IN THE INCOME TAX APPELLATE TRIBUNAL
"B''BENCH: BANGALORE

BEFORE SHRI BALAKRISHNAN S., ACCOUNTANT MEMBER
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER

ITA No. 804/Bang/2026
Assessment Year : 2018-19

Sudha Gopalakrishnan No.855, 13th Main Koramangala, 3rd Block Bengaluru 560 034 Karnataka **PAN No.ACHPG0900G**	**Vs.**	DCIT Circle 4(3)(1) Bengaluru
APPELLANT		**RESPONDENT**

Appellant by	:	Sri Sudheendra B.R., Advocate, A.R.
Respondent by	:	Sri Rahul Sinha, Addl. CIT-DR

Date of Hearing	:	25.05.2026
Date of Pronouncement	:	30.07.2026

O R D E R

PER KESHAV DUBEY, JUDICIAL MEMBER:

This appeal at the instance of the assessee is directed against the order of the ld.CIT(A)/NFAC dated 17.02.2026 vide DIN & Order No. ITBA/NFAC/S/250/2025-26/1086102838(1) passed u/s 250 of the Income Tax Act, 1961 (in short "the Act") for the assessment year 2018-19.

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

1. General Ground

1.1. The learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre ['CIT(A)' for short] has erred in passing the appellate order under section 250 of the Income-tax Act, 1961 ('the Act') in the manner passed by him. The order so passed, being bad in law, is liable to be quashed.

2. Grounds on dismissal of appeal without adjudication

2.1. The learned CIT(A) has erred in dismissing the appeal without adjudicating on merits for the reason that the Appellant failed to respond to the hearing notices issued under section 250 of the Act.

2.2. The learned CIT(A) has erred in concluding that owing to non-compliance by the Appellant, there is no reason to interfere with the order of the Assessing Officer.

2.3. The learned CIT(A) has erred in not appreciating that irrespective of the fact whether the Appellant had responded or not, section 250(6) mandates that the order shall be in writing and shall state points for determination, the decision thereon and reason for the decision. It is thus obligatory on the part of the appellate authority to decide the points raised in the appeal.

3. Grounds relating to erroneous computation of tax liability

3.1. The learned Additional / Joint / Deputy / Assistant Commissioner of Income Tax/ Income tax Officer, National e-Assessment Centre, Delhi (hereinafter referred to as 'Assessing authority') has erred in incorrectly computing the tax payable on the assessed income (chargeable at special rates) of Rs. 15,36,05,636 and the ensuing surcharge and cess ignoring that the same has been rightly computed in the return of income filed by the Appellant as well as accepted in the intimation passed under 143(1) dated 20.05.2019.

3.2. The learned Assessing authority has erred in computing additional tax on special income (other than 115BBE) [and corresponding additional surcharge, cess] in excess of Rs.14,806 (Tax Rs.12,500 + Surcharge Rs.1,875 + Cess Rs.431) as compared to the intimation and the return of income, without providing an explanation for the same in the order u/s. 143(3).

3.3. On facts and circumstances of the case, the income particulars filed by the Appellant is accepted assessment order passed under section 143(3) r.w.s. 143(3A) and 143(3B). The computation sheet annexed to the assessment order and the notice of demand under section 156, raising an additional demand thereof, is therefore bad in law and liable to be quashed. 4. Ground on levy of interest under section 234A

4.1. The learned Assessing authority has erred in levying interest of Rs. 18,37,044 under section234A of the Act without appreciating the original return of income was filed by the Appellant within the due date prescribed. On facts and circumstances of the case and law applicable, interest under section 234A is not leviable. The Appellant denies its liability to pay interest under section 234A.

5. Ground on levy of interest under section 234B

5.1. The learned Assessing authority has erred in levying additional interest of Rs. 6,38,402 under section 234B of the Act without appreciating the fact *that the same has been rightly computed in the intimation under section 143(1). On facts and circumstances of the case and law applicable, interest under section 234B is not leviable. The Appellant denies its liability to pay interest under section 234B.*

6. Prayer

6.1. In view of the above and other grounds to be adduced at the time of hearing, the Appellant prays that the appellate order be quashed or in the alternative the above grounds of appeal be allowed.

6.2. The Appellant submits that each of the above grounds/ sub-grounds are independent and without prejudice to one another.

6.3. The Appellant craves leave to add, alter, vary, omit, substitute or amend the above grounds of appeal, at any time before or at, the time of hearing, of the appeal, so as to enable the Income-tax Appellate Tribunal to decide the appeal according to law.

