

IN THE INCOME TAX APPELLATE TRIBUNAL

AHMEDABAD “B” BENCH

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

**ITA. No: 2928/AHD/2017
(Assessment Year: 2013-14)**

Kankaria Maninagar Nagarik Sahakari Bank Ltd. Jai Niwas, Maninagar Char Rasta, Maninagar, Ahmedabad, 380008	V/S	Dy. CIT, Ahmedabad	Circle-6(1),
(Appellant)		(Respondent)	

PAN: AAAAK6862D

**Appellant by : None
Respondent by : Shri Mudit Nagpal, Sr. D.R.**

(आदेश)/ORDER

Date of hearing : 25 -11-2019

Date of Pronouncement : 29 -01-2020

PER MAHAVIR PRASAD, JUDICIAL MEMBER

1. This appeal filed by the Assessee is directed against the order of the Ld. CIT(A)-6, Ahmedabad dated 27.10.2017 pertaining to A.Y. 2013-14 and following grounds have been taken:

- 1. The Ld. Commissioner of Income Tax (Appeals)-VI, Ahmedabad is not justified in confirming addition of? 2,44,325.00 claimed as detonation or depreciation on value of Government Securities as same is Stock-in-trade and valued at cost or market price whichever is lower.*
- 2. The Ld. Commissioner of Income-Tax (Appeals)-VI, Ahmedabad is not justified to mention in his order that assessee failed to defute the contention of Ld. Assessing Officer that Government Securities are low interest bearing. The impugned issue only entered in the Assessment order without giving Show Cause to the assessee bank.*
- 3. The Ld. Commissioner of Income Tax (Appeals)-VI, Ahmedabad failed to consider the judgment of Commissioner of Income Tax v/s Baroda Peoples Co-Operative Bank Ltd (280 ITR 282 Gujarat) which was filed before him.*
- 4. Your appellant prays to add, alter or delete any of the grounds appeal at the time of hearing.*

2. Facts of the case are that assessee is a Co-operative Bank and assessee has claimed Rs. 2,44,325/- as loss on account of deterioration of value on Govt. Security kept with the Bank.
3. As per assessee, in case of Bank, interest on govt. securities which are mandatory under banking regulation Act, it is stock in trade like any commercial unit the value of closing stock is made at cost or market price whichever is lower , same principle applies for govt. securities by banking company.
4. Assessee submitted that depreciation on Govt. Security is not the depreciation as contemplated in section 32 of the Act. Depreciation on Government security is the systematic allocation of deterioration in the value of security (investment) over its useful life. Government security, in respect of which alleged depreciation is claimed as deduction by the assessee bank, is the instrument floated by the Government of India in which every bank is required

to invest its liquidity. As per provisions of section 18 & 25 of the Banking Regulation Act, 1949, bank shall be under an obligation to maintain certain reserve ratios popularly known as Cash Reserve Ratio and Statutory Liquidity Ratio at all times , above the minimum levels as prescribed by Reserve Bank of India.

5. But Id. A.O. was not agreed with the contention of the appellant and held the explanation given by the assessee is not acceptable in view of the fact that usually investments made to preserve SLR are low interest bearing liquid funds on which there is Nil or negligible cost value deterioration, as claimed by the assessee Therefore, the claim was rejected by the assessee.
6. Against the order of A.O, assessee preferred first statutory appeal before the Id. CIT(A) who disallowed the claim of the appellant with following observation:

"It is seen that the AO observed that the appellant had debited Rs, 2,44,325/- to the Profit & Loss A/c on account of deterioration in value of Government securities. The AO held that n ... usually investments made to preserve SLR are low interest bearing liquid funds on which there is Nil or negligible cost value deterioration, as claimed by the assessee, Therefore, the claim is rejected and Rs. 2,44,325/- is added to the returned income."

During the appellate proceedings, the appellant reiterated what it had submitted before the AO. Further, the appellant submitted that the AO has wrongly construed that the appellant has claimed Rs. 2,44,325/- loss or depreciation on govt. securities u/s 32 of the Act, The appellant has claimed Rs. 2,44,325/- on account of deterioration of value of govt, security treating it as stock in trade. It is stock in trade like any commercial unit where the value of closing stock is made at cost or market price whichever is lower. Same principle applies to govt. security by banking company. It is seen that firstly the AO has nowhere said that the amount of Rs. 2,44,325/- is depreciation u/s 32 of the Act. Hence, on this account submission of the appellant is wrong. Secondly, it is seen that the submission of the appellant is very general in nature. The appellant has not given any concrete details in support of its contention. Also, the appellant has not given

details to refute contention of the AO that such securities are low interest bearing and hence there is negligible deterioration in cost. No facts have been provided in terms of what were the securities, value of which has deteriorated and under which provision of the Act the appellant is claiming this deterioration in value as a permissible deduction.

In view of discussion, I hold that the AO was justified in making addition of Rs, 2,44,325/-. Accordingly, the addition of Rs. 2,44,325/- is upheld. This ground of appeal is rejected.”

7. Now appellant has come before us and requested to allow the claim of the assessee.
8. We have gone through the relevant record and impugned order. Assessee is a Co.op. Bank and as per mandate assessee has to keep certain investment with itself in order to maintain Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) if any loss or deterioration is caused to the value of stock, it is charged to profit and loss account. In our considered opinion, same is allowable as deduction u/s. 37 as Govt. Securities are part of liquid assets, stock in trade.
9. We draw support from a case of Punjab and Haryana High Court High Court in the matter of Pr. CIT, Patiala vs. State Bank of Patiala order dated 30.01.2017 where in similar facts and circumstances, relief was granted to the assessee. We also draw support from a case of ITAT Pune Bench in the matter DCIT vs. Dy. CIT vs. Vishwash Co.op. Bank Ltd. wherein it is held “the method of valuation followed by the assessee Bank was to value investments at cost or market value whichever was lower. ... Law is well settled that the Securities held by the Bank are in the nature of stock-in-trade.

10. In view of the above, we direct A.O. to deleted addition of Rs. 2,44,325/- as claimed by the assessee.

11. In the result, appeal filed by the Assessee is allowed.

Order pronounced in Open Court on 29 - 01- 2020

Sd/-

(PRADIP KUMAR KEDIA)
ACCOUNTANT MEMBER True Copy
Ahmedabad: Dated 29/01/2020

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