

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"C" BENCH, AHMEDABAD**

**DR. B.R.R. KUMAR, HON'BLE VICE PRESIDENT  
SHRI RAHUL CHAUDHARY, JUDICIAL MEMBER**

**ITA Nos.1338/AHD/2026  
(Assessment Year:2017-2018)**

**State Bank of India**

Bopal Branch (05084)  
Ground Floor Neworkdarshancom,  
Bopal Main Bazar, Bopal,  
Ahmedabad-380058  
[PAN:AAACS8577K] / [TAN:AHMS11524C]

..... **Appellant**

**The Income Tax Officer,  
TDS Circle (TDS), Ahmedabad,**

Navjeevan Trust Building,  
Navrangpura, Ashram Road,  
Ahmedabad-380014, Gujarat

Vs

..... **Respondent**

**ITA Nos.1339/AHD/2026  
(Assessment Year:2017-2018)**

**State Bank of India**

Bopal Branch (05084),  
Ground Floor Neworkdarshancom,  
Bopal Main Bazar, Bopal,  
Ahmedabad-380058  
[PAN:AAACS8577K] / [TAN:AHMS11524C]

..... **Appellant**

**The Joint Commissioner of Income Tax,  
TDS ADDL/JT CIT TDS, Ahmedabad**

Navjeevan Trust Building,  
Navrangpura, Ashram Road,  
Ahmedabad-380014, Gujarat

Vs

..... **Respondent**

**ITA Nos.1392/AHD/2026  
(Assessment Year:2016-2017)**

**State Bank of India,**

State Bank of India, RBO IV, Nadiad Shivalik  
Complex, NRRL Crossing Petlad Road,  
Nadiad-387001  
[PAN:AAACS8577K] / [TAN:BRDS08514C]

..... **Appellant**

**The Income Tax Officer,  
TDS Circle (TDS), Ahmedabad**

S.P. Complex, Anand, Income Tax Officer,  
Beside C.K. Hall, Mayfair Road Anand, Anand,  
Gujarat-388001, Anand

Vs

..... **Respondent**

**ITA Nos.1498/AHD/2026**  
**(Assessment Year:2017-2018)**

**State Bank of India Bavla Branch,**

Bavla Branch, Shreeji Bhuvan,

Nr. Post Office Bazar, Bavla,

Ahmedabad-382220

[PAN:AAACS8577K] / [TAN:AHMS04263A] ..... **Appellant**

**The Income Tax Officer,**

**Ward-3, TDS, Ahmedabad**

Navjeevan Trust Building,

Navrangpura, Ashram Road,

Ahmedabad-380014, Gujarat

Vs

..... **Respondent**

**Appearance**

For the Appellant/Assessee

: Shri Dinesh Nair, AR

For the Respondent/Department

: Shri Ravindra, Sr. DR

**Date**

Conclusion of hearing

: 08.06.2026

Pronouncement of order

: 12.06.2026

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**ORDER**

**Per Bench:**

1. This is a batch of four appeals preferred by the same Assessee. Since the appeals involved identical/connected issues the same were heard together and are, therefore, being disposed of by way of common order.

**ITA No. 1338/AHD/2026**

2. We would first take up ITA No. 1338/AHD/2026 preferred by the Assessee against the Order dated 09/03/2026 passed by the Commissioner of Income Tax (Appeal)-ADDL/JCIT(A)-2, Siliguri [hereinafter referred to as the '**CIT(A)**'] whereby Learned CIT(A) had dismissed the appeal against the Order, dated 21/03/2024 passed under Section 201(1)/201(1A) of the Income Tax Act, 1961 [hereinafter referred to as '**the Act**'] for the Assessment Year 2017-2018.

