, the appellant has not provided any details viz., (i) Bank account details, (ii) the amount of cash withdrawals and the corresponding TDS (ii) Bank statement & (iii) most essentially the certificate from the bank which has deducted the TDS. It is noted that credit for any tax deducted at source is governed by the same framework of section 199 read with Rule 37BA and is allowable only when it is correctly reflected in the tax credit statement and is otherwise in accordance with law. If any particular item of TDS is not being matched due to PAN/statement issues, deductor filing errors, or reporting mismatch, the remedy lies in getting the deductor's TDS statements corrected or in seeking appropriate rectification with supporting material. Such factual verification is beyond what can be granted as a blanket relief in appellate proceedings without the necessary deductor-wise reconciliation and supporting evidence. In the present case, the appellant has not furnished any deductor-wise particulars in respect of the alleged TDS on cash withdrawals, including the TAN of the bank(s), the amount of cash withdrawn, the quantum of TDS deducted, or the assessment year to which such TDS pertains, nor has any reconciliation with Form 26AS/AIS been placed on record. In the absence of these basic details, it is not possible to verify whether the claimed TDS credit has actually been deducted, reported, and is eligible for allowance. Accordingly, the contention of the appellant on this issue cannot be accepted.

6.3.11 In view of the above, it is held that the action of the CPC in restricting TDS credit to the extent of matched credit by applying Rule 37BA, while processing the return under section 143(1) and while disposing the rectification petition under section 154, does not suffer from any infirmity on the facts brought on record. The appellant has not demonstrated, with necessary reconciliation and verifiable evidence, that the entire restricted TDS relates to income assessable in A.Y. 2023-24 or that it is otherwise mandatorily allowable in this year notwithstanding Rule 37BA. The reliance placed on the rule of consistency is also not sufficient to override the statutory mechanism prescribed for grant of TDS credit.

9. On a perusal of the above, we find that the Ld. CIT(A), after referring to the provisions of section 199 of the Act and Rule 37BA of the Rules, has elaborately dealt with the issue and dismissed the appeal of the assessee by holding that the assessee failed to reconcile the TDS claimed with the corresponding income offered in the return of income. We have also gone through the provisions of Rule 37BA of the Rules reproduced by the Ld. CIT(A) in para no. 6.3.4 of the impugned order. On perusal of sub-rule (3), we find that it has been specifically mandated that credit for TDS shall be given for the assessment year for which the corresponding income is assessable to tax. It has further been categorically provided that where such income is assessable over a number of years, the credit for TDS shall be allowed across those years in the same proportion in which the income is assessable to tax. Thus, the statutory mandate clearly requires that for claiming credit of TDS in a particular assessment year, the assessee has to establish that the income corresponding to such TDS has been offered to tax in that very assessment year. In cases where the income is recognized over multiple years, the corresponding TDS credit is also required to be spread over such years in the same proportion. In the present case, the assessee is admittedly following the percentage completion method of accounting. Therefore, reconciliation between the TDS claimed

and the income recognized during the year assumes significance. We find that the assessee has not furnished the requisite reconciliation demonstrating that the income corresponding to the disputed TDS credit has been offered to tax during the year under consideration. Accordingly, we do not find any infirmity in the order of the Ld. CIT(A) in denying the TDS credit to the assessee in the absence of a proper reconciliation statement between the TDS claimed and the income offered to tax.

9.1 As regards the contention of the assessee based on the principle of consistency, we are unable to accept the same. As far as the present issue is concerned, the same is depend on the verification of facts of the respective assessment year. Therefore, the allowability of the present claim of the assessee cannot be relied on the principle of consistency. Further, the principle of consistency cannot override the specific statutory requirement contained in section 199 of the Act read with Rule 37BA of the Rules. Since the statute itself mandates reconciliation of TDS credit with the income offered to tax during the relevant year, the claim of consistency does not advance the case of the assessee. However, considering the facts and circumstances of the case and in the interest of justice, we are of the view that one more opportunity deserves to be granted to the assessee to furnish the necessary reconciliation before the Ld. AO. Accordingly, we set aside the impugned order of the Ld. CIT(A) on this issue and restore the matter to the file of the Ld. AO with a direction to examine the claim of TDS credit afresh in accordance with the provisions of section 199 of the Act and Rule 37BA of the Rules. The assessee shall furnish complete reconciliation between the TDS claimed and the corresponding income offered to tax. The Ld. AO shall verify the same and allow the TDS credit in accordance with law after providing adequate opportunity of being heard to the assessee.

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

Order pronounced in the Open Court on 8th July, 2026.

Sd/-	Sd/-
(RAVISH SOOD) **JUDICIAL MEMBER**	**(MADHUSUDAN SAWDIA)** **ACCOUNTANT MEMBER**

Hyderabad, dated 8th July, 2026.

Vinodan/sps

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By Order

TUMMALACHARLA LAKSHMI NARAYANA

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