3. The brief facts of the case are that the assessee being a resident individual filed his original return of income for the AY 2018-19 on 17.8.2018 vide Ack. no.123140391170818 declaring total income of Rs.1,39,80,66,250/-. Subsequently, a revised return of income was filed on 29.03.2019 vide Ack. No. 447724281290319 declaring total income of Rs.1,45,29,60,920/-. The tax payable as per revised return was computed as follows:

Particulars	Income	Tax
Short-term capital gain taxable @15%	9,96,640	1,49,496
Long-term capital gain taxable @ 20%	8,29,72,125	1,65,44,425
Dividends taxable u/s 1 15BBDA @ 10%	136,89,92,152	13,68,99,215
Tax on special income other than 115BBE	**145,29,60,917**	**15,35,93,136**
Add: Surcharge	2,30,38,970	
Cess	52,98,963	
Interest u/s. 234B	18,49,088	

Interest u/s. 234C	3,42,961	3,05,29,982
Total tax and Interest		**18,41,23,118**
Less: Advance tax, TDS and Self-Assessment tax paid		18,41,23,118
Balance Tax payable/ (Refundable)		**(10)**

3.1 Thereafter, the revised return of income was processed and accordingly an intimation u/s. 143(1) of the Act was passed on 20.05.2019 accepting the returned income, however, there was a demand of Rs. 43,880/- due to the difference on account of computation of interest u/s 234B & 234C. The assessee paid the demand of Rs. 43,880/- on 19.06.2019 as raised u/s 143(1) of the Act.

3.2 Subsequently, the case of the assessee was selected for complete scrutiny assessment under the e-assessment scheme, 2019 on the issue of "deduction from total income under Chapter VI-A". Accordingly, the notice u/s. 143(2) as well as notice u/s 142(1) of the Act was issued calling for the various details of deduction claimed. The assessee submitted his reply on 19.12.2020. Thereafter, the assessment was completed and order u/s. 143(3) r.w.s. 143(3A) and 143(3B) of the Act dated 01.01.2021 was passed by the AO accepting the income returned.

3.3 Thus, the income returned as per revised return was accepted by the AO while passing the assessment order and there was no change or addition to income returned. However, surprisingly the accompanying computation sheet and the demand notice u/s. 156 carried a demand of Rs.24,90,252/- which is computed as follows:

Particulars	Income	Tax
Tax on special income other than 115BBE		**15,36,05,636**
Add: Surcharge	2,30,40,845	
Cess	52,99,394	2,83,40,239
Add: Interest u/s. 234A	18,37,044	
Interest u/s. 234B	25,16,154	
Interest u/s. 234C	3,58,182	47,11,380
Total tax and Interest		**18,66,57,255**
Less: Advance tax, TDS and Self-Assessment tax paid	18,41,23,123	
Less: Regular Tax Paid	43,880	18,41,67,003
Balance Tax payable		**24,90,252**

3.4 The demand of Rs.24,90,252/- (14,806 + 24,75,446) to be analyzed under the following two parts:

(A) Difference in tax, surcharge and cess

(A)Difference in tax, surcharge and cess

Particulars	**As per order u/s. 143(3)**	**As per revised return/ Intimation u/s. 143(1)**	**Difference**
Taxonspecial income other than 115BBE	15.36,05,636	15,35,93,136	12,500
Surcharge	2,30,40,845	2,30,38,970	1,875
Cess	52,99,394	52,98,963	431
Sub-total (A)			**14,806**

(B) Difference in Interest

Particulars	As per order u/s. 143(3)	As per Intimation u/s. 143(1)	Difference
Interest u/s. 234A	18,37,044		18,37,044
Interest u/s. 234B	25,16,154	18,77,752	6,38,402
Interest u/s. 234C	3,58,182	3,58,182	0
Sub-total (B)			**24,75,446**

However, the aforesaid difference in tax on special income (other than 115BBE) and corresponding additional surcharge, cess and Interest as compared to intimation and the return of income is neither explained nor expressed in the order u/s. 143(3) of the Act.

4. Aggrieved by the order of AO, passed u/s 143(3) of the Act dated 1.1.2021, the assessee preferred an appeal before the ld. CIT(A)/NFAC.

5. The ld. CIT(A)/NFAC dismissed the appeal of the assessee since the assessee did not respond to any of the notices issued despite providing three numbers of opportunities by the ld. CIT(A)/NFAC. Accordingly, the ld. CIT(A)/NFAC held that due to non-compliance by the assessee, there is no reason to interfere with the order of the AO.

6. Aggrieved by the order of ld. CIT(A)/NFAC dated 17.2.2026, the assessee has filed the present appeal before this Tribunal. The assessee has also filed a written submission along with the copy of original return, revised return, copy of the intimation, computation of income in support of his claim.

7. Before us, the ld. A.R. of the assessee submitted as follows:

a. Computation of Tax, including surcharge and interest:

The error in computing additional tax on special income (other than 115BBE) [and corresponding additional surcharge, cess and Interest] by excess of Rs. 14,806/- (Tax Rs. 12.500 + Surcharge 1,875 + Cess 431) as compared to intimation and the return of income without providing an explanation for the same in the order u/s. 143(3) is an error apparent from record and warrants rectification.

b. Interest u/s. 234A

The computation of interest of Rs.18,37,044/- under section 234A of the Act where the original return of income was filed by the Assessee on 17.08.2018 vide Ack. No. 123140391170818 is also a mistake apparent from record and warrants rectification. It is also to be noted that even the Intimation u/s. 143(1) dated 20.5.2019 has not levied interest u/s 234A in lieu of the original return of income being filed within the due date.

c. Interest u/s 234B

The computation of additional interest of Rs.6,38,402/- u/s 234B of the Act in contrast to the interest rightly computed in the intimation u/s 143(1) of the Act is an error apparent from record and warrants rectification.

