

**IN THE INCOME TAX APPELLATE TRIBUNAL**

**AHMEDABAD “C” BENCH**

**(BEFORE SHRI PRADIP KUMAR KEDIA, ACCOUNTANT  
MEMBER & SHRI MAHAVIR PRASAD, JUDICIAL MEMBER)**

**ITA. No: 951/AHD/2017  
(Assessment Year: 2013-14)**

<b>Vadali Nagrik Sahkari Bank Ltd. P.O Vadali, Dist: Sabarkantha-383235</b>	<b>V/S</b>	<b>The ACIT, SK Circle, Himatnagar</b>
<b>(Appellant)</b>		<b>(Respondent)</b>

**PAN: AAAAT4290L**

**Appellant by : Shri Mehul Talera, AR  
Respondent by : Shri Lalit P. Jain, Sr. D.R.**

**(आदेश)/ORDER**

Date of hearing : 20 -02-2019  
Date of Pronouncement : 16 -05-2019

**PER MAHAVIR PRASAD, JUDICIAL MEMBER**

1. This appeal filed by the Assessee is directed against the order of the Ld. CIT(A)-2, Ahmedabad dated 20.02.2017 pertaining to A.Y. 2013-14 and following grounds have been taken:

1.1 *The order passed u/s. 250 on 20-2-2017 for A.Y.2013-14 by CIT (A)-2 A'bad to the extent of upholding the additions/disallowances is wholly illegal, unlawful and against the principles of natural justice.*

1.2 *The Ld. CIT(A) has grievously erred In law and or on facts in not considering fully and properly the explanations furnished and the evidence produced by the appellant.*

2.1 *The Ld.CIT(A) has grievously erred in law and or on facts in upholding following additions/disallowances:*

<i>(i) Audit fees as prior period</i>	<i>Rs. 75,000</i>
<i>(ii) Leave encashment Provision</i>	<i>Rs. 2,00,000</i>
<i>(iii) Exemption of Dividend income</i>	<i>Rs. 11,750</i>

2.2 *That in the facts and circumstances of the case as well as in law, the Id. CIT(A) has grievously erred in making above said additions/disallowances.*

*It is therefore prayed that the disallowance/additions to the extent upheld by CIT(A) should be deleted.*

2. Ground no. 2.1(iii) with regard to exemption of dividend income has not been pressed by the assessee/ appellant because of smallness of amount. Therefore, we would like to dispose of ground no. (i) & (ii).
3. Appellant is a Cooperative Bank and engaged in banking activities as per RBI guidelines and Banking Regulation Act. It had filed its return of income for assessment year 2013-14 on 30.09.2013 declaring total income of Rs. 20,37,990/-.
4. Assessee has claimed audit fees as prior period of Rs. 75,000/-. It is noticed that in Profit and Loss account, assessee has debited expenses under head of audit fee of Rs. 1,25,5000/- and Leave Encashment Anamat Expenses of Rs.

4,98,488/- in profit and loss account on provision basis during the year under consideration. On enquiry made by the lower authorities, assessee submitted detail of Audit fees of Rs. 33,000/- paid to Shri H R Patel and Rs.21,500/- paid to Shri Pritech & Ratho Associates Chartered Accountants and Rs. 24,000 paid to Shri Arvind P. Doshi for bill no. 206 dated 12.06.2013 and for remaining 46,000/- appellant did not furnish any detail and even before us, the appellant could not give any supportive evidence. Out of aforesaid amount, Rs. 5,000/- which related to previous year as bill was raised on 12.03.2012 and Rs. 24,000/- which related to subsequent year as bill was raised on 28.12.2013 and remaining amount Rs. 46,000/- is claimed by the appellant without any basis on provision basis. Out of 75,000/-, we allow Rs. 29,000/- as assessee has given details before the lower authorities and for Rs. 46,000/-, assessee was asked by the Bench but could not give any satisfactory reply. Therefore, out of Rs. 75,000/- Rs. 46,000/- is confirmed.

5. Now we come to Leave Encashment Anamat an amount of Rs. 2,00,000/- on provision basis under head of Leave Encashment and said amount to be paid at the time of retirement of staff Shri K.D. Soni on 31.08.2014 because amount was not related to the year under consideration and lower authorities disallowed the claim of the appellant.
6. As per mercantile method of accounting followed by the appellant, the liabilities are required to be recognized on accrual basis. Leave Encashment is allowable on payment basis having regard to its peculiar nature. The payment was stated to be made at the time of retirement of staff and claimed expenditure on payment basis. The action is supportable by evidences. Hence, the claim needs to be allowed. The A.O. is directed to do so.

7. In the result, appeal filed by the Assessee is partly allowed.

Order pronounced in Open Court on	16- 05- 2019
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Sd/-

**(PRADIP KUMAR KEDIA)**  
**ACCOUNTANT MEMBER True Copy**  
Ahmedabad: Dated 16/05/2019

Sd/-

**(MAHAVIR PRASAD)**  
**JUDICIAL MEMBER**

Rajesh

Copy of the Order forwarded to:-

1. The Appellant.
2. The Respondent.
3. The CIT (Appeals) –
4. The CIT concerned.
5. The DR., ITAT, Ahmedabad.
6. Guard File.

By ORDER

Deputy/Asstt.Registrar  
ITAT,Ahmedabad