

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH: CHENNAI

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष, एवं सुश्री पद्मवती यस, लेखक सदस्य के समक्ष  
BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND  
MS. PADMAVATHY.S, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.3133/Chny/2025  
निर्धारण वर्ष /Assessment Year: 2019-20

AA522 Kunnathur Velampalayam The Income Tax Officer,  
Primary Agricultural Co-operative Vs. Ward-1(2),  
Credit Society Ltd., Tirupur.  
Ganapathipalayam, Chinnampalayam  
Post, Kunnathur, Tiruppur – 638 103.  
PAN: AACAA 0772C

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by : Ms. A. Vijayalakshmi, C.A (virtual)  
प्रत्यर्थी की ओर से /Respondent by : Ms. R.Kavitha, Addl. CIT  
सुनवाई की तारीख/Date of Hearing : 22.01.2026  
घोषणा की तारीख /Date of Pronouncement : 03.02.2026

**आदेश / ORDER**

**PER PADMAVATHY.S, A.M:**

This appeal by the assessee is against the order of the Commissioner of Income Tax / National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 16.09.2025 for Assessment Year (AY) 2019-20. The grounds of appeal raised by the assessee are as under:

**:- 2 -:**

*“1. The order of the CIT(A)/NFAC dated 15.09.2025 is contrary to law, facts, and principles of natural justice.*

*2. The CIT(A) erred in confirming the penalty of Rs.50,000/- levied u/s 272A(1)(d) without properly appreciating that the appellant’s non-compliance was due to reasonable and bona fide cause, covered under the immunity provision of Section 273B of the Act.*

*3. The appellant being a Primary Agricultural Co-operative Credit Society operating in a rural area does not have a qualified accountant or income tax practitioner on staff. The failure to respond to e-proceeding notices was therefore neither intentional nor with any mala fide intent to disregard statutory obligations.*

*4. The CIT(A) failed to appreciate that upon identifying the lapse through the Tamil Nadu State Accounting and Taxation Services Co-operative Society, the appellant took immediate corrective steps to file the appeal and ensure future compliance.*

*5. The appellant craves leave to add, alter, amend, or withdraw any of the above grounds at the time of hearing.*

*6. The appellant prays that the Hon’ble Tribunal may be pleased to delete or suitably reduce the penalty levied u/s 272A(1)(d) by holding that the appellant was prevented by sufficient cause as envisaged under Section 273B.”*

2. The assessee is an agricultural credit cooperative society and did not file the return of income for the A.Y 2019-20. The A.O received information that the assessee has made cash deposit of Rs.2,10,89,677/- during the year under consideration and accordingly issued a notice u/s.148A(d) of the Act. Subsequently, the A.O passed a order u/s. 148A(b) and issued notice u/s. 148 of the Act reopening the assessment. The assessee in response to the notice u/s. 148 of the Act filed the return of income declaring Nil income. The A.O subsequently completed the assessment by determining the total income of the assessee at Rs. 16,634/- denying the deduction claimed u/s. 80P of the Act. The A.O initiated penalty proceedings u/s. 272A(1)(d) of the Act for the reason that the assessee did not respond to the notices issued. The A.O passed

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the penalty order levying a penalty of Rs.50,000/- (Rs.10,000/- for each of the default). Aggrieved, the assessee filed further appeal before the CIT(A). The CIT(A) did not accept the submissions of the assessee with regard to the reasonable cause for not responding to the notices and confirmed the penalty levied. The assessee is in appeal before the Tribunal against the order of the CIT(A).

3. We have heard the parties, and perused the material available on record. The assessee submitted an affidavit before us stating that:

*“3. That the society does not have an in-house qualified accountant or tax professional. The day-to-day affairs are managed by the Senior Clerk. The Society runs with in-charge Secretary. They are trained in co-operative administration but does not possess technical expertise in income-tax law or e-for e-proceedings.*

*4 That during the assessment proceedings for A.Y. 2019-20, notices under section 142(1) of the Income-tax Act, 1961 were issued through the e-proceedings portal.*

*5. That the society had engaged an external tax consultant for handling income-tax compliances. The society bona fide believed that the consultant would take necessary steps to respond to the notices issued by the Assessing Officer.*

*6. That due to failure and inaction on the part of the said consultant, the notices issued under section 142(1) were not responded to within time, without the knowledge or intention of the society to disregard statutory requirements.*

*7. That the non-compliance was neither deliberate nor willful, but occurred due to circumstances beyond the control of the assessee, namely:*

- i lack of technical expertise,*
- ii. complete dependence on the consultant, and*
- iii. absence of any internal tax compliance mechanism.*

*8. That immediately upon becoming aware of the lapse, the assessee took corrective steps by engaging the Tamil Nadu Accounting and*

**:- 4 -:**

*Taxation Services Co-operative Society, constituted specifically to assist in taxation matters.*

9. *That thereafter, the assessee has:*

- i. filed appeals within the statutory framework,*
- ii. responded to subsequent proceedings, and*
- iii. ensured proper representation before appellate authorities.*

*10 That the assessee has not derived any undue benefit from the alleged non-compliance. The assessment has already been completed and the penalty in question is purely technical in nature for non-compliance of notices.*

*11. That the assessee respectfully submits that the facts of the case clearly establish the existence of "reasonable cause within the meaning of section 273B of the Income-tax Act, 1961."*

4. While considering the issue of penalty under section 272A(1)(d) of the Act, it is relevant to look at the provisions of section 273B of the Act which contains provisions to state that the penalty cannot be imposed under certain circumstances. The provisions of Section 273B read as under –

***Penalty not to be imposed in certain cases.***

***273B. Notwithstanding anything contained in the provisions of clause (b) of sub-section (1) of section 271, section 271A, section 271AA, section 271B, section 271BA, section 271BB, section 271C, section 271CA, section 271D, section 271E, section 271F, section 271FA, section 271FAB, section 271FB, section 271G, section 271GA, section 271GB, section 271H, section 271I, section 271J, clause (c) or clause (d) of sub-section (1) or sub-section (2) of section 272A, sub-section (1) of section 272AA or section 272B or sub-section (1) or sub-section (1A) of section 272BB or sub-section (1) of section 272BBB or clause (b) of sub-section (1) or clause (b) or clause (c) of sub-section (2) of section 273, no penalty shall be imposed on the person or the assessee, as the case may be, for any failure referred to in the said provisions if he proves that there was reasonable cause for the said failure.***

5. From the plain reading of the above section it is clear that the penalty under section 272A(1)(d) cannot be levied if the assessee is able to prove that there was a reasonable clause for failure to respond to the notice under section

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142(1) of the Act. In the context of the penalty provisions including the provisions of Section 272A(1)(d), the word "reasonable cause" would mean a cause which prevents a reasonable man of ordinary prudence acting under normal circumstances, without negligence or inaction or lack of bona fide. In the light of the above legal position when we look at the assessee's reasons for non-compliance to the notice as stated in the affidavit herein above we are of the considered view that there is a reasonable cause. Therefore we are inclined to agree with the contention that there is no deliberate non-compliance to respond to the notice by the assessee. It is relevant here to quote the below observations of the Hon'ble Supreme Court in the case of Hindustan Steel Ltd. v. State of Orissa [(1972) 83 ITR 26 (SC)] –

*"Penalty is not to be imposed if there is no conscious breach of law. An order imposing penalty for failure to carry out a statutory obligation is the result of a quasi-criminal proceeding, and penalty will not ordinarily be imposed unless the party obliged, either acted deliberately in defiance of law or guilty of conduct, contumacious or dishonest, or acted in conscious disregard to its obligation. Penalty will not also be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances. Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bona fide belief that the offender is not liable to act in the manner prescribed by the statute"*

6. From the facts it is clear that there is no willful failure on the part of the assessee to respond to the notices we are of the view that the levy of penalty under section 272A(1)(d) for failure to respond to the notices by the assessee is not justified. Therefore we direct the AO to delete the penalty levied.

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7. Before parting we would like state that our decision in this appeal to delete the penalty is based on the facts unique to the assessee's case and cannot be used as precedence in any other case.
8. In result, the appeal of the assessee is allowed.

*Order pronounced on 03<sup>rd</sup> day of February, 2026 at Chennai.*

**Sd/-**  
**(जॉर्ज जॉर्ज के)**  
**(George George K)**  
**उपअध्यक्ष / Vice President**

**Sd/-**  
**(पदमव्रती यस)**  
**(Padmavathy.S)**  
**लेखा सदस्य /Accountant Member**

चेन्नई/Chennai, दिनांक/Dated: 03<sup>rd</sup> February, 2026.  
EDN, Sr. P.S

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF