

IN THE INCOME TAX APPELLATE TRIBUNAL “C” BENCH : KOLKATA

[Before Hon’ble Shri A T Varkey, JM, & Shri M.Balaganesh, AM]

I.T.A No. 111/Kol/2013

Assessment Year : 2007-08

Bankura District Central Co-operative Bank Ltd. -vs- ACT, Circle-Bankura
[PAN: AABAB 6253 G]

(Appellant)

(Respondent)

For the Appellant : Shri Pratap Kanti Ghosh, FCA

For the Respondent : Shri Saurabh Kumar, Addl. CIT Sr. DR

Date of Hearing : 26.11.2018

Date of Pronouncement : 12.12.2018

ORDER

Per M.Balaganesh, AM

1. This appeal by the Assessee arises out of the order of the Learned Commissioner of Income Tax(Appeals)-Durgapur, [in short the Id CIT(A)] in Appeal No. 73/CIT(A)/DGP/2011-12 dated 05.09.2012 against the order passed by the ACIT, Circle-Bankura [in short the Id AO] under section 154 of the Income Tax Act, 1961 (in short “the Act”) dated 01.12.2010 for the Assessment Year 2007-08.

2. The only issue to be decided in this appeal is as to whether the Id. CIT(A) was justified in confirming the disallowance of amortization of premium paid at the time of purchase of investments classified under Held to Maturity (HTM) in the sum of Rs. 45,29,325/-, in the facts and circumstances of the case.

3. Brief facts of this issue are that the assessee is a co-operative society engaged in the business of banking. The assessment for assessment year 2007-08 was completed u/s 143(3) of the Act determining the total income of the assessee at Rs. 4,38,35,760/-. Later pursuant to the revenue audit objection, the Id. AO observed that the assessee had claimed excess depreciation of Rs. 45,29,325/- representing excess claim made on account of amortization of premium paid for securities held under HTM category. Accordingly, he disallowed the excess depreciation of Rs. 45,29,325/- vide order u/s 154 of the Act dated 01.12.2010.

4. The assessee pleaded that it had charged amortization charges of premium paid on purchase of Government securities held under HTM category under the head 'depreciation'. This amortization was done as per the Reserve Bank of India Guidelines dated 16.10.2000. It was also argued that the said amortization of premium is allowable as a revenue expenditure by placing reliance on certain decisions. The Id. CIT(A) however did not heed to these contentions of the assessee and upheld the action of the Id. AO. Aggrieved the assessee is in appeal before us.

5. We have heard the rival submissions and perused the material available on record including the Paper Book submitted by the assessee showing detailed calculation of amortization of premium paid on purchase of government securities held under HTM category. These details are enclosed in page 12 of the Paper Book. It is not in dispute that the assessee had claimed the amortization of government securities held under HTM category as deduction / allowance by including the same under the head depreciation on fixed assets. We find that the Central Board of Direct Taxes had issued instruction No. 17/ 2008 dated 26.11.2008 on the subject mentioned issue wherein it has been categorically mentioned that the investments held under HTM category need not be marked to market and are to be carried at acquisition cost unless these are more than face value, in which case the premium should be amortized over the period remaining to

maturity. We find that the action of the assessee in the instant case is in consonance with the RBI Investment Valuation Guidelines dated 16.10.2000 and CBDT Instruction No. 17/ 2008 dated 26.11.2008. Hence there cannot be any infirmity in the action of the assessee in the facts of the instant case. Accordingly, we direct the Id. AO to delete the disallowance of Rs. 45,29,325/- while giving effect to this appellate order. Accordingly, ground raised by the assessee are allowed.

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

Order pronounced in the Court on 12 .12.2018

Sd/-
[A T Varkey]
Judicial Member

Sd/-
[M.Balaganesh]
Accountant Member

Dated : 12.12.2018
SB, Sr. PS

Copy of the order forwarded to:

1. The Chief Executive Officer, Bankura District Central Co-operative Bank Ltd., Head Office, Machantala, P.O.-Bankura, Dist.-Bankura, Pin-722101.
2. ACIT, Circle-Bankura, Bilash Bhawan, Chandmaridanga, P.O.-Bankura, Dist. Bankura, Pin-722101
3. C.I.T(A)-
4. C.I.T.- Kolkata.
5. CIT(DR), Kolkata Benches, Kolkata.

True copy

By Order

Assistant Registrar
ITAT, Kolkata Benches