

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH: BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT  
AND  
SHRI PRAKASH CHAND YADAV, JUDICIAL MEMBER**

<b>ITA No. 499/Bang/2025</b>
<b>Assessment Year : 2016-17</b>

M/s. Canara Bank, FM Wing, Head Office, 112, J C Road, Bengaluru – 560 002. <b>PAN: AAACC6106G</b>	<b>Vs.</b>	The Deputy Commissioner of Income Tax, Circle – 2(2)(1), Bengaluru.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri S. Ananthan, CA
Revenue by	:	Shri Shivanand Kalakeri, CIT-DR

Date of Hearing	:	24-06-2025
Date of Pronouncement	:	25-08-2025

**ORDER**

**PER PRAKASH CHAND YADAV, JUDICIAL MEMBER: -**

**1.** Present appeal of the assessee is arising from the order of the Ld.CIT(A) dated 10/01/2025 having DIN & Order No: ITBA/NFAC/S/250/2024-25/1072081191(1) and relates to the A.Y. 2016-17.

**2.** The brief facts of the case as coming out from the orders of authorities below are that the assessee is bank, filed its return of income for the impugned year on 29.11.2016 declaring an income of Rs. 2183.78 crores. This return of income was taken up for scrutiny and thereafter assessment u/s. 143(3) was completed by making following disallowances:

Sl. No.	Nature of additions/disallowances	Amount in Rs.
1	Disallowance of Bad debts written off u/s 36(1)(vii)	2690,92,51,119.00
2	Taxation of Unrealized gain on Revaluation of Forward Contract	152,96,75,137.00
3	Disallowance of Expenditure towards CSR	22,47,91,880.00
4	Disallowance of Trust Expenses	6,50,00,000.00
5	Excess Claim of Depreciation on ATM, Note Counting Machine & Weighing Machine	13,26,22,004.00
6	Penalty under Explanation to Section 37(1)	10,00,000.00
7	Disallowance u/s 14A	112,57,34,064.00
8	Depreciation on Investments	92,54,04,660.00
9	Depreciation on Leased Assets	1,21,018.00
10	Capitalisation of Software Expenses	21,10,37,644.00
11	Interest Accrued but not due on Securities	2455,15,72,986.00
12	Deduction u/s 36(1)(viii)- Special Reserve	600,00,00,000.00
13	Disallowance of bad debts u/s 36 (1)(vii a)	1471,37,68,409.00
14	Short allowance of tax paid by overseas branch u/s 90, 91	1,05,75000.00
15	Applicability of MAT Provisions	
	<b>TOTAL</b>	<b>7640,05,53,921.00</b>

3. Aggrieved with the order of AO, the assessee preferred an appeal before the Ld.CIT(A) who partly allowed the appeal of the assessee.

4. Aggrieved with the order of the Ld.CIT(A), the assessee has come up in appeal before us and has raised the following grounds of appeal:

*“1. The order of the learned CIT(A) is against the law and facts of the case.*

*2. The learned CIT(A) erred in law in confirming the disallowance of depreciation on Note counting machines & electronic weighing machines by treating the same as plant & Machinery.*

*2.1. The learned CIT(A) erred in treating the above equipment as plant & machinery instead of computer, despite various decisions of Hon'ble Tribunal and High Courts favouring the classification adopted by the Appellant.*

*2.2. The learned CIT(A) failed to appreciate the fact that these equipments are also embedded with artificial intelligence chip which works similar to computer equipment in carrying out their respective activities.*

*3. The learned CIT(A) erred in confirming the disallowance of Rs. 10,00,000/- paid to RBI as penalty.*

3.1. *The learned CIT(A) failed to appreciate the fact that the amount paid to RBI is not towards violation of any legal provisions.*

3.2. *The learned CIT(A) erred in holding that the Explanation 1 to section 37 is not applicable.*

4. *The learned CIT(A) erred in not deleting disallowance u/s 14A of the Act r.w.r 8D(2)(iii).*

4.1. *The learned CIT(A) erred in directing the Assessing Officer to recompute the disallowance u/s 14A after considering the judgment of Hon'ble Supreme Court of India in the case of South India Bank Ltd and other judicial pronouncements pointed out by the appellant.*

4.2. *The CIT(A) failed to appreciate the fact that no disallowance can be made u/s 14A in the case of the Bank based on the facts of the case.*

4.3. *The learned CIT(A) failed to appreciate the fact that the learned Assessing Officer has not recorded any satisfaction as required u/s 14A.*

5. *The learned CIT(A) erred in confirming the disallowance of the Software Expenses amounting to Rs. 21,10,37,644/-.*

5.1 *The learned CIT(A) erred in not appreciating the fact that the appellant Bank has already classified the expenditure as Capital Expenditure.*

5.2. *The learned CIT(A) failed to appreciate the fact that the disallowance made by the learned Assessing Officer amounts to double disallowance.*

6. *The learned CIT(A) erred in law and on facts in remanding the matter back to learned Assessing Officer for recomputing the deduction u/s 36(1)(viii).*

*The appellant craves the permission to add, amend, modify, alter, revise, substitute, delete any or all grounds of appeal, if deemed necessary at the time of hearing of the appeal.”*

**5.** Appearing on behalf of the assessee, the Ld.AR has filed one chart tabulating the issues involved in the present appeal. The Counsel for the

assessee argued that ground no. 1 is general in nature and hence does not require any specific adjudication.

**6.** In ground no. 2, the assessee has challenged the disallowance of depreciation on note counting machine and weighing machine.

**7.** In ground no. 3, the assessee has challenged the disallowance of Rs. 10 Lakhs on account of sum paid to RBI in the nature of penalty.

**8.** The assessee did not press Ground no. 4.

**9.** In ground no. 5, the assessee has challenged the disallowance of software expenses.

**10.** The assessee did not press ground no. 6.

**11.** Beside these above grounds, the assessee has also raised additional ground with respect to the issue of recovery of bad debts written off by the rural branches of the appellant bank.

**12.** With respect to ground no. 2, the counsel for the assessee argued that note counting machine and electronic weighing machine are also computers and hence entitled for higher rate of depreciation. He further argued that in previous years that is in AY 2015-16, 2017-18, 2018-19 and 2019-20, the Ld CIT(A) has allowed the depreciation qua note counting machine and weighing machine @60% and the revenue has not agitated these issues further in appeal before the ITAT. Therefore, applying the principle of consistency the claim of the assessee should be allowed. The Ld. DR relied on the orders of the authorities below.

**13.** We have heard the rival submissions and perused the material available on record.

**14.** We observe that initially, the assessing officer took a view that the ATM machines, note counting machines and electronic weighing machines are not computers rather plant and machinery and hence entitled for depreciation at 15% and not 60%. We, further observe that so far as the issue of depreciation @ 60% vis-a-vis ATM machines is concerned, this issue is no more res-integra in view of the judgment of Hon'ble Karnataka High Court in case of CIT vs. M/s. NCR Corporation Pvt. Ltd. reported in 2020 (6) TMI 439 and has been followed by the CIT(A).

**15.** Now we are concerned with the rate of depreciation to be given on note counting machines and electronic weighing machines. We are of the view that so far as the note counting machines and weighing machines are concerned, the assessee would succeed on the basis of principle of consistency as propounded by the Hon'ble Apex Court in the case of Radha Sawami Satsang reported in 193 ITR 321(SC), wherein it has been held that principle of *resjudicata* are not applicable to the tax proceedings but principle of consistency demands that there should be consistency in the approach of revenue. Since facts of the impugned year are similar to the AY 2017-18 and there is no change in law. Respectfully following the verdict of Hon'ble Apex court we allow the claim of the assessee.

**16.** Insofar as ground no. 3 is concerned i.e. addition of Rs. 10 Lakhs on account of sum paid to RBI for infraction of the guidelines of the RBI, the counsel for the assessee has not filed any evidence either before the Ld.CIT(A) or before the AO to demonstrate that the amount of Rs. 10 Lakhs was not related to any offence rather was paid for procedural lapse. Before us also, the assessee has not filed any evidence to show that the amount has been paid as composition fee in lieu of some offence or for procedural irregularities. Ld AR pointed out that similar issue had come up for hearing in ITA Number 222/Bang/2024 related to AY 2017-18 in assessee's own case, wherein the Coordinate Bench following the view of the coordinate bench in assessee's own case related to 2019-20 in ITA Number 391 & 392/Bang/2023 order dated 22.12.2023 has observed as under: -

*"17 We have heard the rival submissions and perused the materials available on record. Similar issue came for consideration before the ITAT in assessee's own case in ITA No.391 & 392/Bang/2023 & ITA No.663/Bang/2023 dated 22.12.2023 for the AY 2019-20, wherein the Tribunal held as under:*

*"21. Ground No.8 is raised by the assessee in respect of the disallowance made of the RBI Penalty paid by the assessee.*

*21.1 It is submitted that the assessee had made payment of Rs.1,00,000/- as penalty to RBI for non compliance of RBI guidelines which are submitted to be general in nature. The Ld.AO disallowed the same treating it to be in the nature of penal in nature. On an appeal before the Ld.CIT(A) the disallowance was upheld. Aggrieved by the order of the Ld.CIT(A) the assessee is in appeal before us now. At the outset it is submitted that a similar disallowance was made in case of Union Bank of India vs. DCIT reported in (2022) (3) TMI 1131 by coordinate bench of this Tribunal. The Ld.AR placed reliance of the observation of the this tribunal in that case of Union Bank of India(supra) and submitted that the matter may be remanded to the Ld.AO for necessary verification in light of the directions therein.*

*The Ld. DR also did not object to the request of the Ld.AR in remanding the issue to the Ld.AO.*

*21.2 We note that this Tribunal in case of Union Bank of India vs. DCIT (supra) observed and held as under:*

