

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'B' BENCH : BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT  
AND  
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

<b>ITA No. 2312/Bang/2025</b>
<b>Assessment Year : 2021-22</b>

Senior Sub-Registrar, Malleshwaram, Office of the Sr.Sub Registrar, No. 11 & 12, 1 <sup>st</sup> and 2 <sup>nd</sup> Main Road Palace Guttahalli, Malleshwaram, Bangalore North, Bangalore – 560 003. <b>PAN: BLRS32826D</b>	<b>Vs.</b>	The Joint / Additional Director of Income Tax (I & CI), Bangalore.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri Suresh Rao, CA
Revenue by	:	Shri Subramanian .S, JCIT-DR

Date of Hearing	:	12-02-2026
Date of Pronouncement	:	19-02-2026

**ORDER**

**PER SOUNDARARAJAN K., JUDICIAL MEMBER**

This is an appeal filed by the Appellant challenging the order of the NFAC, Delhi dated 31/08/2025 in respect of the A.Y. 2021-22 and raised the following grounds:

*“1) The order of the Ld CIT(A) NFAC Delhi is arbitrary, against the provisions of law, Principles of Natural Justice and contrary to the facts of the case and is therefore unsustainable.*

2) *The Ld CIT(A) erred in not condoning the delay in filing the appeal which was due to genuine and bona fide reasons against an arbitrary Penalty Order.*

3) *The Ld CIT(A) erred in dismissing the appeal in limine without adjudicating on the merits and without giving an opportunity to the Appellant to make submission on facts of the case.*

4) *The Ld CIT(A) erred in dismissing the appeal without considering that the Ld Jt./Addl.DIT(I&CI) Bangalore has erred in levying penalty u/s 271FAA of the I T Act, 1961 for the failure to furnish the correction Statement of Financial Transactions (SFT) without appreciating the facts and circumstances of the case.*

5) *The Ld CIT(A) erred in dismissing the appeal without considering that the Ld Jt/Addl DIT(I&CI) has erred in levying the penalty against the principle of Nature Justice and Equity without appreciating the various technical glitches/difficulties faced by the appellant in filing the said correction Statement of Financial Transaction and therefore the penalty order needs to be quashed.*

6) *The Ld CIT(A) erred in dismissing the appeal without considering that the Ld Jt/Addl.DIT(I&CI) Bangalore has erred in levying penalty u/s 271 FAA of the I T Act, 1961 without appreciating the fact that the appellant has got reasonable cause for the said failure of submitting the report within the specified date.*

7) *For these and such other grounds as may be advanced on or before the date of hearing. it is prayed that the order of CIT(A) confirming the penalty levied u/s 271FAA of the IT Act, 1961 be deleted and justice rendered.*

8) *The appellant craves leave to amend, alter or delete any of the grounds of appeal.”*

**2.** The brief facts of the case are that the appellant is a State Government authority in the registration department. The IT Act mandates that the registering authorities should file the details of the registration of properties having a value of more than Rs. 30 Lakhs to the Income Tax department by filing a statement of financial transaction in form 61A. The appellant is a specified reporting entity u/s. 285BA and registered with the IT department for furnishing the statement of financial transaction. The appellant for the period 2020-21 (Assessment Year 2021-22), had to file the

