

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

श्री एबी टी वर्की, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
BEFORE SHRI ABY T VARKEY, JUDICIAL MEMBER AND
SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.:1502/Chny/2025

निर्धारण वर्ष / Assessment Year: 2018-19

Karur Vysya Bank, Erode Road, Karur – 639 002.	vs.	DCIT, Circle-1, Trichy.
[PAN:AAACT-3373-J] (अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

आयकर अपील सं./ITA No.:1889/Chny/2025

निर्धारण वर्ष / Assessment Year: 2018-19

DCIT, Circle-1, Trichy.	vs.	Karur Vysya Bank, Erode Road, Karur – 639 002.
(अपीलार्थी/Appellant)		[PAN:AAACT-3373-J] (प्रत्यर्थी/Respondent)

Assessee by : Shri. S. Ananthan, C.A. &
Ms. R. Lalitha, C.A.
Department by : Ms. E. Pavuna Sundari, C.I.T.

सुनवाई की तारीख/Date of Hearing : 03.09.2025
घोषणा की तारीख/Date of Pronouncement : 17.11.2025

आदेश / O R D E R

PER S. R. RAGHUNATHA, AM :

The captioned appeals are the cross appeals filed by the assessee and Department respectively against the order of the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [In short "the Ld. CIT(A)"] for the assessment year (A.Y.) 2018-19.

1.1 At the outset, we find that there is a delay of 31 days in filing the appeal by the Revenue. The department has filed the reasons for filing the appeal belatedly and after considering the same the delay is condoned and taken up for adjudication.

ITA No. 1502/CHNY/2025:

2. The grounds raised by the assessee for A.Y. 2018-19 are as follows:

1. *The order of the learned CIT(A) is against the law and facts of the case.*
2. *The learned CIT(A) erred in confirming that certain branches as non-rural branches and disallowing a sum of Rs. 19,96,89,544/- claimed by the appellant bank u/s.36(1)(viiia).*
 - 2.1. *The learned CIT(A) erred in holding that some of the branches are not rural branches as per the definition of Section 36(1)(viiia).*
 - 2.2. *The learned CIT(A) failed to appreciate the fact that term "rural branch" is to be determined based only on the population and not on any other basis.*
 - 2.3. *The learned CIT(A) failed to appreciate that branches have been classified as rural branches as per Reserve Bank of India classification, based on the population data, and on that basis, licenses have been granted.*
 - 2.4. *The learned CIT(A) failed to appreciate that the provisions of the Income Tax Act and the Rules, thereunder, do not stipulate an alternate method to determine the status of rural branches.*
 - 2.5. *The learned CIT(A) erred in not directing the Assessing Officer to revise the eligible deduction u/s.36(1)(viiia) after considering the additions made to the returned income by the Ld. Assessing Officer.*
 - 2.6. *The learned CIT(A) erred in considering certain branches as non-rural branches based on surmises and conjectures.*
3. *The lower authorities erred in disallowing Rs.42,75,76,143/- u/s.36(1)(vii) being the bad debts written off by the non-rural branches of the Appellant bank.*
 - 3.1. *The lower authorities failed to appreciate the fact that the non-rural debts are not controlled by the proviso to Section 36(1)(vii).*
 - 3.2. *The lower authorities erred in not following the decisions of the Hon'ble Supreme Court in the case of Catholic Syrian Bank Ltd vs CIT [2012] 343 ITR 270 (SC).*
 - 3.3. *The lower authorities failed to appreciate the fact that introduction of Explanation 2 to Section 36(1)(vii) by Finance Act, 2013 has not changed the proposition of law as it existed before introduction of such explanation.*
 - 3.4. *The lower authorities failed to appreciate the fact that this issue is covered by the orders of the Hon'ble ITAT in the appellant bank's own case.*

The learned Assessing Officer be directed to allow the recovery from the bad debts written off by the rural branches of the appellant bank, as no deduction was claimed in respect of these debts u/s 41(4).

3. Brief facts of the case are that the assessee is a Banking Company carrying on the business of banking in India. The assessee filed its return of income electronically on 06.10.2018 admitting a total income of Rs.509,79,62,270/- computed under the regular provisions of the Income Tax Act, 1961 (in short "the Act") and Book Profit of Rs.660,04,77,151/- under the provisions of section 115JB of the Act. The case was selected for scrutiny through CASS under E-assessment Scheme, 2019 and notice dated 22/09/2019 u/s.143(2) of the Act, was issued. Subsequently, notices u/s.142(1) of the Act were issued on various dates calling for information. In response to the e-notices, the assessee submitted certain details before the National Faceless Assessment Centre. The Assessing Officer ignoring the submissions made by the assessee, passed an order u/s.143(3) of the Act dated 31.05.2021, assessing the Total Income of the assessee bank at Rs.697,05,64,35/- under normal provisions after making following additions and disallowance of claims made / deduction claimed by the assessee:

Sl. No	Nature of additions/disallowances	Amount in Rs.
1	Disallowance of depreciation on investments	91,05,14,883
2	Disallowance of Provision for Bad and Doubtful Debts u/s.36(1)(viii)	19,96,89,544
3	Disallowance of Excess claim of Bad debts u/s 36(1)(vii)	42,75,76,143
4	Disallowance on account of stale drafts account	41,46,170
5	Disallowance of ex-gratia payment	33,06,75,325
	TOTAL	1,87,26,02,065

4. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld. CIT(A), NFAC, Delhi.

5. The Ld.CIT(A), vide the impugned order dated 31.03.2025 partly allowed the appeal of the assessee. He allowed the grounds of the assessee as tabulated below:

Sl. No	Particulars	Amount (Rs.)
1	Disallowance of depreciation on investments	91,05,14,883
2	Disallowance on account of stale drafts account	41,46,170
3	Disallowance of ex-gratia payment	33,06,75,325
	TOTAL	1,24,53,36,378

6. The Ld. CIT(A) however, did not allow the grounds of the assessee on the following issues:

Sl. No	Particulars	Amount (Rs.)
1	Disallowance of Provision for Bad and Doubtful Debts u/s.36(1)(viiia))	19,96,89,544
	TOTAL	19,96,89,544

7. Aggrieved by the order of the Id.CIT(A), both the assessee & Revenue are in appeal before us.

8. Ground No.1 of the assessee's appeal is general ground and hence requires no adjudication.

8.1 The first issue that came up for our consideration from Ground Nos. 2, 2.1 to 2.6 of the assessee's appeal is disallowance of provision for bad and doubtful debts u/s 36(1)(viiia) – Rs. 19,96,89,544/-

8.2 The assessee had claimed a deduction of Rs.227,08,23,702/- u/s.36(1)(viiia) of the Act. The AO restricted this deduction to Rs.207,11,34,158/- and disallowed Rs.19,96,89,544/- on account of the fact that 11 branches of the Bank does not fall under the category of rural branches since some of the branches are situated in village panchayats which are part of greater metropolitan area and as such, the same cannot

be treated as rural area even if the population is less than 10,000 and in the case of some other branches the population would have increased 10,000 after the 2011 census.

8.3 Ld. CIT(A) upheld the action of the AO.

8.4 The Ld. ARs submitted that this issue is squarely covered by the decision of this Tribunal in the assessee's own case in ITA No.2765/Chny/2017 for A.Y.2013-14 vide order dated 03-11-2021.

8.5 The Ld. DR relied on the order of the lower authorities.

8.6 We have heard both the parties perused materials available on record and gone through orders of the authorities below along with the case laws relied on. We find that an identical issue has been considered by the co-ordinate bench of the Tribunal in the assessee's own case in ITA No.2765/Chny/2017 (supra), where under the identical set of facts, the Tribunal has decided the issue in favour of the assessee. The relevant findings of the Tribunal are as under:-

"14.4 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. The fact with regard to eligibility of assessee for claiming the benefit of provisions of section 36(1)(viiia) of the Act is not in dispute. In fact, the AO as well as the Id.CIT(A) have accepted the fact that the assessee is entitled for provision for bad and doubtful debts in respect of rural branches u/s.36(1)(viiia) of the Act. The only dispute is with regard to 3 branches namely, Kelambakkam, Medavakkam in Chennai Metropolitan Area and Manikonda in Hyderabad Metropolitan Development Authority. As per the Revenue authorities' findings, those 3 branches are urban branches because said branches fall within Chennai Metropolitan Area and Hyderabad Metropolitan Development Authority. Therefore, the AO as well as CIT(A) opined that even though local panchayat population where the branches are situated is less than 10,000, but because those 3 branches are part of urban conglomerate or territorial distance of Chennai Metropolitan Area and Hyderabad Metropolitan Development Authority, those 3 branches cannot be considered as rural branches for the purpose of provisions of section 36(1)(viiia) of the Act. The Id.CIT(A) had discussed the issue at length in light of provision of section 36(1)(viiia) of the Act and decision of Hon'ble Kerala High Court in the case of CIT vs. Lord Krishna Bank, [2011] 339 ITR 606 and observed that "place" as mentioned in section 36(1)(viiia) of the Act, with reference to "place" as defined in census report of 2001 means, "the basic unit for rural areas is the revenue village with definite surveyed boundaries. The