*"16.4 We heard rival submissions and perused the materials on record. We notice that the Mumbai Tribunal in IDBI Bank Ltd., case (Supra) while considering a similar penalty payment to RBI has held that the amount paid by the assessee is not in the nature of penalty. The Hon'ble Mumbai Tribunal in this case has held that —*

*12.1 In the instant case, as recorded by the AO the assessee has claimed expenses on account of penalty of 15,00,000/- imposed by the RBI u/s 47A of the Banking Regulation Act, 1949 and 94,200/- for noncompliance of guidelines on customer service, guidelines in respect of exchange of coins and small de-nomination notes and mutilated notes. The ratio laid down in the decisions mentioned at para 12 is squarely applicable to the instant case instead of the decision in ANZ GrindlaysBank (supra) relied on by the Ld. DR. Therefore, following the decisions mentioned at para 12 above, we delete the disallowance of 15,94,200/- levied by the AO. Accordingly, the 2nd ground of appeal is allowed."*

*16.5. We notice that the Hon'ble Mumbai Tribunal in the above case has analysed the provisions of the Banking Regulation Act to understand the nature of fine / penalty paid before coming to the conclusion that the amount claimed are routine fines or penalties and that they are compensatory' in nature not punitive. We further notice as observed by the CIT(A) in the order, the assessee has not furnished the full details of the nature of payment made to RBI. We are of the considered view that the provisions under which these payments are done need to be looked into in detail and it will not be correct to conclude without analyzing the same. We therefore remand the case back to the AO to look into the details of payments made to RBI to see if these are routine payments for a procedural noncompliance or whether they are punitive. We allow the appeal of the assessee for statistical purposes."*

*Considering submissions of both sides, we remand this matter to file of AO to look into the details/nature of payments made by assessee to RBI in order to verify whether these are routine payments for procedural non-compliances or were punitive in nature. The Ld. AO is then directed to consider this issue in accordance with law. Based on the above observation we remand this issue to the Ld.AO for necessary verification and consideration of the issue in accordance with law.*

***Accordingly Ground no.8 raised by the assessee stands partly allowed for statistical purposes."***

*17.1 In view of the above order of the Tribunal in assessee's own case, taking a consistent view, we remit the issue/matter to the file of AO for fresh consideration with the above observation and accordingly, we partly allow the ground of revenue for statistical purposes."*

**16.1** Following the above view we hereby restore this issue to the file of AO to look into the details/nature of payments made by assessee to RBI in order to verify whether these payments are routine payments for procedural non-compliances or were punitive in nature.

**17.** Next issue is related to disallowance of software expenses. During the course of assessment proceedings, the AO observed that the assessee has incurred a sum of Rs. 51,24,28,469/- towards software expenses and had claimed the entire expenditure as revenue. The assessing officer further observed that the appellant failed to furnish the bills / invoices to ascertain the character of the expenditure in respect of the 7 items. Accordingly, the assessing officer disallowed these expenses. However, the AO allowed 60% depreciation on these 7 items. Before the Ld.CIT(A) also, the assessee could not file any evidence as evident from the para 16.3 of the CIT(A) order. Before us the Ld Counsel for the assessee pleaded that assessee may be given one more opportunity to file the details of bills before the AO, Ld DR could not object to the prayer of the assessee.

**17.1** After considering the rival submissions of both the parties, we are of the view that it is the duty of the assessee to file requisite evidences before the AO in support of the claim and if the assessee failed to file the cogent evidences before the AO. In this case, the assessee could not be able to file the bills of 7 items as pointed out by the AO. In the interest of justice, we restore this issue to the file of AO. Therefore, this ground of appeal of the assessee is allowed for statistical purpose.

**18.** Now coming to the additional ground i.e. taxability of recovery of bad debts writing off in respect of rural debts as raised by the assessee in the additional ground application, the only prayer of the assessee is to restore this issue to the file of AO as it would be amounting to double taxation of the same amounts, it is the contention of the assessee that the assessee has

never claimed deduction of rural advances u/s 36(1)(vii) of the I.T.Act. The DR did not object to the prayer of the assessee

18.1 After considering the rival submissions we are of the view that this issue requires further adjudication at the end of the AO, since it is settled position of law that an income cannot be taxed twice. Therefore, we restore this issue to the file of AO, to see as to whether the assessee has written off bad debts of rural advances and has claimed deduction of 36(1)(vii) in past or not and decide the issue in accordance with law. Therefore, we restore this issue to the file of the AO.

**19.** In the result, the appeal filed by the assessee is partly allowed as indicated above.

Order pronounced in the open court on 25<sup>th</sup> August, 2025.

Sd/-  
(PRASHANT MAHARISHI)  
Vice – President

Sd/-  
(PRAKASH CHAND YADAV)  
Judicial Member

Bangalore,  
Dated, the 25<sup>th</sup> August, 2025.  
/MS /

Copy to:

- |               |                        |
|---------------|------------------------|
| 1. Appellant  | 2. Respondent          |
| 3. CIT        | 4. DR, ITAT, Bangalore |
| 5. Guard file | 6. CIT(A)              |

By order

Assistant Registrar,  
ITAT, Bangalore