

IN THE INCOME TAX APPELLATE TRIBUNAL
AHMEDABAD "SMC" BENCH

**Before: Shri Siddhartha Nautiyal, Judicial Member And
Shri Makarand Vasant Mahadeokar, Accountant Member**

**ITA No: 121/Ahd/2025
Assessment Year: 2021-22**

The Mandvi Mercantile Co-OP. Bank Ltd. Nr. K.R. High School, Bunder Road, Gujarat-370465 PAN:AAACT7860L (Appellant)	Vs	ADDL/JDIT (I&CI) Ahmedabad (Respondent)
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**Assessee Represented: Shri Vivek Chavda, A.R.
Revenue Represented: Shri Arvind Kumbhare, Sr.D.R.**

Date of hearing : 24-09-2025
Date of pronouncement : 30-09-2025

आदेश/ORDER

PER : SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER:-

This appeal is filed by the Assessee as against the appellate order dated 21.11.2024 passed by the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi, (in short referred to as "CIT(A)"), confirming the levy of penalty under section 271FA of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') relating to the Assessment Year 2021-22.

2. The assessee has raised the following Grounds of Appeal:

1.1 *The order passed u/s 250 on 21.11.2024 for A.Y. 2021-22 by CIT(A)-NFAC, Delhi confirming the penalty of Rs.3,37,000 under section 271FA is wholly illegal, unlawful and against the principles of natural justice.*

1.2 *The Ld. CIT(A) has grievously erred in law and on facts in not appreciating that this was the initial period of implementing the new system of filing SFT through INSIGHT portal.*

1.3 *The Ld. CIT(A) failed to consider that the Income Tax Department itself had taken initiatives by conducting multiple outreach programs to make potential filers aware of the new filing requirements, indicating the novelty of the system.*

1.4 *The Ld. CIT(A) has erred in not considering that the delay in filing was due to genuine difficulties faced in understanding and adapting to the new online filing system and was not deliberate or intentional.*

1.5 *The Ld. CIT(A) has failed to appreciate that the appellant had appointed a consultant who could not comply with the requirements due to technical issues.*

1.6 *That immediately upon realizing the non-compliance through the new consultant, the appellant took corrective action by filing the required SFT, demonstrating the bonafide intention to comply.*

1.7 *The quantum of penalty confirmed by the CIT(A) is highly excessive and disproportionate considering this was the initial period of implementation of the new reporting system.*

3. The brief facts of the case are that the assessee is a co-operative bank and was required to file the Statement of Financial Transaction (SFT) for financial year 2020-21 by the due date of 30.06.2021. Since the SFT was not filed, the Assessing Officer issued a notice under section 285BA(5) dated 13.08.2021 requiring the assessee to file SFT on or before 28.08.2021. The assessee failed to comply, and further notices dated 06.01.2023 and 17.07.2023 were issued by the Assessing Officer. The assessee eventually filed a delayed SFT under code-016 on 01.05.2023, but the Assessing Officer observed that the assessee did not provide

any reasonable cause for the delay. Accordingly, penalty proceedings under section 271FA were initiated and penalty of Rs. 3,37,000/- was levied for failure to file the SFT within the prescribed time.

4. Aggrieved, the assessee preferred an appeal before the CIT(A) on the ground that the penalty was illegal, against natural justice, and imposed without granting sufficient opportunity. The assessee submitted that that the delay was unintentional and caused due to lack of awareness of the newly introduced system of filing through the INSIGHT portal. During appellate proceedings, CIT(Appeals) considered the written submissions of the assessee and examined the provisions of section 285BA(5) and section 271FA of the Act. The CIT(A) held that ignorance of law or unawareness of the portal could not be accepted as a reasonable cause for failure to file the SFT and observed that the assessee remained non-compliant even after statutory notices were issued. It was concluded that the Assessing Officer had correctly invoked and applied the provisions of section 271FA and, therefore, the penalty of Rs. 3,37,000/- levied in the case was confirmed. Consequently, the appeal was dismissed.

5. Before us, the assessee submitted an Affidavit by Shri Bharat J. Shukla, Manager of The Mandvi Mercantile Co-operative Bank Ltd (the assessee), in support of its appeal against the penalty levied under section 271FA of the Act. In the Affidavit, Shri Shukla affirmed that the bank was required to file SFT Code-016 for the financial year 2020-21 by 30.06.2021, but the same could not be

filed within time due to circumstances beyond the control of the bank. He explained that he, being responsible for compliance, was hospitalized from 17.12.2020 to 01.03.2021 due to COVID-19 and remained under intensive medical care, which rendered him completely incapable of performing official duties at the crucial time when the SFT filing was due. His prolonged hospitalization and subsequent slow recovery period prevented him from making timely decisions or giving instructions to the staff for engaging alternate professional services. It was further stated that during this period the bank's regular tax consultant, Mr. D. L. Vegad, who had earlier been handling compliance matters under the then Chairman, could not continue due to the sudden demise of the Chairman, which disrupted the existing professional arrangement. As per the internal protocols of the bank, the staff could not independently appoint a new consultant without the Manager's approval, and therefore compliance was left unattended. Additional hardships were faced due to COVID-19 restrictions, lockdowns, and limited access to professional services, which made arranging alternative mechanisms practically impossible. It was submitted that these circumstances together created an unprecedented situation where the delay was unavoidable and not deliberate or wilful. Once he had sufficiently recovered and resumed duties, immediate steps were taken to engage professionals and the delayed SFT was filed on 01.05.2023. Supporting medical documents evidencing his hospitalization and recovery were annexed with the affidavit. Further, medical certificates were also produced in support of the medical condition of the concerned Bank Manager.

6. In response, Ld. DR placed reliance on the observations made by CIT(Appeals) in the appellate order.

7. We have heard the rival contentions and perused the material available on record. The brief facts of the case are that the assessee, a co-operative bank, was required to file the Statement of Financial Transaction for financial year 2020-21 by the due date of 30.06.2021, but failed to do so within the prescribed time. The Assessing Officer, after issuing notices under section 285BA(5), proceeded to levy a penalty of Rs. 3,37,000/- under section 271FA on the ground that no reasonable cause was furnished for the delay. The assessee carried the matter in appeal before the Ld. CIT(Appeals), who, after considering the written submissions and provisions of law, confirmed the penalty holding that ignorance of law or of the new filing system could not constitute a reasonable cause. Before us, however, the assessee has filed an Affidavit of Shri Bharat J. Shukla, Manager of the assessee bank, explaining in detail the circumstances that prevented the timely filing of the SFT. It has been deposed therein that Shri Shukla, who was responsible for tax compliance, was hospitalized from December 2020 to March 2021 due to COVID-19 and was under intensive medical care, leaving him incapacitated to discharge his duties during the crucial compliance period. It has further been explained that after the demise of the then Chairman, the bank's professional arrangement with the regular consultant was disrupted, and due to the internal protocols, the staff could not independently engage another consultant without the Manager's approval. In addition, the restrictions and hardships caused by the pandemic further

aggravated the situation. The affidavit is supported by medical certificates and other documents evidencing hospitalization and recovery. It has been submitted that once Shri Shukla resumed his responsibilities, the assessee immediately took steps to regularize the compliance and filed the delayed SFT on 01.05.2023. On careful consideration of the above facts and circumstances, we find that the reasons cited by the assessee in the affidavit are genuine and require due examination. In the interest of justice and fair play, the matter is, therefore, set aside to the file of the Ld. CIT(Appeals) to reconsider the issue afresh in light of the affidavit and supporting evidence furnished by the assessee and thereafter pass a speaking order in accordance with law after affording adequate opportunity of hearing to the assessee.

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

Order pronounced in the open court on 30-09-2025

Sd/-
(MAKARAND VASANT MAHADEOKAR)
ACCOUNTANT MEMBER
Ahmedabad : Dated 30/09/2025

Sd/-
(SIDDHARTHA NAUTIYAL)
JUDICIAL MEMBER

आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-

1. Assessee
2. Revenue
3. Concerned CIT
4. CIT (A)

5. DR, ITAT, Ahmedabad
6. Guard file.

By order/आदेश से,

उप/सहायक पंजीकार
आयकर अपीलीय अधिकरण,
अहमदाबाद