

**IN THE INCOME TAX APPELLATE TRIBUNAL
LUCKNOW 'B' BENCH, LUCKNOW
BEFORE SH. SUDHANSHU SRIVASTAVA, JUDICIAL MEMBER
AND
SH. NIKHIL CHOUDHARY, ACCOUNTANT MEMBER**

ITA Nos.78 & 79/LKW/2025
A.Ys. 2019-20 & 2021-22

District Cooperative Bank Limited, Civil Lines Kachehri, Shahjahanpur	vs.	Addl / JDIT (I & CI)
PAN: AAAAP8833H		
(Appellant)		(Respondent)

Assessee by:	Sh. B.P. Yadav, Adv
Revenue by:	Sh. R.R.N. Shukla, Addl CIT DR
Date of hearing:	09.12.2025
Date of pronouncement:	30.01.2026

ORDER

PER NIKHIL CHOUDHARY, A.M.:

These two appeals have been filed by the assessee against the orders of the ld. CIT(A), NFAC for the Assessment Years 2019-20 and 2021-22 wherein the ld. CIT(A), NFAC has confirmed the penalty levied under section 271FA of the Income Tax Act, amounting to Rs. 9,73,000/- for the Assessment Year 2019-20 and under section 271FAA amounting to Rs. 50,000/- for the Assessment Year 2021-22 that was levied by the ld. AO for failure to file statement of financial transactions / furnishing of incorrect information in the statement of financial transactions. The grounds of appeal are as under:-

A.Y. 2019-20

"1.1 The Learned Commissioner of Income Tax (Appeals), NFAC, Delhi (hereinafter referred to as the "Ld. CIT(A)") has erred on facts and in law in confirming the action of the Ld. A.O. in imposing a penalty of Rs.9,73,000/-by passing an order u/s 271FA of the I.T. Act, 1961 [hereinafter referred to as the "Act"] by observing that the assessee did not file its statement of specified Financial Transactions falling under the SFT Code 001 and 002

1.2 On the facts stated in the statement of facts the Ld. CIT(A) is not justified at all in confirming the levy of penalty of Rs.9,73,000/-by treating the

appellant as a "person in default" and hence the penalty so imposed deserves to be deleted.

2. The Ld. A.O. has erred on facts and in law in not providing the appellant reasonable opportunity to have its say on the merit of the case."

A.Y. 2021-2022

"1. The Learned Commissioner of Income Tax (Appeals), NFAC, Delhi (hereinafter referred to as the "Ld. CIT(A)") has erred on facts and in law in confirming the action of the Ld. A.O. in imposing a penalty of Rs.50,000/-by passing an order u/s 271FAA of the I.T. Act, 1961 [hereinafter referred to as the "Act"] for filing incorrect information of the specified financial transactions reportable under the code 003 and 004.

2. The Ld. A.O. has erred on facts and in law in not providing the appellant reasonable opportunity to have its say on the merit of the case."

2. It is seen that the appeal for the Assessment Year 2021-22 is delayed by 18 days. A condonation petition has been filed by the assessee in which it has been submitted that the penalty order was passed on 20.11.2024 and the assessee was obliged to file its appeal before 24.01.2025 but it could not do so because it was advised by its counsel to opt for the VSVS, 2024. However, while filling up the form for the VSVS, 2024, the assessee realized that it could not opt for the said scheme on the ground that the impugned order was passed after 22.07.2024 and hence it was ineligible. By the time, it came to know that it was ineligible to avail the benefits of the scheme, the time period for filing the appeal had already passed. It was for this reason that the assessee was compelled to file its appeal with a delay and it was prayed that since the same was not on account of any negligence or mala fide intent, the same may kindly be condoned. After considering the circumstances enumerated by the assessee in its condonation petition, the delay in filing the appeal for the A.Y. 2021-22 is condoned and both appeals are taken up for hearing.

3. The facts of the case are that in assessment year 2018-19, the assessee failed to file statement of financial transactions under SFT Codes- 001, 002 and 005 for the F.Y. 2018-19. Thereafter, a notice under section 285 BA (5) was issued to the filer. The assessee did not comply with the said notice. Accordingly, the ld. AO issued a penalty notice under section 271FA r.w.s. 274 of the Income Tax Act

asking the assessee to show cause why a penalty should not be levied in its case for failure to comply with the legal obligation placed upon it under section 285 BA (5). In response, the assessee submitted that it had filed statement 61A 003 on 30.05.2019, 61A 004 on 30.05.2019 and 61A-005 on 3.08.2022. It submitted that it was trying to comply with the requirements and would file the required statements on time in future. Accordingly, it prayed that penalty proceedings should not be levied. However, the ld. AO was not satisfied with this reply. He issued a further show cause notice as to why the penalty should not be imposed upon the assessee for non-filing of statement of financial transactions under Code 001 and 002 for the F.Y. 2018-19. The assessee did not respond to this letter therefore, the ld. AO levied a penalty of Rs. 5,78,000/- for a default of 1156 days in the period leading upto the date of notice under section 285 BA (5) of the Income Tax Act, 1961 and a penalty of Rs. 3,95,000/- for a default of 395 days since the issue of the notice under section 285 BA (5) of the Income Tax Act.

4. Aggrieved with the levy of the said penalty, the assessee went in appeal before the ld. CIT(A). Before the ld. CIT(A), it was submitted that the SFT 001 and SFT 002 report was nil and there was no data to report. Furthermore, it was submitted that the assessee was facing some technical glitches in filing SFT 001 or SFT 002 and therefore, it remained unfiled. However, it did not have any intention for not filing of the same. All the same, the assessee had filed these SFTs on 13.10.2023 but the same was not reflecting on the reporting portal. Accordingly, it was requested that the assessee may be provided a further opportunity to re-submit SFT Code 001 & SFT Code 002 and be provided assistance with regard to the same by the ld. AO. It was submitted that since the assessee was under bona fide belief that it was not required to file any return in SFT 001 or SFT 002 in the absence of reportable transactions, the ld. AO was not justified in levying the penalty under section 271FA of the Act and it placed reliance on the decision of the ITAT Delhi Bench in the case of *The Motor & General Finance Limited vs. ACIT, Circle-25(1), New Delhi* in ITA No. 841/DEL/2023. It also placed reliance on the decision of the Hon'ble Supreme Court in the matter of *Hindustan Steel Limited vs.*

State of Orissa (1972) 83 ITR 26 (SC), wherein the Hon'ble Court had held that a penalty would not ordinarily be imposed unless the party either acted deliberately in defiance of law or was guilty of some misconduct or disregard of its obligations. The Hon'ble Supreme Court had also held that penalty ought not to be imposed merely because it was lawful to do so and should not be levied for technical or venial breaches of the Act or where the breach flows from a bonafide belief that the offender was not liable to act in the manner prescribed in the statute. The Id. CIT(A) considered the submissions of the assessee. He concluded that the behavior of the assessee clearly indicated negligent attitude in failure to meet the obligations placed upon it by section 285 BA (5) in spite of giving of sufficient opportunities. He distinguished the case of the assessee from the cases cited by pointing out that in the case of the assessee, the assessee was repeatedly asked by the AO to submit statements under SFT 001, SFT 002 and SFT 005 but in spite of that the assessee neither responded to the notices nor filed the statements. In the circumstances, he felt that the assessee that the assessee had no case and the Id. AO had rightly levied the penalty under section 271FA. He accordingly, dismissed the appeal of the assessee.

5. In the assessment year 2021-22, the Id. AO noted that the assessee had filed defective statement of financial transactions under SFT Codes 003 and 004 for the F.Y. 2020-21. Therefore, a notice under section 285 BA (4) of the Income Tax Act, were issued to the filer to rectify the defects and refile the corrected SFT under the respective codes. The assessee did not respond to the notice under section 285 BA (4) of the Act nor sought any adjournments for making compliance. Therefore, the Id. AO issued a penalty notice under section 271FAA as to why penalty should not be levied upon the assessee for filing the inaccurate statement. The filer did not submit any reply and therefore, after issue of show cause notice, the Id. AO levied a penalty under section 271FAA to the extent of Rs. 50,000/-.

6. Aggrieved with the said levy of penalty, the assessee went in appeal before the Id. CIT(A). Before the Id. CIT(A), it was submitted that the Id. AO was not

justified in levying the penalty without considering that the corrected SFT Codes 003 and 004 was duly filed on 2.08.2022 in compliance to the notice dated 27.07.2022 in which the date of compliance was fixed on 8.08.2022. It was further submitted that all the necessary corrections had been made by the assessee on 2.08.2022. The assessee also placed reliance on the decision of KEB Hana Bank vs. Joint Director of Income Tax ITAT Chennai in ITA Nos.440, 441 & 442/CHNY/2023 dated 10.08.2023 in which the ITAT had held that where the defect was rectified within the time as provided under section 285 BA (4) of the Act, the penalty was not leviable. It also placed reliance on the decision of the Hon'ble Supreme Court in the case of Hindustan Steel Limited vs. State of Orissa (1972) 83 ITR 26 (SC). The Id. CIT(A) noted that the notice under section 285 BA (4) of the Income Tax Act, 1961 was issued to the assessee on 30.12.2021 to rectify the defects by 31.01.2022. However, the assessee did not do so before the appointed date nor responded to the said notices. It was only when the assessee was issued a show cause notice for penalty under section 271FAA, that it made the rectification. The Id. CIT(A) held that income tax proceedings were time bound proceedings and therefore, uploading of information by the respective authority in a time bound manner was crucial. Since he was of the opinion that the assessee had without any reasonable cause not followed the obligations placed upon it under section 285BA(4), accordingly, he rejected the appeal of the assessee and upheld the levy of penalty by the AO of Rs. 50,000/- under section 271FAA.

7. The assessee is aggrieved against these orders of the Id. CIT(A) and has accordingly come before us. With respect to the assessment year 2019-20, it was submitted that there was no justification for the Id. AO to levy any penalty upon the assessee. This was because there were no transactions that were reportable under SFT Code 001 and SFT Code 002. Therefore, the assessee was under a bona fide belief that it was not required to file these statements of financial transaction. However, after the notice issued by the Id. AO, the assessee had filed a nil SFT for these two SFT Codes. The same was not reflecting on the portal but the assessee had submitted the evidence and this had been recorded by the Id. CIT(A). The

assessee had also sought assistance in re-submitting the SFT 001 and SFT 002 that instead of providing this assistance, the Id. CIT(A) had confirmed the penalty levied by the Id. AO. The Id. AR furnished a paper book in which the provisional receipt of the statement showing zero number of reports for both SFT 001 and SFT 002 were uploaded by the assessee on 13.10.2023. He also drew our attention to page 3 of his paper book which contained an affidavit from the General Manager of DCB Limited, Shahjahanpur that since there was no reportable financial transactions falling under the code of SFT 001 and SFT 002 i.e., "purchase of bank drafts or pay orders in cash" and, "purchase of prepaid instruments in cash", no statement of SFT 001 and SFT 002 was filed before the due date. However, these statements with nil transactions were filed on 13.10.2023. The Id. AR also drew our attention to the decision of the ITAT Delhi 'H' Bench in the case of Motor & General Finance Limited vs. ACIT, Circle-25(1), New Delhi in ITA No. 841/DEL/2023, wherein the ITAT, Delhi Bench had held that where the assessee was under a bona fide belief that no return was required to be filed since there were no reportable transactions, that in itself was a reasonable cause under section 273B for not levying the penalty under section 271FA of the Act. Accordingly, it had deleted the said penalty. While doing so, the ITAT Delhi Bench had relied upon decision of the ITAT Vishakhapatnam Bench in the case of M/s Guntur District Cooperative Central Bank Limited vs. DIT (I & CI), Hyderabad in ITA Nos. 355-360/VIZ/2018 wherein the ITAT Vishakhapatnam Bench had held that in the absence of any specified transaction required to be reported under section 285 BA of the Act, the assessee was not obliged to file the AIR and levy of penalty under section 271FA was unjustified. The Id. AR accordingly prayed that the penalty of Rs. 9,73,000/- levied for the assessment year 2019-20 may therefore, kindly be deleted on this account.

8. With regard to the levy of penalty of Rs. 50,000/- under section 271FAA, the Id. AR submitted that the SFT 003 and 004 for the said assessment year had been filed on the due dates and after the correction notice was received, the correction had been done on 29.03.2022. It was submitted that the filing of the

corrected statements took more than 30 days since the assessee had more than 4000 accounts spread over 27 branches and it took time for them to collect the information from the respective branches. It was submitted that the delay in filing of the said statement was only a technical breach. There had not been any violation of the substantive provision of the Act and therefore, the ld. AO was not justified in levying the penalty of Rs. 50,000/- under section 271FAA. It was accordingly prayed that the penalty may kindly be deleted.

9. On the other hand, Sh. R.R.N. Shukla, Addl CIT DR (hereinafter referred to as the DR) submitted that the penalty with respect to the assessment year 2018-19 had been levied primarily because the assessee had not made any response to the notices issued by the ld. AO. As the ld. CIT(A) had pointed out, the assessee was obliged to respond to the said notices even if it was not required to report any transactions. Since, the assessee had failed to file the SFT 001 and 002 within the specified time limits, the ld. AO was justified in the levy of penalty. With regard to the levy of penalty of 50,000/- under section 271FAA for the assessment year 2021-22, the ld. AR pointed out that when the various Pan India concerns having thousands of branches and having thousands of transactions could file the statement within the given time limits, there was no reason why the assessee which only 27 branches, could not file the statement on time. In any case, the assessee was obliged to ask for more time if it was not in a position to make compliance, but the assessee had not responded to the notices. It was only when the penalty notices had been issued that the assessee had hurriedly made compliance. The compliance, outside of the time limits as given under the notice under section 285 BA (4), could not be a justified reason to delete the penalty. Accordingly, he prayed that the penalty may kindly be confirmed.