form 61A on or before 30/06/2021. The appellant filed the said form on 26/07/2021 and the said statement was treated as defective and the Joint / Additional Director of Income Tax issued a notice u/s. 285BA(4) of the Act on 09/03/2022. The appellant could not generate the DQR (Data Quality Report) due to some technical glitches in its system and therefore the corrected statement could not be filed within the time granted. Another notice dated 13/02/2024 was issued and one more notice was issued on 31/01/2025. Thereafter the appellant received a show cause notice dated 14/02/2025. The appellant could not get the required data within the above said date and therefore no reply has been filed to the show cause notice also. Therefore the appellant had sent a letter to the Additional / Joint Director of Income Tax explaining the various problems faced by them in uploading the correction statement and requested for granting additional time for filing the same. Again another letter was sent by the appellant on 27/02/2025. The authorities had acknowledged the receipt of the letter dated 25/02/2025 and granted 10 days time for filing the correction statement. The Joint / Additional Director of Income Tax without considering the various problems faced by the appellant, and without granting sufficient time to file the correction statement had imposed a penalty of Rs. 50,000/- u/s. 271FAA of the Act on 14/03/2025. The appellant challenged the said penalty order before the Ld.CIT(A) with a delay of 102 days. Supporting affidavits were also filed in which the appellant had explained the reasons for the said delay and also filed an affidavit of the authorised representative and prayed to condone the said delay. The appellant also raised several grounds and submitted that the non-submission of the correction statement was neither willful nor wanton and prayed to allow the appeal. The Ld.CIT(A) had observed that the reasons given by the appellant to condone the said delay is without any supporting details and therefore rejected the said delay condonation application and dismissed the appeal as not admitted.

**3.** As against the said order, the present appeal has been filed before this Tribunal.

**4.** At the time of hearing, the Ld.AR submitted that the appellant being a Government of Karnataka organisation, is not having sufficient staff to carry out all the works and the temporary staff appointed in the office had committed several mistakes and therefore submitted that the non-filing of the correction statement in form no. 61A is not intentional. The Ld.AR also submitted two paper books and also enclosed the written submissions and other documents and prayed that the penalty is not warranted.

**5.** The Ld.DR submitted that the appellant being a statutory authority, ought to have furnished the details of the registration done by them in respect of the immovable properties whose value exceeds Rs. 30 Lakhs otherwise the department would not get the tax payments from the public while computing the capital gains and therefore the penalty being a small quantity, the same need not be considered and prayed to dismiss the appeal of the appellant.

**6.** We have heard the arguments of both sides and perused the materials available on record.

**7.** In the paper book, the appellant had filed copies of the notices issued by the authorities for the purpose of furnishing the statement of financial transactions related to the purchase and sale of immovable properties in form no. 61A of the Act. We have also considered the fact that the appellant had not filed the correction statement even after the receipt of the notices by the authorities. The appellant in one of the letter dated 21/02/2025 and another letter dated 25/02/2025 had expressed the difficulties faced by the appellant to furnish the correction statement by rectifying the defects in the form 61A of the Act. The appellant informed the authorities that they had experienced various problems and therefore without furnishing sufficient time, the correction statement would not be filed. In spite of that, the authority had imposed the penalty u/s. 271FAA of the Act. The appellant had filed the appeal before the Ld.CIT(A) with a delay of 102 days and also filed an application to condone the said delay. The appellant also filed the supporting affidavit from the authorised representative, and prayed to

condone the said delay. The Ld.CIT(A) without considering the said facts had rejected the appeal by not condoning the said delay. We do not think that the appellant is entitled for such an order for a delay of 102 days.

**8.** Admittedly, the appellant is a State Government organisation doing the registration of various documents including the sales and purchase of immovable properties. In order to curb the tax evasion, the Government of India thought to impose some conditions on the registering authorities to furnish the details of the purchases and sales if the value exceeds Rs. 30 Lakhs to the Income Tax department by filing a statement in form 61A of the Act. The appellant also filed the form 61A but with a delay of one month and the department after considering the said form, found out various mistakes and therefore sought for the correction statement. The said correction statement should be filed through the portal of the department and the deponent being the new incumbent had no knowledge about the earlier statement filed in form 61A and therefore he has to collect the details and thereafter only, file the correction statement as requested by the authorities.