3. The Assessee has raised following grounds in the above appeal:

1. *The Learned Commissioner of Income-tax (Appeals) ("CIT(A)") erred in confirming the order of the Assessing Officer ("Assessing*

*Officer") holding the appellant to be an Assessee in default for failing to deduct tax at source under section 192 of the Income-tax Act, 1961 [the Act).*

- 2. The CIT(A) erred in not appreciating that the Appellant had issued e-Circular no. CDO/P&HRD-PM/7/2014-15 dated 15% April 2014 stating that the employees shall not be entitled to visit overseas countries/ centers as part of leave travel concession ("LTC") which Circular was challenged by the All India State Bank Officers Federation & Ors. before the Madras High Court by way of a writ petition (WP No. 11991 of 2014) and that the Madras High Court had vide its order dated 25 April 2014 granted interim stay of the Circular.*
- 3. The CIT(A) further erred in not appreciating that tax was not deducted at source by the Appellant on the LTC paid to its employees during the year under consideration in view of the specific interim directions issued by the Hon'ble Madras High Court in its order dated 16 February 2015 by which the Court held that the LTC paid or reimbursed would not amount to income and that no tax was to be deducted thereon. The CIT(A) ought to have appreciated that if the LIC was not to be treated as income of the employees as per the order of the Hon'ble Mudras High Court, the same even otherwise would not require withholding of tax under section 192 of the Act.*
- 4. The CIT(A) further erred in not appreciating that the Madras High Court vide its said order dated 16 February 2015 having directed the Appellant not to deduct at source on LTC had further stated that if the writ petition challenging the Circular was dismissed, the employees would be liable to pay tax on the LTC amount paid by the Appellant and, therefore, the CIT(A) ought to have quashed the order of the Assessing Officer holding the Appellant to be an Assessee in default.*
- 5. The CIT(A) erred in not quashing the order of the Assessing Officer holding the Appellant to be an assessed in default for the reason that the Appellant, even if it wanted to, could not have deducted tax at source on LTC paid during the year under consideration. In view of the orders of the Hon'ble Madras High Court till the time they were in force as acting contrary to the orders of the Hon'ble Court would have amounted to contempt of Court.*
- 6. The CIT(A) erred in not following the judgment of the Hon'ble Kerala High Court in State Bank of India v. CIT (ITA no. 45 of 2025) where the Hon'ble Court after considering the above set of facts held that the Appellant was justified in not deducting tax at source in view of the interim directions issued by the Madras High Court asking the Appellant not to deduct tax at source.*
- 7. The CIT(A) erred in observing that the legal obligation to deduct tax was reinstated once the interim order passed by the Hon'ble Mudras High Court was vacated without appreciating that the order of the Single Judge of the Hon'ble Madras High Court was challenged*

*before the Division bench and later the Division bench's order before the Hon'ble Supreme Court and that the Hon'ble Supreme Court in SLP(C) No. 16734 of 2023 has ordered the Appellant bank from not making any recoveries from its employees during the pendency of the petition.*

8. *Without prejudice to above grounds, the CIT(A) erred in not holding that the Appellant could not have been deemed to be an Assessee in default under section 201(1) of the Act if the employee had furnished the return of income, taken into account such sum for computing Income and paid the tax due on income declared by the employee."*
4. The relevant facts in brief are that Assessee is a banking branch of State Bank of India (SBI) which is engaged in the banking business. The employees of the Assessee are entitled to receive reimbursement for Leave Fare Concession (LFC) under the State Bank of India Officers' Service Rules, 1992.
5. The Hon'ble Supreme Court, had, vide Order dated 04/11/2022 passed in Civil Appeal No. 8181 of 2022, held that once an employee undertakes travel involving a foreign leg, such travel cannot be regarded as travel within India and, therefore, does not fall within the ambit of Section 10(5) of the Act. It was held that it was incumbent upon the employer to apply their mind and discharge their statutory obligation under Section 192(1) of the Act by deducting tax at source.
6. In view of the above judgment of the Hon'ble Apex Court, proceedings were initiated in the case of the Assessee under Section 201(1)/(1A) of the Act. The Assessing Officer issued notice to the Assessee seeking details of LFC payments made by the Assessee during the relevant period. Further, the Assessee was asked to show-cause why the Assessee should not be treated as an 'Assessee in Default' for non-deduction of tax at source from LFC payments (involving foreign travel) to its employees. In response, the Assessee filed replies/submissions. After considering the same, the Assessing Officer proceeded to pass Order, dated 21/03/2024, under Section 201(1)/(1A) of the Act treating the Assessee as an 'Assessee in Default' for non-deduction of tax at source from payments of LFC of INR.3,55,197/- to its employee and raising a demand of

INR.2,08,856/- (INR.1,06,559 + INR.1,02,297/-) on the Assessee under Section 201/201A of the Act.

7. The appeal preferred by the Assessee challenging the above order passed by the Assessing Officer was dismissed by the Learned CIT(A) vide Order, dated 09/03/2026.
8. Being aggrieved, the Assessee has preferred the present appeal on the grounds reproduced in paragraph 3 above.
9. We have heard both the sides and have perused the material available on record.
10. During the course of hearing, both the sides agreed that the issue raised by the Assessee in the present appeal stands decided in favour of the Assessee by the decision of Coordinate Bench of the Tribunal. In the case of **State Bank of India, Bhavnagar Vs. ITO (Assessment Year 2016-2017; ITA Nos.453 & 454/AHD/2026; dated 26/03/2026)**, the Ahmedabad Bench of the Tribunal deleted the demand raised under Section 201/201(1A) of the Act in the identical facts and circumstances holding as under:

*"...11. We have heard the rival contentions and perused the material available on record.*

*12. At the outset, we note that the issue on merits regarding allowability of exemption under section 10(5) of the Act in cases where the journey involves a foreign leg now stands concluded against the Assessee by the judgment of the Hon'ble Supreme Court dated 04.11.2022. There is no dispute on this legal position and the same is duly acknowledged. However, the limited controversy before us is whether, in the peculiar facts of the present case, the Assessee can be treated as an "Assessee in default" under section 201(1) of the Act for non-deduction of tax at source during the relevant period.*

*13. The contention of the Assessee has consistently been that during the year under consideration, it was bound by the interim orders passed by the Hon'ble Madras High Court in W.P. No.11991 of 2014, wherein vide order dated 16.02.2015 it was specifically clarified that the LFC payments would not amount to income so as to enable*

*deduction of tax at source and further that if the writ petition was ultimately dismissed, the employees would be liable to pay tax. The Assessee has submitted that in view of such binding judicial directions, it could not have deducted tax at source and any such deduction would have amounted to disobedience of the order of the Hon'ble High Court.*

14. *We find considerable merit in the aforesaid contention of the Assessee. The interim directions of the Hon'ble Madras High Court were in force during the relevant previous year and the Assessee, being a party to the proceedings, was duty bound to comply with the same. The obligation under section 192 of the Act to deduct tax at source cannot be read in isolation and must yield to binding judicial orders. Therefore, the failure to deduct tax in such circumstances cannot be equated with a default contemplated under section 201(1) of the Act.*

15. *We further find that an identical issue has been considered by the Co-ordinate Bench of the Tribunal in the case of **State Bank of India in ITA No.514/Agr/2024**, wherein after considering the decision of the Hon'ble Supreme Court as well as the interim orders of the Hon'ble Madras High Court, ITAT held that the Assessee bank could not be treated as an Assessee in default since it was bound to follow the interim directions of the Hon'ble High Court. The Tribunal categorically observed that the Assessee had no option but to comply with the orders of the Hon'ble High Court and non-deduction of tax in such circumstances could not invite the rigours of section 201(1) and 201(1A) of the Act.*

16. *More importantly, the **Hon'ble Kerala High Court in ITA No.45 of 2025** (order dated 18<sup>th</sup> November 2025) has examined this issue in detail and has held in favour of the Assessee. The relevant findings of the Hon'ble High Court, which have a direct bearing on the issue before us, are reproduced below for ready reference:*

*"The interim order granted by this Court is explained to the effect that any amount paid to the petitioner towards LTC or re-imburement of LTC pursuant to the impugned order would not amount to income so as to enable the Bank to deduct tax at source. It is made clear that if the writ petition is dismissed, the employees are liable to pay tax on the amount paid by Bank."*

*"It is only when the appellant-Assessee, after having a liability to deduct tax, fails to do so, the question of invoking Section 201 of the Act and treating it as an 'Assessee in default' arises. Here, the Madras High Court found, prima facie, that the amount paid would not be the income of a payee so as to deduct tax. Therefore, we are of the opinion that the provisions of Section 201(1) of the Act are not attracted to the case at hand."*

