



2. The assessee is a cooperative bank and filed the return U/s 139(1) of the Act. The assessee claimed deduction under section 80P of the Act in its return. The assessee's case was selected for scrutiny and the assessment was completed under section 143(3) of the Act on 25/11/2019. During the assessment proceeding the Ld. AO found that the assessee is liable to audit its books of accounts under section 44AB of the Act. But the assessee had not filed the tax audit report under section 44AB of the Act with its return of income. After completion of assessment proceeding, the Ld. AO initiated penalty proceeding for non-filing of tax audit report within due date under section 271B of the Act and issued notice accordingly. The assessee comply the notices related to penalty proceeding but finally the penalty was imposed amount to Rs.1,50,000/- under section 271B of the Act. The aggrieved assessee filed an appeal before the Ld. CIT(A). But the Ld. CIT(A) upheld the impugned penalty order. Being aggrieved the assessee filed an appeal before us.

3. During the hearing before the bench the Ld.AR argued & stated that the assessment was completed on 25/11/2019 but the Tax Audit Report (in short "TAR") was filed belatedly on 19/07/2018. At the time of assessment proceeding the said report was available before the Ld. AO.

4. The Ld. AR respectfully relied on the order of Hon'ble **High Court of Kerala** in **Chavakkad Service Co-Operative Bank Ltd. v. ITO, [2024] 169 taxmann.com 45 (Kerala)**. Held where

assessee co-operative societies did not file audit report as mandated under section 44AB within time limit specified thereunder, however, audit reports were made available before Assessing Authority at time of finalization of assessments, since delay in obtaining audit reports from statutory auditors under Kerala Co-operative Societies Act and Rules could be seen as a reasonable cause for delayed submission of audit reports, no penalty under section 271B was to be imposed on assessee

5. The Ld. DR argued and stood in favour of the orders of revenue authorities. But unable to bring any contrary judgment against the submission of the Ld. AR.

6. We have heard the rival submissions and perused the material available on record. We find that the issue in dispute is squarely covered by the decision of the Hon'ble Kerala High Court in the case of **Chavakkad Service Co-operative Bank Ltd.** (supra). Respectfully following the ratio laid down by the Hon'ble Jurisdictional High Court, we hold that the penalty levied under section 271B of the Act amounting to Rs.1,50,000/- is unsustainable in law and on facts. Accordingly, the penalty imposed under section 271B of the Act is hereby quashed.

7. In the result, the appeal filed by the assessee bearing **ITA No. 590/COCH/2025** is allowed

Order pronounced in the open court on 29<sup>th</sup> October, 2025.

Sd/-  
**(INTURI RAMA RAO)**  
**ACCOUNTANT MEMBER**

Sd/-  
**ANIKESH BANERJEE**  
**JUDICIAL MEMBER**

Cochin, Dated: 29<sup>th</sup> October, 2025

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

By Order

Assistant Registrar  
ITAT, Cochin