In view of the above, the assessee requested to rectify the order and to cancel the demand.

8. The ld. D.R. on the other hand, relied on the order of the AO as well as computation sheet issued on the same date and vehemently submitted that the AO has correctly computed the tax payable in the computation sheet which is the integral part of the assessment order.

9. We have heard the rival submissions and perused the materials available on record. It is an undisputed fact that while passing the intimation u/s 143(1) of the Act, the CPC had accepted the income declared by the assessee in the revised return. Further, we also observed that the AO while passing the assessment order dated 1.1.2021 had also accepted the returned income and categorically stated that no addition is made to the returned income. Further, we also observed that while processing the return of income u/s 143(1) of the Act an intimation was passed on 20.5.2019 wherein the demand of Rs.43,880/- towards interest u/s 234B & 234C of the Act was raised by the CPC which was subsequently paid by the assessee on 19.6.2019. Surprisingly, on perusal of the assessment order, computation sheet as well as notice of demand u/s 156 of the Act all dated 1.1.2021, we observed that the AO despite having accepted the returned income had raised a demand of Rs.24,90,252/-. Against the said demand, the assessee went to an appeal before the ld. CIT(A)/NFAC who dismissed the appeal as the assessee did not respond to any of the notices. We are of the considered opinion that computation sheet as well as notice of demand are purely consequential documents and they can only be issued to recover the sums that are explicitly observed in the valid assessment order. The computation sheet is only an intermediary working sheet and in our opinion, it cannot introduce new additions, disallowances or create a new tax liability if the core assessment order contains no such findings or proposes zero variation. It is a trite law that a demand notice and computation sheet raised mechanically or contrary to a nil or positive findings in the main assessment order are unsustainable and liable to be quashed as void-ab-initio. Thus, we are of the considered opinion that the computation sheet as well as notice of demand can only be issued to recover sums that are explicitly found and computed as payable within a valid assessment order. In the present case, while passing the assessment order, the findings of the AO are that no addition is made to the returned income of the assessee for the AY 2018-19 and therefore, in our opinion, the AO cannot raise a tax demand in a computation sheet as the assessment order contains no findings, additions or variations proposing tax liability. The computation sheet and the demand notice must strictly follow and flow from the findings in the assessment order.

9.1 Thus, if the assessment order passed under Section 143(3) of the Income-Tax Act, 1961, explicitly accepts the returned income without any findings or observations supporting such a demand, then the demand for tax payable raised in a computation sheet and notice of demand is not valid. The notice of demand is a consequential document that must be 'in consequence of any order passed under this Act,' meaning it cannot create a new liability or introduce findings not present in the underlying assessment order.

In our opinion section 156 of the Act is a machinery provision that facilitates the collection of taxes. It states that 'When any tax, interest, penalty, fine or any other sum is payable in consequence of any order passed under this Act, the Assessing Officer shall serve upon the assessee a notice of demand in the prescribed form specifying the sum so payable.' The crucial phrase here is 'in consequence of any order passed under this Act.' This means that the notice of demand is a consequential document; it cannot independently create a tax liability. The demand specified in the notice must directly flow from and be supported by a legally valid underlying order, such as an assessment order under section 143(3) of the Act.

9.2 Thus, the demand raised in the computation sheet and notice of demand is not 'in consequence of' the assessment order. If the assessment order itself does not contain any additions, disallowances, or adjustments that would lead to a higher tax liability, then the demand lacks the foundational support of a valid assessment order. Such a demand would be considered beyond the powers of the AO, as the notice of demand cannot go beyond the scope of the assessment order it seeks to enforce. We are also of the opinion that even interest under sections like 234A, 234B, and 234C of the Act, cannot be levied through a notice of demand if there is no specific order to levy such interest in the assessment order. The assessment order must clearly indicate the charging of interest. A general phrase like 'charge interest, if any' or 'charge interest as per rules' is not sufficient. If the assessment order is silent on the levy of interest, the notice of demand under section 156 of the Act cannot go beyond the assessment order and demand interest. To conclude, a demand for tax payable raised in a computation sheet and notice of demand under section 156 of the Act, is not legally sustainable if the assessment order under section 143(3) of the act explicitly accepts the returned income without any findings or observations supporting such a demand. The assessment order is the foundational document determining the tax liability, and the demand notice must be in conformity with it. The demand notice must be a direct consequence of the assessment order and **cannot independently create a tax liability**. While the assessment process is integrated, and the tax computation sheet can be part of the assessment, it must align with the substantive findings of the assessment order. Accordingly, we direct the AO to delete the demand raised through the computation sheet & notice of demand.

10. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open court on 30th July, 2026

Sd/-	**Sd/-**
(Balakrishnan S.)	**(Keshav Dubey)**
Accountant Member	**Judicial Member**

Bangalore,
Dated 30th July, 2026.
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The DR, ITAT, Bangalore.
5 Guard file

By order

Asst. Registrar,
ITAT, Bangalore.