10. We have duly considered the facts and circumstances of the case. With relation to the levy of penalty of Rs. 9,73,000/- under section 271FA for the A.Y. 2019-20, we note that the provisions of section 285BA(1) cast an obligation upon certain specified persons who are responsible for registry or maintaining books of

accounts or other documents containing a record of any specified financial transactions or any reportable account, as may be prescribed, to furnish a statement in respect of such specified financial transaction or such reportable account which is registered or recorded or maintained by him to the Income Tax authority. From the same it follows that the obligation to file a statement of specified financial transaction only arises where there is a specified financial transaction. If there is no specified financial transaction, then there is no corresponding obligation to file a statement of search. We note from the affidavit submitted by the General Manager, by way of additional evidence and in support of his consistent statements made before the lower authorities, that there were no specified transactions which would have obliged the assessee to report them under SFT 001 and 002. Therefore, there could not be any obligation upon the assessee to file SFT 001 and SFT 002 in the absence of any specified financial transactions pertaining to those codes. We are in complete agreement with the views expressed by the Coordinate Benches in the cases of M/s Guntur District Cooperative Central Bank Limited vs. DIT (I & CI) (supra) and Motor & General Finance Limited vs. ACIT, Circle-25(1), New Delhi (supra) that where there exists no financial transactions, the assessee would be under a bona fide belief that he is not required to file any statement of specified financial transactions. Accordingly, there can be no justification for the levy of penalty under section 271FA on account of the failure to file a statement of financial transactions, unless it can be shown that there were specified financial transactions that ought to have been reported. We accordingly delete the penalty of Rs. 9,73,000/- levied for the A.Y. 2019-20 under section 271FA. With regard to the penalty of Rs. 50,000/- under section 271FAA, we noticed that the ld. AO had issued a notice to the assessee to rectify the defects on 31.12.2021 and the Act prescribes that the same is to be rectified within a period of 30 days or within such period which, on an application made in this behalf. However, the said Income Tax Authorities may in their discretion allow a further period for the correction of such defect. Thus, the assessee could either rectify the defect before 31st of January or request additional time for the filing of

the corrected SFTs. However, it appears from the penalty and appeal orders, that the assessee did not file any such request before the ld. AO. Instead, he filed a delayed correction statement on 29.03.2022 and also on 2.08.2022, which was beyond the time allowed by the ld. AO. Since, the period for the correction of the defective statement is extendable by the ld. AO on the receipt of an application from the assessee in this behalf, though we are in agreement with the views of the ld. CIT(A) that in the absence of any application seeking extension of time, the failure to rectify the defective statements within the time period allowed constitutes a breach of the provisions, but considering that the assessee has rectified the defects to the satisfaction of the ld. AO shortly thereafter, i.e. on 29.03.2022 and again 2.08.2022 - i.e. before the levy of penalty under section 271FAA, we feel that even though the breach is there, it is a technical or venial breach of the nature that would be covered by the judgment of the Hon'ble Supreme Court in the case of Hindustan Steel Limited vs. State of Orissa (1972) 83 ITR 26 (SC) (supra) because the action of the filer in seeking to rectify the defective SFTs even before the issue of penalty notice, is indicative of its intention to make compliance to the notice issued by the Assessing Officer under section 285BA(4) and penalty ought not to be levied only on account of failure to file an application. The fact that other more well organized institution, may be able to respond to a notice under section 285BA(4) within the specified time frame, cannot be a ground to dismiss the arguments of the assessee that it was handicapped in making compliance within the due dates due to the need to collect the data from various branches, because this depends upon the working environment and level of computerization including banking solutions adopted by each institution. Therefore, observing that the failure to correct the defects within the due time limits was a technical breach and that the assessee has subsequently rectified the defective SFTs and we feel that the penalty levied under section 271FAA is not justified for such a technical breach of the provisions. Accordingly, we delete the same.

11. In the result, both appeals in ITA Nos. 78/LKW/ 2025 and 79/LKW/2025 of the assessee are allowed.

Order pronounced on 30.01.2026 under Rule 34(4) of the ITAT Rules, 1963.

Sd/-
[SUDHANSHU SRIVASTAVA]
JUDICIAL MEMBER

DATED: 30/01/2026

Copy forwarded to:

1. Appellant -
2. Respondent -
3. CIT DR , ITAT,
4. CIT,
5. The CIT(A)

Sd/-
[NIKHIL CHOUDHARY]
ACCOUNTANT MEMBER

By order
Sr. P.S.