*"The appellant-Assessee was under an obligation not to deduct tax at source and therefore, the Assessee could not be held to be Assessee in-default for non-deduction of tax at source on impugned LFC payments."*

17. *The Hon'ble High Court has thus clearly held that where the Assessee was restrained by judicial orders from deducting tax at source, the provisions of section 201 of the Act cannot be invoked and the Assessee cannot be treated as an Assessee in default.*
18. *In the present case also, the facts are materially identical. The Assessee was operating under the binding interim directions of the Hon'ble Madras High Court during the relevant period and therefore could not have deducted tax at source. The subsequent decision of the Hon'ble Supreme Court, though settling the issue on merits, cannot retrospectively fasten liability under section 201(1) of the Act for a period during which the Assessee was acting in compliance with judicial orders.*
19. *We also find force in the argument of the Assessee that the scheme of section 201 of the Act itself contemplates that a person can be treated as an Assessee in default only when there is a failure to deduct tax in spite of a legal obligation to do so. In the present case, such legal obligation stood eclipsed by the interim directions of the Hon'ble High Court.*
20. *In view of the above discussion, respectfully following the decision of the Hon'ble Kerala High Court in ITA No.45 of 2025 and the decision of the Co-ordinate Bench in ITA No.514/Agr/2024, we hold that the Assessee cannot be treated as an Assessee in default under section 201(1) of the Act for the impugned period. Consequently, the interest charged under section 201(1A) also does not survive.*
21. *Accordingly, we direct the Assessing Officer to delete the demand raised under section 201(1) and 201(1A) of the Act..."*

11. There is no change in factual matrix or the legal position. Therefore,

respectfully following the above decision of the Tribunal we hold that the Assessee cannot be treated as 'Assessee in Default' for non-deduction tax at source from the payments made towards LFC. As a result, the demand of INR.2,08,856/- (INR.1,06,559/- + INR.1,02,297/-) raised upon the Assessee by way of Order, dated 21/03/2024, passed under Section 201(1)/(1A) of the Act is deleted. Thus, Ground No. 1 to 7 raised by the Assessee are allowed and Ground No. 8 raised by the Assessee, raising the alternative contention, is dismissed.

12. In terms of above, the appeal of the Assessee [**ITA No. 1338/AHD/2026**] for Assessment Year 2017-2018 is allowed.

**ITA No. 1339/AHD/2026**

13. Now we would take up ITA No. 1339/AHD/2026 preferred by the Assessee against the Order, dated 24/03/2026, passed by the National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as the '**CIT(Appeal)**'] whereby Learned CIT(Appeal) had dismissed the appeal against the Penalty Order, dated 10/01/2025 passed under Section 271C read with Section 201(1) of the Act for the Assessment Year 2017-2018.

14. The Assessee has raised following grounds of appeal:

1. *"On the facts and in the circumstances of the case and in law, the learned CIT(A) erred in confirming the penalty levied under section 271C of the Income-tax Act, 1961.*
2. *The learned CIT(A) failed to appreciate that the Appellant had acted under and in compliance with the interim directions of the Hon'ble Madras High Court dated 16 February' 2015 directing that no tax be deducted at source on LTC paid / reimbursed to employees, and therefore the alleged failure, if any, was fully supported by reasonable cause within the meaning of section 273B,*
3. *The learned CIT(A) ought to have held that where the Appellant acted in obedience to a subsisting order of a Constitutional Court, no penalty under section 271C could be levied, since such conduct can never amount to wilful neglect, contumacious default, or deliberate defiance of law.*
4. *The learned CIT(A) failed to appreciate that deduction of tax in breach of the interim directions of the Hon'ble Madras High Court would itself*

*have amounted to disobedience of the Court's order and could have exposed the Appellant to contempt proceedings; hence, the Appellant had more than sufficient and reasonable cause for not deducting tax.*

5. *The learned CIT(A) failed to appreciate that the Hon'ble Madras High Court had also clarified that, in the event the writ petition failed, the tax liability would fall upon the employees, thereby reinforcing that the Appellant's conduct was under judicial sanction and devoid of any revenue-evasive intent.*
  6. *The learned CIT(A) erred in not appreciating that the issue was, in any event debatable and legally contentious, and therefore penalty under section 271C, being penal in nature, was wholly unsustainable.*
  7. *The learned CIT(A) erred in not following / appreciating the ration of the judgment of the Hon'ble Kerala High Court in State Bank of India v. CIT (ITA No. 45 of 2025), wherein, on similar facts, the Appellant's action in not deducting tax at source pursuant to the Madras High Court's interim directions was held to be justified.*
  8. *The learned CIT(A) failed to appreciate that section 271C is subject to section 273B and that once reasonable cause is established, no penalty can survive"*
15. Since we have deleted the demand raised by the Assessee vide Order, dated 21/03/2024, the consequential levy of penalty under Section 271C read with Section 201(1) of the Act cannot be sustained. Therefore, the penalty of INR.1,06,560/- levied on the Assessee under Section 271C of the Act is hereby deleted. In terms of aforesaid, all the grounds raised by the Assessee are allowed.
16. In the result, the appeal of the Assessee [**ITA No. 1339/AHD/2026**] for Assessment Year 2017-2018 is allowed.

**ITA No. 1392/Ahd/2026**

17. Now we would take up ITA No. 1392/AHD/2026 preferred by the Assessee against the Order dated 31/11/2025 passed by the Commissioner of Income Tax (Appeal)-ADDL/JCIT(A)-3, Hyderabad [hereinafter referred to as the '**CIT(A)**'] whereby Learned CIT(A) had dismissed the appeal against the Order, dated 31/03/2023 passed under Section 201(1)/201(1A) of the Act, for the Assessment Year 2016-2017.
18. The Assessee has raised the following grounds of appeal:

1. *"The Learned Commissioner of Income-tax (Appeals) ("CIT(A)") erred in confirming the order of the Assessing Officer ("AO") holding the appellant to be an assessee in default for failing to deduct tax at source under section 192 of the Income-tax Act, 1961 (the Act)*
2. *The CIT(A) erred in not appreciating that the Appellant had issued e-Circular no CDO/P&HRD-PM/7/2014-15 dated 15th April 2014 stating that the employees shall not be entitled to visit overseas countries/centers as part of leave travel concession ("LTC") which Circular was challenged by the All India State Bank Officers Federation & Ors before the Madras High Court by way of a writ petition (WP no. 11991 of 2014) and that the Madras High Court had vide its order dated 25th April 2014 granted interim stay of the Circular.*
3. *The CIT(A) further erred in not appreciating that tax was not deducted at source by the Appellant on the LTC paid to its employees during the year under consideration in view of the specific interim directions issued by the Hon'ble Madras High Court in its order dated 16th February 2015 by which the Court held that the LTC paid or reimbursed would not amount to income and that no tax was to be deducted thereon. The CIT(A) ought to have appreciated that if the LTC was not to be treated as income of the employees as per the order of the Hon'ble Madras High Court, the same even otherwise would not require withholding of tax under section 192 of the Act.*
4. *The CIT(A) further erred in not appreciating that the Madras High Court vide its said order dated 16th February 2015 having directed the Appellant not to deduct at source on LTC had further stated that if the writ petition challenging the Circular was dismissed, the employees would be liable to pay tax on the LTC amount paid by the Appellant and, therefore, the CIT(A) ought to have quashed the order of the AO holding the Appellant to be an assessee in default.*
5. *The CIT(A) erred in not quashing the order of the AO holding the Appellant to be an assessee in default for the reason that the Appellant, even if it wanted to, could not have deducted tax at source on LTC paid during the year under consideration in view of the orders of the Hon'ble Madras High Court till the time they were in force as acting contrary to the orders of the Hon'ble Court would have amounted to contempt of Court.*
6. *The CIT(A) erred in not following the judgment of the Hon'ble Kerala High Court in State Bank of India v. CIT (ITA no. 45 of 2025) where the Hon'ble Court after considering the above set of facts held that the Appellant was justified in not deducting tax at source in view of the interim directions issued by the Madras High Court asking the Appellant not to deduct tax at source.*
7. *The CIT(A) erred in observing that the legal obligation to deduct tax was reinstated once the interim order passed by the Hon'ble Madras High Court was vacated without appreciating that the order of the Single Judge of the Hon'ble Madras High Court was challenged before the Division bench and later the Division bench's order before the Hon'ble Supreme Court and that the Hon'ble Supreme Court in SLP(C)*

*no. 16734 of 2023 has ordered the Appellant bank from not making any recoveries from its employees during the pendency of the petition.*

8. *Without prejudice to above grounds, the CIT(A) erred in not holding that the Appellant could not have been deemed to be an assessee in default under section 201(1) of the Act if the employee had furnished the return of income, taken into account such sum for computing income and paid the tax due on income declared by the employee.*

*The appellant craves leave to add, amend, alter or delete and/or modify the above grounds of appeal before or during the course of hearing."*

19. On perusal of application seeking condonation of delay we find that the delay of 83 days in filing of the present appeal had occurred on account of change in official handling the Income Tax litigation and delay in transfer/handing over of the charge and the relevant files. On account of the aforesaid change/transfer, changes were also required to be made in the digital signatures renewal/mapping/authorization which also consumed some time. We have no reason to disbelief the aforesaid explanation offered by the Assessee. We are of the view that the Assessee was prevented by sufficient cause in filing the present appeal before the Tribunal within the specified time. Accordingly, accepting the explanation offered by the Assessee as bonafide, we condone the delay of 83 days in filing the present appeal and proceed to adjudicate the issues raised by the Assessee on merit.
20. During the course of hearing both sides had agreed that the grounds raised in the present appeal are identical to grounds raised in ITA No. 1338/AHD/2026. Since there is parity in facts, our finding and adjudication in the ITA No. 1338/AHD/2026 shall also apply to the present appeal. Accordingly, we proceed to adjudicate the ground raised in the present appeal adopting the reasoning given while adjudicating corresponding grounds raised in ITA No. 1338/AHD/2026. Therefore, in view of Paragraph 4 to 12 above, we hold that the Assessee cannot be treated as 'Assessee in Default' for non-deduction tax at source from the payments made towards LFC. As a result, the demand of INR.2,09,466/- (INR.1,12,014/- + INR.97,452/-) raised upon the Assessee by way of Order, dated 31/03/2023, passed under

Section 201(1)/(1A) of the Act is deleted. Thus, Ground No. 1 to 7 raised by the Assessee are allowed and Ground No. 8 raised by the Assessee, raising the alternative contention, is dismissed. Hence, the appeal preferred by the Assessee is allowed.

21. In the result, the appeal of the Assessee [**ITA No. 1392/AHD/2026**] for Assessment Year 2016-2017 is allowed.

**ITA No. 1498/Ahd/2026**

22. Now we would take up ITA No. 1498/AHD/2026 preferred by the Assessee against the Order dated 27/02/2026 passed by the Commissioner of Income Tax (Appeal)-ADDL/JCIT(A)-2, Siliguri [hereinafter referred to as the '**CIT(A)**'] whereby Learned CIT(A) had dismissed the appeal against the Order, dated 15/09/2023 passed under Section 201(1)/201(1A) of the Act, for the Assessment Year 2017-2018.

23. The Assessee has raised the following grounds of appeal:

1. *The Learned Commissioner of Income-tax (Appeals) ("CIT(A)") erred in confirming the order of the Assessing Officer ("Assessing Officer") holding the appellant to be an Assessee in default for failing to deduct tax at source under section 192 of the Income-tax Act, 1961 [the Act].*
2. *The CIT(A) erred in not appreciating that the Appellant had issued e-Circular no. CDO/P&HRD-PM/7/2014-15 dated 15% April 2014 stating that the employees shall not be entitled to visit overseas countries/ centers as part of leave travel concession ("LTC") which Circular was challenged by the All India State Bank Officers Federation & Ors. before the Madras High Court by way of a writ petition (WP no. 11991 of 2014) and that the Madras High Court had vide its order dated 25 April 2014 granted interim stay of the Circular.*
3. *The CIT(A) further erred in not appreciating that tax was not deducted at source by the Appellant on the LTC paid to its employees during the year under consideration in view of the specific interim directions issued by the Hon'ble Madras High Court in its order dated 16 February 2015 by which the Court held that the LTC paid or reimbursed would not amount to income and that no tax was to be deducted thereon. The CIT(A) ought to have appreciated that if the LIC was not to be treated as income of the employees as per the order of the Hon'ble Mudras High Court, the same even otherwise would not require withholding of tax under section 192 of the Act.*

4. *The CIT(A) further erred in not appreciating that the Madras High Court vide its said order dated 16 February 2015 having directed the Appellant not to deduct at source on LTC had further stated that if the writ petition challenging the Circular was dismissed, the employees would be liable to pay tax on the LTC amount paid by the Appellant and, therefore, the CFT(A) ought to have quashed the order of the Assessing Officer holding the Appellant to be an Assessee in default.*
  5. *The CIT(A) erred in not quashing the order of the Assessing Officer holding the Appellant to be an assessed in default for the reason that the Appellant, even if it wanted to, could not have deducted tax at source on LTC paid during the year under consideration. In view of the orders of the Hon'ble Madras High Court till the time they were in force as acting contrary to the orders of the Hon'ble Court would have amounted to contempt of Court.*
  6. *The CIT(A) erred in not following the judgment of the Hon'ble Kerala High Court in State Bank of India v. CIT (ITA no. 45 of 2025) where the Hon'ble Court after considering the above set of facts held that the Appellant was justified in not deducting tax at source in view of the interim directions issued by the Madras High Court asking the Appellant not to deduct tax at source.*
  7. *The CIT(A) erred in observing that the legal obligation to deduct tax was reinstated once the interim order passed by the Hon'ble Madras High Court was vacated without appreciating that the order of the Single Judge of the Hon'ble Madras High Court was challenged before the Division bench and later the Division bench's order before the Hon'ble Supreme Court and that the Hon'ble Supreme Court in SLP(C) no. 16734 of 2023 has ordered the Appellant bank from not making any recoveries from its employees during the pendency of the petition.*
  8. *Without prejudice to above grounds, the CIT(A) erred in not holding that the Appellant could not have been deemed to be an Assessee in default under section 201(1) of the Act if the employee had furnished the return of income, taken into account such sum for computing Income and paid the tax due on income declared by the employee.*
24. During the course of hearing both sides had agreed that the grounds raised in the present appeal are identical to grounds raised in ITA No. 1338/AHD/2026. Since there is parity in facts, our finding and adjudication in the ITA No. 1338/AHD/2026 shall also apply to the present appeal. Accordingly, we proceed to adjudicate the ground raised in the present appeal adopting the reasoning given while adjudicating corresponding grounds raised in ITA No. 1338/AHD/2026. Therefore, in view of Paragraph 4 to 12 above, we hold that the Assessee cannot be treated as 'Assessee in Default' for non-deduction

tax at source from the payments made towards LFC. As a result, the demand of INR.46,672/- (INR.24,564/- + INR.22,108/-) raised upon the Assessee by way of Order, dated 15/09/2023, passed under Section 201(1)/(1A) of the Act is deleted. Thus, Ground No. 1 to 7 raised by the Assessee are allowed and Ground No. 8 raised by the Assessee, raising the alternative contention, is dismissed. Hence, the appeal preferred by the Assessee is allowed.

25. In the result, the appeal of the Assessee [**ITA No. 1498/AHD/2026**] for Assessment Year 2017-2018 is allowed.
26. In the conclusion, the four appeals filed by the Assessee are allowed.

This Order is pronounced on 12/06/2026

*Sd/-*  
**(DR. B.R.R. Kumar)**  
**Vice President**

अहमदाबाद/Ahmedabad; दिनांक Dated : 12.06.2026  
**Tanmay, Sr. PS**

*Sd/-*  
**(Rahul Chaudhary)**  
**Judicial Member**

**TRUE COPY**

**आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद /  
DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

**आदेशानुसार/ BY ORDER,**

**उप/सहायक पंजीकार (Dy./Asstt.Registrar)  
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad**