**IN THE INCOME TAX APPELLATE TRIBUNAL**
**NAGPUR "SMC" BENCH, NAGPUR**

**BEFORE SHRI MANISH BORAD, ACCOUNTANT MEMBER**
*(Through virtual)*

**ITA No. 696/NAG/2026**
**(Asst. Year : 2024-25)**

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| ABL Engineering Company, 46, Central Avenue Road, Chandrashekhar Azad Chowk, Nagpur-440032<br><br>**PAN : AAOFA 6249 B** | vs | ITO, Ward-4(1), Nagpur |
| Assessee | | Revenue |

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| Assessee by | : | Shri K.K. Thakkar, CA |
| Department by | : | Shri Shiv Shankar Yadav, Sr.DR |
| Date of hearing | : | 07/08/2026 |
| Date of Pronouncement | : | 02/09/2026 |

**O R D E R**

This appeal by the assessee is directed against the order of Ld.Commissioner of Income Tax (Appeals)/NFAC, Delhi (for short, "**Ld.CIT(A)**") dated 30.04.2026 passed u/sec. 250 of the Income Tax Act, 1961 (for short, "**Act**") which is arising out of intimation dated 05.11.2023 passed u/sec. 200A/206CB of the Act for the Assessment Year (A.Y.) 2024-25.

2. Registry has informed that there is a delay of 04 days in filing the present appeal. Application for condonation of delay along with an affidavit is placed on record. Perusal of the same and after hearing both the sides, I find that the delay is neither intentional nor deliberate and therefore, in the interest of justice and taking guidance from the judgments of Hon'ble Apex Court in the case of *Collector Land Acquisition, Anantnag vs. Mst. Katiji & Ors* [1987 (2) SCC 107] and also in the case of *Inder Singh vs.*

*State of Madhya Pradesh* dated 21.03.2025 [(2025) INSC 382)], I hereby condone the delay and admit the appeal for adjudication.

3. The sole grievance of the assessee is that the Ld. CIT(A) erred in confirming the action of CPC-TDS in raising a demand of Rs. 3,77,230/- u/sec. 200A/206CB of the Act. The demand raised vide intimation issued u/sec. 200A/206CB of the Act is solely on account of the PAN quoted in the return being inoperative.

4. I have heard the rival submissions and perused the material placed before me. I observe that assessee is a partnership firm, engaged in the business of manufacturing, repair, job work and general fabrication of machineries. The assessee is required to deduct tax at source u/sec. 194C of the Act. During the period under consideration, Quarter-2 for A.Y. 2023-24, assessee made payment of Rs.19,14,000/- to M/s.Vijay Electronics towards contractual work and deducted tax at source @ 01% and deposited the same in the Government Treasury. In quarterly TDS return, the assessee has mentioned PAN of the deductee, namely M/s. Vijay Electronics, as ENDPK4855B. The CPC-TDS has raised the impugned demand for the alleged short deduction of tax on the ground that PAN of the deductee namely M/s. Vijay Electronics is inoperative. The provisions relating to requirement of furnishing PAN for deduction of tax at source are provided u/sec. 206AA of the Act. For better understanding, the said provisions are reproduced as under:-

> **"206AA.** (1) Notwithstanding anything contained in any other provisions of this Act, any person entitled to receive any sum or income or amount, on which tax is deductible under Chapter XVIIB (hereafter referred to as deductee) shall furnish his Permanent Account Number to the person responsible for deducting such tax

(hereafter referred to as deductor), failing which tax shall be deducted at the higher of the following rates, namely:—

(*i*) at the rate specified in the relevant provision of this Act; or
(*ii*) at the rate or rates in force; or
(*iii*) at the rate of twenty per cent:

**Provided** that where the tax is required to be deducted under section 194-O, the provisions of clause (*iii*) shall apply as if for the words "twenty per cent", the words "five per cent" had been substituted:

**Provided further** that where the tax is required to be deducted under section 194Q, the provisions of clause (*iii*) shall apply as if for the words "twenty per cent", the words "five per cent" had been substituted.
(2) No declaration under sub-section (1) or sub-section (1A) or sub-section (1C) of section 197A shall be valid unless the person furnishes his Permanent Account Number in such declaration.
(3) In case any declaration becomes invalid under sub-section (2), the deductor shall deduct the tax at source in accordance with the provisions of sub-section (1).
(4) No certificate under section 197 shall be granted unless the application made under that section contains the Permanent Account Number of the applicant.
(5) The deductee shall furnish his Permanent Account Number to the deductor and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.
(6) Where the Permanent Account Number provided to the deductor is invalid or does not belong to the deductee, it shall be deemed that the deductee has not furnished his Permanent Account Number to the deductor and the provisions of sub-section (1) shall apply accordingly.
(7) The provisions of this section shall not apply to a non-resident, not being a company, or to a foreign company, in respect of—

(*i*) payment of interest on long-term bonds as referred to in section 194LC; and
(*ii*) any other payment subject to such conditions as may be prescribed."

5. On perusal of the above section, I find that sub-section (1) of section 206AA of the Act provides that if the assessee does not furnish the PAN to the person responsible for deduction at source, then the tax shall be deducted (i) at the rate specified in the relevant provision of this Act (ii) at the rate or rates in force and (iii) at the rate of twenty per cent. Now the other relevant provisions of sub-section (6) to section 206AA of the Act which provides that if the PAN provided to the deductor is invalid or does not belong to the deductee, it shall be deemed that the deductee has not furnished his PAN to the deductor and the provisions of sub-section (1) shall apply. In the instant case, the assessee has mentioned the PAN in the TDS return. The revenue has also not controverted the fact that the PAN is valid.

So, both the conditions that the deductor received PAN from deductee and such PAN is valid, based on which the assessee has deducted tax at source @ 01%. Now in the instant case, assessee has been levied with demand for short deduction of TDS solely on the ground that the PAN quoted in the TDS return is inoperative. In operative means, the PAN is still valid as an identity proof, but the Income Tax Department has temporarily suspended its use for financial and tax transactions because it is not linked with the Aadhar and in some cases, it is treated as inoperative for various other reasons mentioned under the prescribed rules.

6. However, whether the PAN is inoperative can be ascertained only through the facility of software/online verification mechanism, but the same was not available with the assessee. However, the impugned demand has been raised u/sec. 206AA of the Act which could have been invoked in the case of non-furnishing of PAN or furnishing of invalid PAN and both the situations are absent in the present case. Therefore, where the assessee has no mechanism to verify as to whether the quoted PAN in the return of income is inoperative and, thus the assessee should not have been subjected for levy of alleged demand. Even in the intimation raising the alleged demand, nowhere it is stated that the assessee has furnished invalid PAN or not furnished PAN. It has also been stated that the deductee has also filed the income tax return and offered the income arising from the alleged transaction of payment of contract receipts and paid due taxes thereon and, therefore, the impugned addition has resulted into double recovery/taxation on the same income.

7. Under the given facts and circumstances of the present case, the provisions of section 206AA of the Act are not applicable and, therefore, could not have been invoked against

the assessee. The assessee had neither furnished an invalid PAN nor failed to furnish the PAN. Accordingly, the action of the CPC-TDS in raising the impugned demand under the said provision is not justified, and the Ld. CIT(A) erred in confirming the same. Finding of Ld.CIT(A) is hereby reversed and the demand raised on account of short deduction of TDS and consequent levy of interest is hereby deleted. Grounds of appeal raised by the assessee are allowed.

8. In the result, appeal of the assessee is allowed.

Order pronounced on 02nd September, 2026 under Rule 34(5) of the Income Tax (Appellate Tribunal) Rules, 1963

**Sd/-**
**(MANISH BORAD)**
**ACCOUNTANT MEMBER**

Pune & Dated : 02nd Sept., 2026

*vr/-*

Copy of the Order forwarded to:

1. Assessee
2. Revenue
3. PCIT concerned.
4. DR, ITAT, "SMC" Bench, Nagpur.
5. Guard File

BY ORDER

//True Copy//

Senior Private Secretary
ITAT, Nagpur