rural area is, however, taken as the residual portion excluding the urban area and for that no strict definition is followed.” The CIT(A) further noted that if we go by the ratio of Hon’ble Kerala High Court in the case of Lord Krishna Bank, supra, only those branches which are located in rural areas are covered in provisions of section 36(1)(viiia) of the Act, but not those branches which are part of greater urban territorial limits, even though, said branches are served by Village Panchayat, whose population is less than 10,000, as per 2001 or 2011 census.

- 14.5 We have given our thoughtful consideration to the reasons given by the Id.CIT(A) in light of various arguments advanced by the assessee and we ourselves do not subscribe to reasons given by the CIT(A), for the simple reason that assessee had classified bank branches into rural, semi-urban and urban branches as per guidelines issued by the RBI. In the present case, for the impugned assessment year, the assessee has strictly gone by Circular issued by RBI which is based on 2001 census, as per which those 3 branches are rural branches. Admittedly, the assessee does not have any right to classify branches according to its own wish or whims because banks are covered by RBI guidelines and further, they have to strictly follow guidelines issued by RBI for all purposes including accounting of provisions, etc. In this case, as per the evidences filed by the assessee, the RBI has classified those 3 branches as rural branches, when the assessee has made provision for bad debts u/s.36(1)(viiia) of the Act. Therefore, in our considered view, provision made by the assessee u/s.36(1)(viiia) of the Act is in accordance guidelines of RBI and further in accordance with law.
- 14.6 Be that as it may. As per the provisions of section 36(1)(viiia) of the Act, “rural branch” means a branch of a scheduled bank situated in a place which has a population of not more than ten thousand, according to the last preceding census of which the relevant figures have been published before the first day of the previous year”. In this case, for the impugned assessment year the first day of relevant previous year is 01.04.2012. Therefore, the assessee while making provisions u/s.36(1)(viiia) of the Act, should consider population figure of that place as on first day of relevant previous year. If you go by said analogy then, whether the assessee needs to consider population data of 2001 census or 2011 census is the question. Admittedly, the assessee has followed 2001 census for the purpose of classification of those 3 branches as rural branches. The assessee has adduced reasons for classifying those branches, as per 2001 census. According to the assessee, population data of 2011 was not available when the assessee has finalized its accounts and provision was created u/s.36(1)(viiia) of the Act. For this purpose, the assessee has furnished necessary evidences including reply received from Registrar General of India, Ministry of Home Affairs, in response to RTI application, as per which provisional and final population data of 2011 census was published in official Gazette on 30.04.2013. In this case, financial year relevant to assessment year 2013-14 ends on 31.03.2013. As per evidence available on record, the 2011 census data was not made available to the assessee as on 31.03.2013. Therefore, we are of the considered view that once official census figure was not published in official gazette of Government of India, then the assessee has to consider official census data available in public domain when the provision was created in the books of accounts of the assessee. In this case, no doubt of whatsoever with regard to population data of 2011 which is made available to general public only in April, 2013, which is beyond relevant financial year. Although, the Id.DR has filed certain evidences including Google search information, and argued that provisional census data of 2011 was released on 31.03.2013, but said data is unauthenticated, not certified by any authorities.

Therefore, based on said evidence, we cannot conclude that population data of 2011 was available in public domain as on 31-03-2011.

14.7 Insofar as, findings of Id.CIT (A) regarding those 3 branches fall within the territorial jurisdiction of Chennai Metropolitan Area and Hyderabad Metropolitan Development Authority, we are of the considered view that once a place is served by a separate Town Panchayat / Municipal Panchayat, the population figure of Municipal Panchayat / Town Panchayat is relevant to decide whether a particular place is rural or urban depending upon the population of said village panchayat. Further, those branches may fall within the limits of urban territorial jurisdiction of Chennai Metropolitan Area and Hyderabad Metropolitan Development Authority but those, places are served by local Municipality, which is having jurisdiction over said area. In this case, those 3 branches which fall within the limits of Village Panchayat and as per 2001 census, population of those Village Panchayat is less than 10,000 and thus, we are of the considered view that those 3 branches are definitely rural branches for the purpose of provision of section 36(1)(viiia) of the Act”.

8.7 In the present facts and circumstances of the case and respectfully following the decision of the Tribunal(supra), we hold that the classification of the branches as rural has to be strictly made based on the population data as per the latest census, the data of which is published on or before the first day of the previous year. It is pertinent to note that the term “rural branch” is defined in the section and therefore, the said definition has to be followed strictly. We, therefore, delete the addition made by the AO and allow the ground of the assessee.

9. The next issue that came up for our consideration from Ground No. 2, 3.1 to 3.4 of the assessee’s appeal is relating to disallowance of bad debts u/s.36(1)(vii) – Rs. 42,75,76,143/-.

9.1 The assessee has raised these grounds for the first time before us requesting to delete the disallowance of Rs.42,75,76,143/- being the bad debts written off by the non rural branches of the assessee.

9.2 The Ld.ARs submitted that it is purely a legal ground and the details are available on records. They also submitted that this issue is covered on merits in

favour of the assessee in their own case by the co-ordinate Bench of the Tribunal.

9.3 The Id.DR submitted that the grounds of appeal raised for the first time and hence need to be dismissed.

9.4 We heard both the parties perused the material available on record. We find that this issue is raised for the first time before us. We also find that this ground is purely a legal ground and the details are available on records. Since it is a legal ground, following the settled principles in this regard, we allow this ground to be raised. However, as the issue has not been examined by the Ld.CIT(A), we remit the issue back to the files of Id.CIT(A) to decide the issue on merits after affording a reasonable opportunity to the assessee.

9.5 This ground of appeal is allowed for statistical purposes.

10. The next issue that came up for our consideration from Ground - of the assessee's appeal is relating to reduction of bad debts recovered by the rural branches of the Bank from Total Income:

10.1 Heard both the parties and perused the materials and gone through the orders of the authorities. We find that the Ld.CIT(A) has already decided this issue in favour of the assessee by directing the AO to allow the claim after verification. Therefore, we direct the AO to allow the claim of the assessee after verification. Needless to say, a reasonable opportunity be given to the assessee.

11. In the result, the appeal of the assessee for the Asst Year 2018-19 is partly allowed for statistical purposes.

ITA No.1889/CHNY/2025:

12. The Revenue has raised the following Grounds of appeal, which are reproduced here under:

- (1) *The order of the Ld. CIT(A) is opposed to the law on facts and in the circumstances of the case.*
- (2) *With reference to the depreciation on investment, the Ld. CIT(A) erred in not considering that the assessee failed to net-off classification wise depreciation and appreciation, as per the CBDT's Instruction No. 17/2008 dated 26th November, 2008. Further, appeal filed by the Department against the order of the ITAT for AY 2017-18 on the issue, is pending before the Hon'ble Madras High Court and the above issue has not attained finality.*
- (3) *With reference to the issue of disallowance of excess claim over the provision of bad and doubtful debts u/s 36(1)(vii), the Ld. CIT(A) erred in not considering that there is no distinction made between advances relating to non rural branch and rural branch advances in the proviso of section 36(1)(vii) of the Act.*
- (4) *With reference to the addition made towards stale drafts account, the Ld. CIT(A) erred in not considering the decision of the Hon'ble High Court of Kerala in the case of Catholic Syrian Bank Ltd. vs Addl.CIT. Further, appeal filed by the Department against the order of the ITAT for AY 2010-11 & 2011-12 on this issue, is pending before the Hon'ble Madras High Court and the above issue has not attained finality.*
- (5) *With reference to the issue of additions made on account of stale drafts account, the Ld. CIT(A) erred in deleting by holding that no addition can be made on account of stale drafts found in the books of accounts of the assessee, when these are unclaimed balance and there were no claimants.*
- (6) *With reference to addition made towards Ex-gratia payments. the Ld. CIT(A) has erred in deleting the addition made towards Ex-gratia payments made by the assessee to its employees who were not covered under Payment of Bonus Act.*
- (7) *For these and such other grounds that may be adduced at the time of hearing and it is prayed that the order of the Ld.CIT(A) may be reversed and that of the Assessing Officer be restored.*