**9.** The appellant in the written submissions, had narrated the various problems faced by them while trying to upload a statement of financial statements or correction statements of the same which are extracted for easy reference:

*“a. In the SROs office, the data of the sale documents for registration will be entered in a book called "Index II Register" which is often recorded in local language, i.e. Kannada. For uploading SFTs in Form 61A, the information should be translated to English and data should be in Excel format. Further all the data required to be uploaded will not be available in the "Index II Register". Usually, the clerical staff or the persons hired on temporary basis (daily wage basis) will enter the data required for uploading SFT in Excel format. In general, these persons will have only basic education and do not possess expertise that can assimilate knowledge relating to income tax and other subjects. In such circumstances, it is natural that they commit lot of mistakes/typographical errors in doing the data entry like typing PAN/ name/ father name wrongly, not entering the full/perfect address,*

*typing wrong date of birth, wrong telephone number & e-mail IDs, not entering proper gender etc. These mistakes will make the report as defective and the concerned staff will not know the nature/identify of the error or the exact reasons for the defects.*

*b. Once the required data is ready in Excel format, it has to be validated and converted to XML format, offline in Reporting Portal Utility. Afterwards, this XML file has to be converted to TAR file and then it has to be uploaded in Reporting Portal online. Once the report is uploaded, the receipt is generated. To know about the defects in the Report, DQR (Data Quality Report) has to be generated and to be verified. Normally, the DQR will be generated only after 48 hours of uploading the report. As already submitted, the staff engaged in this process lack technical expertise. Once the data is uploaded and receipt is generated, they assume that the work is over. The concerned person will not know that DQR has to be generated to know about the defects, if any. Hence, filing of Correction Statement will not happen within the stipulated time frame.*

*c. Every Reporting Entity will have unique ITDREIN no. (Income Tax Department Reporting Entity Index Number), which enables Reporting Entity to file the SFTs. Usually, the person posted as Sub-Registrar/Sr.Sub-Registrar to any Sub-Registrar's Office will be the Principal Officer as well as Designated Director for the purpose of using the ITDREIN no. of that particular SRO office and it will be activated in his/her name only. If this is not activated, then the SRO cannot upload the Original statement or Correction statement. The post of Sub-Registrar is a transferrable job and it is common scenario in state government that there will be frequent transfers in these posts. When a particular officer is transferred out, the incumbent has to change the Principal Officer/Designated Director in Reporting Portal to his name and accordingly activate the ITDREIN number in his name. For this. OTP will be sent to the previous officer's mail/phone number or to the mail/number of some other person registered earlier, which the present officer/staff are not usually aware. Without knowing all these procedures, the SRO office staff tries to activate ITDREIN and upload the data or tries to file Correction Statement in the Reporting Portal, which will not happen. And the user will not know the exact reasons for not getting the data uploaded.*

*d. Usually existing SRO's user ID and password would be linked to the TAN in the Reporting Portal. This TAN will be*

*linked to the personal PAN of the existing SRO in e-Filing portal. When the existing SRO is transferred out and new SRO is posted, the incumbent SRO has to ensure that the user ID and password are changed to enable to log in into the Reporting portal. Without knowing the proper procedure for change of this link, the SROs cannot upload the original SFTs/ file correction statement in the Reporting Portal. Lack of technical knowledge will be the main hurdle for getting the ITDREIN activated and SFTs/Correction statement uploaded in time. Hence, there will be problem for the incumbent SRO for getting the Reporting Portal opened for the purpose of uploading the SFTs.*

*e. For uploading the SFTs, DSC tokens are usually used. This DSC token should be of the Type 2 or Type 3 to enable for uploading the SFTs.*

*Without knowing this, the persons in SRO office will use Type1 token for uploading the signature, and uploading will not happen. Hence, the SFTs/correction statements will not be uploaded within the scheduled time.*

*f. The DQR generated will show the various types of defects found in the uploaded SFT. Out of these errors, most common error is "Invalid PAN". To avoid these errors, the PAN entered in the SFT should be a valid/genuine one. For this, while entering reports in the SFT, the user should do the process of "PAN Validation". There are lot of Problems faced in PAN validation. While getting the registration done, PAN will be mentioned as per the copy of the PAN card or as per the information provided in the sale deed. There is no mechanism for PAN validation at the stage of writing the "Index II Register" or at the stage of data entry as it is time consuming work and the officials cannot afford to do that due to time constraints and work pressure, as there will be busy attending to the public work. With the data available, they try to upload the SFT and later on, if any PAN is not a valid one, the DQR throws errors in the report.*

*g. If user wants to have PAN validation at the data entry level, then, they have to subscribe for the PAN validation facility provided by NSDL at a huge cost, which, SRO office cannot afford to pay. Or else, they have to go for free validation facility at the time of uploading SFT. If the user choses for PAN validation at the time of uploading SFT, it is a time consuming process and may not happen within reasonable time due to technical problems like connectivity, network problems etc.. In such situation, the*

*user tries to avoid PAN validation process and tries to upload the SFT. And later, the DQR shows the error "Invalid PAN" as the PAN mentioned by the parties of sale transaction may not be always valid/correct.*

*Hon'ble During the process of uploading SFT, the user will have to convert it to XML format and then to TAR file. Up to the stage of generation of TAR file, we are working in offline and then, the user have to upload this TAR file to Reporting Portal through online. Appx. after 48 hours, DQRs (Data Quality Report) will be available in the Reporting Portal. The data which was error free up to the stage of uploading, will end up with many errors, when we look at the DQRs generated subsequently after 48 hours. The most common errors reported in the DQR will be like*

- i. Inconsistent Aggregated Transaction Amount-Seller*
- ii. Inconsistent Aggregated Transaction Amount-buyer*
- iii. Blank Fathers Name for individual without PAN*
- iv. Failed identification number for no PAN case*
- v. Failed seller/Transferor Transaction Relation*
- vi. No buyer/Transferee*
- vii. Failed seller/Transferor Transaction relation*

*At the stage of data uploading, the Reporting Entity will not be knowing the exact reason for the errors. That is why, filing of Correction Statement is difficult within the stipulated time.*

*i. Problems faced in collecting data to file Correction Statement: After coming to know about the errors through DQRs, the user has to get the correct data from the physical documents as well as data available in the Kaveri Portal. Factors like lack of knowledge about the exact data to be rectified and to be corrected, busy schedule in the office, shortage of staff, non-availability of the particular documents readily, time constraints etc. will cause hindrance in getting the required data aid filing of Correction Statement within the specified time."*

**10.** The appellant narrated the above said various problems in uploading the submissions in the reporting portal. The appellant being a Government organisation, the various problems extracted as above could not be denied in total. Even though there are several defects for which grievances were raised by the appellant, it seems that the authorities had not assisted the appellant to file the statements. With all the difficulties, the appellant has finally filed the correction statement with Nil defects on 11/01/2026. Therefore we cannot attribute any malafide intention on the part of the State

Government organisation in not filing the Data Quality Report rectifying the defects mentioned by the authorities.

**11.** Even though the present appeal has been filed by the appellant challenging the rejection order of the Ld.CIT(A), in which the delay has not been condoned, we have decided the appeal on merits since the facts are very clear and the law is also very clear. Further, the appellant demonstrated before us that the penalty, being in the nature of quasi criminal liability could not be imposed on the Government organisation. We are also convinced that the appellant had genuine grievances in not filing the said correction statement as requested by the authorities, in time. We have also gone through the section 271FAA and in sub-clause (1), the Statute had granted the discretionary powers to the authorities to impose penalty under the provision and therefore used the word “may”. Considering the entire facts of the case as well as the provisions under the Act, we deem it fit that the appellant needs some leniency in this matter and therefore we hereby allow the appeal filed by the appellant by setting aside the order imposing the penalty u/s. 271FAA of the Act.

**12.** In the result, the appeal filed by the appellant is allowed.

Order pronounced in the open court on 19<sup>th</sup> February, 2026.

Sd/-  
(PRASHANT MAHARISHI)  
Vice – President

Sd/-  
(SOUNDARARAJAN K.)  
Judicial Member

Bangalore,  
Dated, the 19<sup>th</sup> February, 2026.  
/MS /

Copy to:

1. Appellant
2. Respondent
3. CIT
4. DR, ITAT, Bangalore
5. Guard file
6. CIT(A)

By order

Assistant Registrar,  
ITAT, Bangalore