

**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, JM AND**  
**HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM**

**आयकर अपील सं./ ITA No.607/Chny/2023**  
**(निर्धारण वर्ष / Assessment Year: 2017-18)**

<b>IDFC FIRST BANK LIMITED</b> (Earlier known as IDFC Bank Limited) KRM Tower, 7 <sup>th</sup> floor, No.1 Harrinton Road, Chetpet, Chennai-600 031.	<b>बनाम/ Vs.</b>	<b>DCIT.,</b> Corporate Circle-2(2), Chennai.
<b>स्थायी लेखा सं./जी आइ आर सं./PAN/GIR No. AADCI-6523-Q</b>		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थी की ओर से/ <b>Appellant by</b>	:	Shri Niraj Sheth (Advocate)- Ld.AR
प्रत्यर्थी की ओर से/ <b>Respondent by</b>	:	Shri J.Premanand (CIT)-Ld. Sr. DR

सुनवाई की तारीख/ <b>Date of Hearing</b>	:	12-12-2023
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	19-12-2023

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. The sole grievance of the assessee in the captioned appeal is confirmation of certain disallowance u/s 14A. Though the assessee has raised another ground relating to disallowance of provision on security receipts while computing Book Profits, however, Ld. AR submitted that the same is tax neutral and the assessee is not pressing the same. A letter to that effect has been placed on record.

2. On the issue of disallowance u/s 14A, Ld. AR submitted that Tax free Bonds which have been considered in the computations, constitute stock-in-trade for assessee bank and the same is to be excluded as per the decision of Hon'ble Supreme Court in the case of **South Indian Bank Ltd. vs. CIT (130 Taxmann.com 178)**. The Ld. AR submitted that if this item is removed, the disallowance would fall much below suo-motu disallowance as offered by the assessee. Having considered case records, our adjudication would be as under.

3. The assessee earned exempt income of Rs.124.22 Crores and offered suo-motu disallowance of Rs.118.53 Lacs. However, Ld. AO, invoking Rule 8D, computed disallowance of Rs.28.25 Crores and added the differential of Rs.27.07 Crores to the income of the assessee while computing income under normal provisions as well as while computing Book Profits u/s 115JB.

4. The Ld. CIT(A) concurred with assessee's submissions that only exempt yielding investments are to be considered while computing the said disallowance. However, Ld. CIT(A) upheld the adjustment thereof u/s 115JB. Aggrieved, the assessee is in further appeal before us.

5. We find that the assessee is a Bank. The Hon'ble Supreme Court in the case of **South Indian Bank Ltd. vs. CIT (130 Taxmann.com 178)**, at para 25, held as under: -

**25.** Proceeding now to another aspect, it is seen that the Central Board of Direct Taxes (CBDT) had issued the Circular no. 18 of 2015 dated 2-11-2015, which had analyzed and then explained that all shares and securities held by a bank which are not bought to maintain Statutory Liquidity Ratio (SLR) are its stock-in-trade and not investments and income arising out of those is attributable, to business of banking. This Circular came to be issued in the aftermath of *CIT v. Nawanshahar Central Co-operative Bank Ltd.* [2007] 160 Taxman 48/289 ITR 6 (SC), wherein this Court had held that investments made by a banking concern is part of their banking business. Hence the income earned through such investments would fall under the head

Profits & Gains of business. The Punjab and Haryana High Court, in the case of *Pr CIT v. State Bank of Patiala* [2017] 88 taxmann.com 667/393 ITR 476 (Punj. & Har.), while adverting to the CBDT Circular, concluded correctly that shares and securities held by a bank are stock-in-trade, and all income received on such shares and securities must be considered to be business income. That is why section 14A would not be attracted to such income.

Considering the ratio of aforesaid decision, we direct Ld. AO to examine this aspect of the matter and apply the ratio of the decision to the case of the assessee. If the disallowance as computed by Ld. AO falls below the suo-motu disallowance as offered by the assessee, no further disallowance would be called for.

6. So far as the adjustment of this item u/s 115JB is concerned, we find that this issue is covered in assessee's favor by the decision of Special Bench of Tribunal in **Vireet Investments Pvt. Ltd. (165 ITD 27)**. Respectfully following the same, we direct Ld. AO not to make any such adjustment u/s 115JB.

7. The appeal stand partly allowed in terms of our above order.

*Order pronounced on 19<sup>th</sup> December, 2023*

**Sd/-**

**(V. DURGA RAO)**

**न्यायिक सदस्य/JUDICIAL MEMBER**

**Sd/-**

**(MANOJ KUMAR AGGARWAL)**

**लेखासदस्य / ACCOUNTANT MEMBER**

चेन्नई Chennai; दिनांक Dated :19-12-2023

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**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

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