13. The first issue that came up for our consideration from ground No. 2 of Revenue Appeal is against the deletion of depreciation on Investments - Rs.91,05,14,883/-:

13.1 The assessee has claimed deduction of depreciation on investments based on Reserve Bank of India (RBI) guidelines. The Assessing Officer disallowed the same on the ground that the assessee did not net off the appreciation with the

depreciation as per RBI guidelines and CBDT Instruction No.17/2008 dated 26/11/2008. The Ld.CIT(A) in para 5.2 of the impugned order noticed that the assessee had claimed net depreciation of Rs.91,05,14,883/- after adjustment of appreciation and depreciation for the year under consideration and further found that the working of the valuation of the securities by the assessee, was in accordance with the RBI guidelines. The Ld.CIT(A), following the decision of the Co-ordinate Bench of the Tribunal for the A.Y. 2017-18 allowed the claim of the assessee.

13.2 The Ld. AR for the assessee, Shri.S.Ananthan, CA and R.Lalitha, CA, submitted that the Bank is bound to follow the Income Computation and Disclosure Standards (ICDS) notified vide Notification No. 87/2016 dated 29/9/2016 with effect from the A.Y 2017-18. It is their submission that Part B of ICDS VIII is applicable to Banks and as per the same, the valuation of the securities is to be carried out as per the RBI guidelines and any claim of deduction as per the said guidelines is allowable. It is only the excess claim over and above the guidelines are not allowed. It was further submitted that the assessee Bank has followed the RBI guidelines, and net depreciation has been charged to P&L a/c. after taking into account the category wise security appreciation and therefore, it is an allowable deduction. It is their submission that the Ld.CIT(A) has also allowed the same following the decision of this Hon'ble Tribunal in assessee's own case in ITA No.620/Chny/2020 for A.Y.2017-18 vide order dated 20.09.2024.

13.3 Per contra, the Ld. DR relied on the order of the AO.

13.4 We have heard the rival arguments and perused the materials on record. We note that the Ld.CIT(A) has clearly recorded a finding that Assessee has followed the provisions of ICDS and claimed only the net depreciation as per RBI guidelines. The

Revenue could not controvert this factual finding. We notice that the co-ordinate Bench of the Tribunal in the assessee's own case in ITA No.620/Chny/2020 (supra) decided the issue in favour of the assessee by holding as follows:

"8.4 We heard the rival arguments and perused the materials on record. We note that the Government has notified ICDS vide Notification No.87/2016 dated 29/9/2016 with effect from the impugned AY. We also note that Part-B of ICDS VIII deals with securities held by Banks. Para 3 of the said ICDS read as follows:

"Securities shall be classified, recognised and measured in accordance with the extant guidelines issued by the Reserve Bank of India in this regard and any claim for deduction in excess of the said guidelines shall not be taken into account. To this extent, the provisions of Income Computation and Disclosure Standard VI on the effect of changes in foreign exchange rates relating to forward exchange contracts shall not apply."

8.5 We note that the Banks shall classify, recognize and measure securities in accordance with the extant RBI guidelines and any claim for deduction shall not be allowed. In other words, the claim for deduction shall be limited as per the RBI guidelines. The RBI guidelines state that, depreciation on equity shares obtained on restructuring cannot be adjusted against the appreciation on other equity shares. In the instant case, we find that the assessee Bank had a depreciation of Rs.3,18,81,323/- on the equity shares - restructured and had an appreciation of Rs.26,38,943/- on the preference shares - restructured. The Bank adjusted the appreciation with that of the depreciation and claimed the net depreciation of Rs.2,92,42,379/-. This claim of the appellant Bank is as per RBI guidelines and therefore is allowable as per Part-B of ICDS VIII.

8.6 In view of the matter and considering the facts and circumstances of the case, we are of the considered opinion that the assessee is entitled for deduction towards the depreciation of the equity shares - restructured and thus, we delete the addition made by the AO and allow the ground taken by the assessee."

13.5 In the present facts and circumstances of the case and respectfully following the decision of this Tribunal(supra), we uphold the order of the Id.CIT(A) and dismiss the ground of the Revenue.

14. The second issue that came up for our consideration from ground No. 3 of Revenue Appeal is against the deletion of the disallowance made u/s.36(1)(vii):

14.1 At the outset, the Ld.ARs submitted that this ground is infructuous as the same does not arise out of the impugned order of the Ld.CIT(A). The Ld.DR on the other

hand was not able to controvert the same.

14.2 We have perused the impugned order and the records. We find that the Ld.CIT(A) did not deal with the issue of disallowance u/s 36(1)(vii) of the Act. While dealing with the issue relating to not reducing the recovery of bad debts from income, he has recorded a finding that the AO had disallowed excess claim of Rs.42,75,76,146/- u/s.36(1)(vii) of the Act. However, he did not deal with this issue. Hence the ground of the Revenue fails and the same is dismissed as not arising out of the impugned order of the Ld. CIT(A).

15. The third issue that came up for our consideration from ground Nos. 4 & 5 of Revenue Appeal is against the deletion of addition made towards stale drafts - Rs.41,46,170/-:

15.1 The facts with regard to the impugned dispute are that the assessee is in the business of banking, has issued demand drafts to various persons and further any unclaimed demand drafts was kept in stale draft account under the head 'outstanding liabilities'. During the course of assessment proceedings, the AO noticed that an amount of Rs.41,46,170/- was shown under the head outstanding liabilities towards stale draft and treated the same as income of the assessee and added to total income. On appeal before the Id.CIT(A), the FAA has deleted addition made by the AO by following the decision of Tribunal in assessee's own case for earlier years.

15.2 The Id.DR submitted that the Id.CIT(A) has erred in deleting the disallowance made by the AO towards stale draft account without appreciating the fact that amount kept under stale draft account is nothing but income of the assessee and same need not to be paid to any person.

15.3 The Id.ARs for the assessee on the other hand strongly supporting the order of the Id.CIT(A), submitted that the issue is squarely covered in favour of the assessee by the decision of Tribunal in assessee's own case for assessment year 2017-18 in ITA No.635/Chny/2020 vide order dated 20.09.2024, where under identical circumstances the Tribunal had upheld the order of the Ld.CIT(A), which deleted the addition made by the AO by holding that amount kept under stale draft account is not income of the assessee. He further submitted that the Hon'ble High Court of Madras has considered an identical issue in case of *City Union Bank Ltd., vs. CIT reported in [2020] 118 taxmann.com 96 2020-TIOL-807-HC-MAD-IT*, wherein it has been clearly held that amount kept under stale draft account cannot be treated as income of the assessee.

15.4 We have heard both the parties, perused materials available on record and gone through orders of the authorities below along with case laws relied on. We find that the issue has been decided in assessee's own case by the Tribunal order (supra) by holding as under:

"15.4 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. We find that the issue has been decided in assessee's own case by the ITAT order (supra). The ITAT held as follows:

"16.3 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. We find that the issue has been decided in assessee's own case by the ITAT order (supra). The ITAT held as follows:

"The assessee is in the banking business, has received money while issuing demand drafts / pay order to various customers. The said money was held by the bank on behalf of the drawee till he/she made claim. The assessee bank had no right over the amount which is standing unclaimed. Further, the assessee banks had to remit the amount outstanding for more than 10 years to Depositors Education & Awareness Fund Scheme maintained by Reserve Bank of India. Further, as and when the drawee makes a claim, the assessee shall issue demand draft / pay order in case the amount lying with the assessee and further, if the amount is transferred to RBI account after 10 years, then the Reserve Bank settles

the claim of the drawee. Therefore, under these facts and circumstances amount lying in stale draft account cannot be treated as income of the assessee. The ITAT after considering relevant facts has rightly held that amount lying in stale draft account under the head 'outstanding liabilities' cannot be treated as income of the assessee. A similar view has been taken by the Hon'ble Jurisdictional High Court of Madras in the case of City Union Bank Ltd., vs. CIT, supra. Therefore, consistent with view taken by the Co-ordinate Bench, we are of the considered view that there is no error in the reasons given by the CIT(A) to delete addition made by the AO towards Stale Draft Account. Hence, we are inclined to uphold the findings of the CIT(A) and reject the ground taken by the Revenue."

16.4 Respectfully following the above decision, we are inclined to uphold the findings of the CIT(A) and reject the ground taken by the Revenue."

15.5 Respectfully following the above decision, we are inclined to uphold the findings of the CIT(A) and reject the ground taken by the Revenue".

15.5 In the present facts and circumstances of the case and respectfully following the above decisions, we find any infirmity in the order of the Ld.CIT(A) and hence reject the ground taken by the Revenue.

16. The last issue that came up for our consideration from ground No. 6 of Revenue Appeal is against the deletion of disallowance of exgratia payment - Rs. 33,06,75,325/-:

16.1 The AO had disallowed ex-gratia payment made by the assessee to its staff by observing that the Revenue has filed appeals before the Hon'ble High Court against the orders of the Tribunal and in order to keep the issue alive, the claim made by the assessee was disallowed. On appeal, the Ld.CIT(A) following the earlier orders of the Tribunal, allowed the appeal of the assessee.

16.2 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. An identical issue had been considered by this Tribunal in assessee's own case for A.Y.2017-18 in ITA No.635/Chny/2020 (supra), wherein the Tribunal after considering relevant facts held that exgratia payment to staff is deductible u/s.37(1) of the Act. The relevant findings of the

Tribunal are as under:

"16.2 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. An identical issue had been considered by the Tribunal in assessee's own case for assessment year 2017-18 in ITA No. 635/Chny/2020 (supra), where the Tribunal after considering relevant facts held that exgratia payment to staff is deductible u/s. 37(1) of the Act. The relevant findings of the Tribunal are as under:

'17.1 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. An identical issue had been considered by the Tribunal in assessee's own case for assessment year 2013-14 in ITA No. 2672/Chny/2017, where the Tribunal after considering relevant facts held that exgratia payment to staff is deductible u/s. 37(1) of the Act. The relevant findings of the Tribunal are as under:

"7.1 We have heard both the parties, perused materials available on record and gone through orders of the authorities below. An identical issue had been considered by the Tribunal in assessee's own case for assessment year 2012-13 in ITA No. 3197/Chny/2017, where the Tribunal after considering relevant facts held that exgratia payment to staff is deductible u/s. 37(1) of the Act. The relevant findings of the Tribunal are as under:

16. The Ld. DR submitted that the Ld. CIT(A) erred in deleting the disallowance of ex-gratia payment following the decision of the CIT vs Maina Ore Transport Pvt. Ltd., 324 ITR 100 (Bom) = [2008-TIOL-528-HC-MUM-IT](#) and Kumaran Mills Ltd vs CIT (2000) 241 ITR 564 (Mad) which are distinguishable and not applicable to this case. Per contra, the Ld. AR supported the order of the Ld. CIT(A) and relied on this tribunal decision in its case in 72 ITR (Trib) 26 (Chennai), the relevant portion is extracted as under :

"24. Ground No. 4 challenges the disallowance of ex-gratia payment of Rs. 4,46,29,688/. We dealt with this issue in assessee's own case in ITA No. 1342/Chny/2013 for AY 2007-08 for the reasons stated vide para 6.3 of the order therein, we allow this ground of appeal in favour of the assessee bank. We direct the AO to allow the exgratia of Rs. 4,46,29,688/- as a deduction. Hence, this ground of appeal is allowed.

*24.1 In the result, ground of appeal No. 4 of the assessee is allowed."
Following the co-ordinate bench decision, supra, we do not find merit in the Revenue's appeal, therefore, the corresponding grounds are dismissed."*

7.2 In this view of matter and consistent with view taken by the Co-ordinate Bench, we are of the considered view that there is no error in the reasons given by the Id.CIT(A) to delete additions made towards disallowance of ex-gratia payment and thus, we are inclined to uphold the findings of the Id.CIT(A) and reject ground taken by the Revenue."

17.2 Respectfully following the above decision, we are inclined to uphold the findings of the CIT(A) and reject the ground taken by the Revenue."

16.3 Respectfully following the above decision, we are inclined to uphold the findings of the CIT(A) and reject the ground taken by the Revenue."

16.3 In view of the above observation and respectfully following the above decisions, we uphold the order of the Ld.CIT(A) and dismiss the ground taken by the Revenue.

16.4 In the result, the appeal filed by the Assessee for the A.Y 2018-19 is partly allowed for statistical purpose and the appeal filed by the Revenue is dismissed.

Order pronounced in the open court on 17th November, 2025 at Chennai.

Sd/-
(एबी टी वर्की)
(ABY T VARKEY)
न्यायिक सदस्य/Judicial Member

Sd/-
(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)
लेखासदस्य/Accountant Member

चेन्नई/Chennai,

दिनांक/Dated, the 17th November, 2025

SP

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT– Chennai/Coimbatore/Madurai/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF