

**आयकर अपीलीय अधिकरण “बी” न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“B” 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, JM AND**  
**HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**

**आयकर अपील सं./ ITA No.767/Chny/2020**  
**(निर्धारण वर्ष / Assessment Year: 2015-16)**

DCIT Circle-2(1), Trichy-620 001.	बनम/ Vs.	The Thanjavur Central Co-operative Bank Ltd. No.10, West Main Street, Thanjavur-613 009.
स्थायी लेखा सं./जी आइ आर सं./PAN/GIR No.		<b>AAAAT-7828-C</b>
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थी की ओर से/ <b>Appellant by</b>	:	Shri V. Nandakumar (CIT)-Ld. DR
प्रत्यर्थी की ओर से/ <b>Respondent by</b>	:	Shri K. Meenatchi Sundaram (C.A)- Ld.AR

सुनवाई की तारीख/ <b>Date of Hearing</b>	:	04-10-2023
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	09-10-2023

**आदेश / O R D E R**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by Revenue for Assessment Year (AY) 2015-16 arises out of the order of learned Commissioner of Income Tax (Appeals)-1, Trichy [CIT(A)] dated 19-06-2020 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s. 143(3) of the Act on 29-12-2016. The grounds taken by the Revenue read as under:

- 1.The order, of the learned Commissioner of Income tax (Appeals), Trichy is contrary to the law, facts and circumstances of the case.
- 2.The CIT (A) failed to note that provision for bad and doubtful debts should be worked out, based on incremental advances given by the rural branches of the bank, during the relevant

year. The concept of this method prevent to allow deduction for the same advance year after year on account of granting deduction under section 36(1)(viiia) of the Act.

3. The CIT(A) failed to appreciate that concept of considering the incremental Average rural advance was upheld by the Hon'ble ITAT 'A' Bench Chennai vide its order in ITA Nos. 1205, 1548, 1620, 1206, 1207, 1208, 1209, 27, 1621 & 1622/Mds/2014 dated 29/01/2016 in the case of M/s Lakshmi Vilas Bank Vs Assistant Commissioner of Income Tax. Further, the Hon'ble ITAT 'D' Bench Chennai vide its order in ITA Nos.496 & 497/Mds/2015 dated 23/02/2016 in the case of M/s Indian Overseas Bank Vs. Deputy Commissioner of Income tax and also vide its order in ITA Nos.1671, 1801, 1802, 1803 & 1804/Mds/2014 dated 28/12/2016 in the case of **M/s City Union Bank Limited Vs. Joint Commissioner of Income tax** upheld the method of considering only the incremental average rural advances instead of aggregate average advance by the rural branches."

As is evident, the sole issue that arises for our consideration is assessee's claim of deduction u/s 36(1)(viiia) with respect to advances given by rural branches.

2. The Registry has noted delay of 23 days in the appeal, the condonation of which has been sought by the revenue at the time of hearing. Considering the fact that that the aforesaid period fall within the lockdown situation arising out of Covid-19 Pandemic, we condone the delay and admit the appeal for adjudication on merits. Having heard rival submissions, our adjudication would be as under.

3. The assessee computed deduction u/s 36(1)(viiia) with respect to advances made by rural branch at Rs.558.23 Lacs. While computing the same, the assessee took aggregate average advances of rural branches as outstanding at the end of the accounting year. The Ld. AO, in terms of decision of this Tribunal in ITA No.1205/Mds/2014 & ors. rendered in the case of Lakshmi Vilkas Bank, held that only incremental average rural advances were to be considered while computing the deduction. Accordingly, the impugned deduction was restricted to Rs.124.99 Lacs and balance Rs.433.24 Lacs was denied.

4. The Ld. CIT(A), considering Rule 6ABA as well as the decision of this Tribunal in Indian Bank (ITA No.738/Chny/2017 & ors.) held that the rule mandate adoption of outstanding advances and not incremental advances and therefore, the claim was allowed in full. Aggrieved, the revenue is in further appeal before us.

5. We find that this issue is covered in assessee's favor by the decision of Hon'ble High Court of Madras in the case of **CIT V/s City Union Bank Ltd. (TCA No.961 of 2010 dated 07.03.2022)** wherein Hon'ble Court, in para 11 of the order, concurred with principles laid down by Hon'ble Calcutta High Court in **PCIT V/s Uttarbanga Kshetriya Gramin Bank (256 Taxman 72)** wherein it was held that the assessee is entitled to deduction on average aggregate rural advances as computed u/r 6ABA and rejected the contentions of the department that the deduction should be allowed only on the average aggregate rural advances disbursed during the year. Similar is the view of Hon'ble High Court of Karnataka in recent decision of **CIT vs. Canara Bank (147 Taxmann.com 171)** wherein Hon'ble Court has taken similar view favorable to the assessee. Therefore, no interference is required in the impugned order.

6. The appeal stands dismissed.

*Order pronounced on 9<sup>th</sup> October, 2023*

**Sd/-**

**(V. DURGA RAO)**

**न्यायिक सदस्य/JUDICIAL MEMBER**

**Sd/-**

**(MANOJ KUMAR AGGARWAL)**

**लेखासदस्य / ACCOUNTANT MEMBER**

चेन्नई Chennai; दिनांक Dated : 09-10-2023  
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**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF