

**आयकर अपीलीय अधिकरण 'ए' न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**'A' BENCH, CHENNAI**

**माननीय श्री वी. दुर्गा राव, न्यायिक सदस्य एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।**  
**BEFORE HON'BLE SHRI V. DURGA RAO, JUDICIAL MEMBER AND**  
**HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**

आयकर अपील सं./ ITA No.2056/Chny/2016  
(निर्धारण वर्ष / Assessment Year: 2008-09)

ACIT Circle-1, Hosur.	बनाम/ Vs.	The Dharmapuri District Central Co-operative Bank Ltd. No.81/10H, Bye Pass Road, Dharmapuri – 636 701.
स्थायी लेखा सं./जीआइ आर सं./PAN/GIR No. AAAAT-3148-D		
(पीलार्थी/ Appellant)	:	(प्रत्यर्थी / Respondent)

अपीलार्थी की ओरसे/ Assessee by	:	Shri T. Vasudevan (Advocate) – Ld. AR
प्रत्यर्थी की ओरसे/Revenue by	:	Shri ARV Sreenivasan (Addl.CIT) – Ld. DR

सुनवाई की तारीख/ Date of Hearing	:	19-04-2022
घोषणा की तारीख / Date of Pronouncement	:	13-07-2022

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by revenue for Assessment Year (AY) 2008-09 arises out of the order of learned Commissioner of Income Tax (Appeals), Salem-7 [CIT(A)] dated 28.04.2016 rectifying its earlier order in ITA No.267/2010-11 dated 08.03.2016. The assessment for the year was made by Ld. AO u/s 143(3) on 30.12.2010. The grounds taken by the revenue read as under: -

1. The CIT(A) erred in holding that the advances made through Head Office also fall under Rural Branch Advances.
2. The CIT(A) ought to have considered the fact that based on the assessee's own submission, the Assessing Officer had not considered the amount of Rs.1906.03 Lakhs in computing the qualifying amount of deduction for the purpose of section 36(1)(viiia).
3. The CIT(A) ought to have considered the fact that having already confirmed the action of the Assessing Officer in restricting the claim of deduction under section 36(1)(viiia) to the extent of Rs.7,36,218/-, being the amount of provision for doubtful debts created during the relevant financial year, in his order passed on 17/03/2016, the CIT(A) should have dismissed the assessee's petition for rectification as infructuous. Alternatively, the CIT(A) should have restricted the claim of deduction under section 36(1)(viiia) to the extent of Rs.7,36,218/- only.
4. For these and such other grounds that may be urged at the time of hearing it is prayed that order of the Assessing Officer may be upheld and that of the assessee be dismissed.

As evident, the revenue is aggrieved by relief granted by Ld. CIT(A) in the impugned order *qua* rural branch advances u/s 36(1)(viiia).

2. The material facts are that during assessment proceedings, the assessee's claim of deduction u/s 36(1)(viiia) was examined by Ld. AO. As per the statutory provisions, the assessee was entitled to claim deduction for an amount not exceeding 7.5% of total income and an amount not exceeding 10% of aggregate average advances made by the rural branches of the bank. The assessee claimed deduction of Rs.578.74 Lacs. However, in the revised computation as filed during the course of assessment proceedings, the assessee claimed deduction of Rs.1199.35 Lacs which has been extracted on page nos. 13 & 14 of assessment order dated 30.12.2010. The Ld. AO noted that the rural advances at Head Office amounted to Rs.1906.30 Lacs which could not be considered at par with rural branches while computing monthly average outstanding as prescribed under Rule 6ABA. After excluding these advances and after making certain other adjustments, Ld. AO computed the eligible deduction as Rs.946.77 Lacs and granted the same to the assessee.

3. During appellate proceedings, the assessee submitted that it was not having any business transactions at the head office and all such transactions were affected at branch level only. It was only for the purpose of management control, the primary agricultural cooperative societies advance functioning at village level were consolidated and shown as Head office account in the financial statements. Therefore, Ld. AO erred in classifying the same as Head office advances. However, Ld. CIT(A) confirmed the action of Ld. AO vide order dated 08.03.2016.

4. The assessee sought rectification of the order which was allowed vide corrigendum order dated 28.04.2016. The Ld. CIT(A) noted this issue was left out inadvertently in the appellate order. Such disallowance was not made by Ld. AO in any other year, Therefore, the rural branches which were consolidated at Head Office would also fall under rural branch advances and the assessee would be eligible to claim deduction for these advances also. Aggrieved, the revenue is in further appeal before us.

5. Upon careful consideration, the undisputed position that emerges is that the assessee does not make any such advances at Head Office level and all such transactions were affected at branch level only. It was only for the purpose of management control, the primary agricultural cooperative societies advance functioning at village level were consolidated and shown as Head office account in the financial statements. Therefore, as rightly held by Ld. CIT(A), the assessee would be eligible to claim the deduction on these advances only since these advances are otherwise eligible for deduction. The Ld. Sr. DR submitted that Ld. CIT(A), in its order dated 17.03.2016 pertaining to assessment framed u/s 143(3) r.w.s. 147, has restricted the deduction to the extent of

Rs.7.36 Lacs and therefore, the ground should have been dismissed by Ld. CIT(A) as infructuous in subsequent order. However, we find that both the order emanates out of separate assessment proceedings. The issue in assessment framed u/s 143(3) is limited to adjudication of assessee's eligibility to claim deduction on advances which have been classified as Head Office Advances. Therefore, this argument does not carry much weight.

6. In the result the appeal stands dismissed.

Order pronounced on 13<sup>th</sup> July, 2022.

**Sd/-**  
**(V. DURGA RAO)**  
**न्यायिक सदस्य / JUDICIAL MEMBER**

**Sd/-**  
**(MANOJ KUMAR AGGARWAL)**  
**लेखक सदस्य / ACCOUNTANT MEMBER**

चेन्नई / Chennai; दिनांक / Dated : 13-07-2022  
EDN/-

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

1. अपीलार्थी/Appellant 2. प्रत्यर्थी/Respondent 3. आयकर आयुक्त (अपील)/CIT(A) 4. आयकर आयुक्त/CIT 5. विभागीय प्रतिनिधि/DR 6. गार्ड फाईल/GF