

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH**

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI ANIKESH BANERJEE, JM**

**ITA Nos. 645 to 648/Coch/2025
Assessment Years: 2018-19 to 2020-21 & 2022-23**

Esaf Small Finance Bank Ltd. Appellant
Building No. VII/83//8, Esaf Bhavan, Thirssur-
Palakkad NH, Mannuthy P.O., Thrissur 680651
[PAN: AAECE2619Q]

vs.

The Income Tax Officer - TDS, Thrissur Respondent

Appellant by: Shri Anandan, CA
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 27.10.2025
Date of Pronouncement: 29.10.2025

ORDER

Per: Inturi Rama Rao, AM

These appeals filed by the assessee are directed against the orders of the Commissioner of Income Tax (Appeals)-2, Chennai [CIT(A)] dated 23.07.2025 for Assessment Years (AY) 2018-19 to 2020-21 & 2022-23.

2. Since identical issues and facts are involved in these appeals, they are heard together and disposed of by this common order.

3. For the sake of convenience and clarity the facts relevant to the appeal bearing ITA No. 645/Coch/2025 for AY 2018-19 are stated herein.

4. Brief facts of the case are that the appellant is a company engaged in the business of banking. The Income Tax Officer-TDS, Thrissur had conducted survey operations in the business premises of the appellant u/s. 133A of the Income Tax Act, 1961 (the Act) on 28.06.2022. During the course of the survey proceedings, the TDS officer found that the appellant bank had not deducted tax at source u/s. 194A of the Act in respect of interest payments exceeding Rs. 2,50,000/-, Rs.3,00,000/-, Rs. 5,00,000/- etc. paid to senior citizens by accepting invalid Form 15G/H. Accordingly, the TDS officer was of the opinion that the appellant had failed to comply with the provisions of Chapter XVIIB of the Act and held that the appellant is an assessee in default and demanded tax of Rs. 8,80,694/- u/s. 201(1A) of the Act in respect of FY 2020-21 vide order dated 19.07.2022 passed u/s. 201(1A) of the Act.

5. Being aggrieved, an appeal was filed before the CIT(A), contending that the appellant had duly complied with the provisions of section 197A(IC) of the Act. It is further contended that provisions of section 197A(1C) does not cast responsibility on the payer of income to verify the taxable income of the persons who had given Form 15H. Without prejudice to the above, it is contended that the recipients of the interest had already paid tax on the interest income. The Income Tax Officer without giving an opportunity to produce the relevant evidence to this effect, cannot treat the appellant as “an assessee in default”. In this regard reliance was placed on the decision of the Hon'ble Allahabad High Court in the

case of Jagran Prakashan Ltd. v. DCIT (TDS) [2012] 345 ITR 288. However, the CIT(A), without addressing the contentions raised by the appellant merely dismissed the appeal.

6. Being aggrieved, the appellant is in appeal before this Tribunal in the present appeal.

7. The learned counsel for the assessee submits that the appellant is not in default in terms of the provisions of section 201(1) of the Act as the appellant had duly complied with the provisions of section 197A(1C) by obtaining Form 15H in terms of section 197A(1A) of the Act. There is no obligation on the part of the appellant bank to verify the taxable income. In this regard he also placed reliance on the decision of the Nagpur bench of this Tribunal in the case of Bank of India v. DCIT (TDS) in ITA No. 359/Nag/2022 dated 28.09.2023. It is further submitted that in view of the explanation to section 197A the appellant bank cannot be treated as an “assessee in default” notwithstanding the fact that the appellant bank had not deducted tax at source on interest payment as the payee had paid tax directly.

8. On the other hand, the learned Sr. DR, placing reliance on the decision of the coordinate bench in the case of The South Indian Bank Ltd. in ITA Nos. 459 to 464/Coch/2023 dated 22.05.2024 submitted that in view of the decision the order of the CIT(A) to be upheld.

9. In the rejoinder the learned counsel for the assessee submitted that the order passed by the Tribunal in this case was stayed by the

Hon'ble Kerala High Court and, therefore it loses the precedential value of the decision.

10. We have heard the rival contentions and perused the material available on record. The only issue that arises for our consideration is whether the appellant bank is an assessee in default for non deduction of tax at source in respect of interest paid to senior citizens notwithstanding the fact that the appellant bank had obtained Form 15G/H. This issue was considered by the Nagpur Bench of this Tribunal in the case of Bank of India (supra) wherein it was held as follows: -

15. The net effect of the Explanation to section 191, section 194A read with section 197A and 201 is that there will be no obligation to deduct tax at source on furnishing the necessary declaration by customers where either the interest income does not exceed the basic exemption limit or the depositor is more than the prescribed age and he furnishes the declaration that tax on his total income including interest from the bank will be Nil. In order to treat a person as assessee in default, firstly, there should be an obligation to deduct tax at source and despite such obligation, the person fails to deduct tax at source or pay after such deduction and further the payee has also not paid tax directly”

11. Respectfully following the decision of the Nagpur Bench, we hold that the appellant cannot be treated as an assessee in default. The orders of the learned lower authorities are hereby set aside. Since the decision of the coordinate bench in the case of South Indian Bank Ltd. (supra) is stayed by the Hon'ble High Court, it cannot be considered as a binding precedent.

12. Regarding obtaining Form 15G, it is the contention of the appellant that the appellant had obtained Form 15G from Senior Citizens. The AO as well as the CIT(A) had failed to consider the submissions made on behalf of the appellant. Therefore, we find merit in the submissions of the appellant that the matter be remanded to the file of the AO for due verification of the claim of the appellant. Accordingly, the matter is restored to the file of the AO.

13. Since identical issues and facts are involved in assessee's appeals ITA No. 646 to 648/Coch/2025, our findings in ITA No. 645/Coch/2025 shall apply mutatis mutandis to these appeals also.

14. In the result, the appeals filed by the assessee stand partly allowed for statistical purposes.

Order pronounced in the open court on 29th October, 2025.

Sd/-
(ANIKESH BANERJEE)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 29th 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

Assistant Registrar
ITAT, Cochin