

आयकर अपीलीय अधिकरण न्यायपीठ रायपुर में।
IN THE INCOME TAX APPELLATE TRIBUNAL,
RAIPUR BENCH, RAIPUR

BEFORE SHRI PARTHA SARATHI CHAUDHURY, JUDICIAL MEMBER
AND
SHRI AVDHESH KUMAR MISHRA, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.534/RPR/2024
निर्धारण वर्ष / Assessment Year : 2014-15

Jila Sahakari Kendriya Bank Maryadit
Head Office G.E. Road,
Rajnandgaon-491 441
PAN: AAALJ0060B

.....अपीलार्थी / Appellant

बनाम / V/s.

The Deputy Commissioner of Income Tax
Bhilai (C.G.)

.....प्रत्यर्थी / Respondent

Assessee by : Shri Rakesh Dhody, CA
Revenue by : Dr. Priyanka Patel, Sr. DR

सुनवाई की तारीख / Date of Hearing : 05.02.2026

घोषणा की तारीख / Date of Pronouncement : 06.02.2026

आदेश / ORDER**PER PARTHA SARATHI CHAUDHURY, JM:**

The present appeal preferred by the assessee emanates from the order of the Ld.CIT(Appeals)/NFAC, dated 21.10.2024 for the assessment year 2014-15 as per the grounds of appeal on record.

2. The point of contention raised by the Ld. Counsel for the assessee is with regard to disallowance of debited expenses of Rs.1,50,00,000/- under the contribution to society cadre fund which was held as not allowable expenditure u/s. 37 of the Income Tax Act, 1961 (for short 'the Act') by the Revenue.

3. The assessee viz. Jila Sahakari Kendriya Bank Maryadit is engaged in providing banking facilities to its member cooperative societies and to staff only. During the course of assessment the A.O disallowed the expenditure debited under the head 'cadre fund expenses', holding that the same is either not incurred wholly and exclusively for the purposes of business. In this regard, the Ld. Counsel for the assessee has submitted as follows:

"2. Nature and Purpose of Cadre Fund

a) The Cadre Fund is a statutory or institutional mechanism created by the cooperative banking structure to maintain and manage the cadre of trained employees who are deputed to the affiliated Primary Agricultural Credit Societies (PACS) or other cooperative societies. Administrative compliance under

the Service Rules (Seva Niyam Sangrah) framed by the Registrar under Section 55 of the Chhattisgarh Co-operative Societies Act, 1960.

b) Cadre employees are those appointed by the District Central Cooperative Bank and deputed to Primary Agricultural Credit Societies (PACS). A Cadre Fund is created for meeting their salary, allowance, and service-related expenses. The fund is composed of (a) contributions from PACS where such employees are posted and (b) the Bank's own contribution. Payments for cadre staff salaries and related expenses are made out of this Cadre Fund. The account of the Cadre Fund is maintained and audited by the District Cooperative Bank. The Cadre Fund is mandatory and subject to audit, and It forms an integral part of the service structure of cooperative banks in Chhattisgarh.

c) This system ensures that qualified personnel are made available to primary societies, and that their salaries and related costs are appropriately shared and reimbursed.

d) As per rule 64 specifies provision of Cadre Fund could be made to a sum equivalent to 1 % of the total advances made to PACS as on 31st December (advances include short term advances, medium term advances & restructured or rephased loans)

e) The provision for Cadre Fund is made by debiting the Profit Lis Loss Account and crediting a Cadre Fund (Provision) Account.

f) Actual expenditure is incurred during the year when the cadre staff is deputed to various societies and payments are made, debiting the provision account.

Refer : a) Cadre Fund : Page No 5 to 9 -

b) Accounting Treatment : Page No 114 to 200

3. Accounting Treatment and Compliance with Accounting Standards

The provision for Cadre Fund is made in accordance with:

Accounting Standard (AS) 29- Provisions, Contingent Liabilities and Contingent Assets/**Ind AS 37**, which permits recognition of a provision when:

(a) the entity has a present obligation as a result of a past event,

(b) it is probable that an outflow of resources will be required to settle the obligation, and

(c) a reliable estimate can be made of the amount of the obligation. In this case, all three conditions are satisfied:

- The obligation arises from the cadre system mandated by the cooperative structure.

- Payments are regularly made towards salaries and benefits of cadre staff.

- The estimate is based on actual deputations and historical data. Therefore, the provision is a legitimate business liability and not a contingent or unascertained one. Similar Principle was held by the Hon'ble Supreme Court in the case of Bharat Earth Movers v/ s Commission of Income Tax, Supreme Court 245 ITR 428 (SC)

Refer: Page No 110

4. Judicial Precedents in Support

The allowability of Cadre Fund expenditure as a business expense is settled by coordinate benches:

1. The District Central Co-operative Bank Ltd., Raisen v. ACIT 3(1), Bhopal

ITA No. 47/Ind/ 2014, A.Y. 2010-11 - Indore Bench (order dt. 26 Sept 2018). The Tribunal held that "The income of the assessee and District central Cooperative Bank generates from the basic activities done at the level of Primary Agricultural societies (PACS). Thus the sharing of the salary of the staff in a manner as provided in the government instructions can be said be well related to business of the assessee. Therefore, the same is allowable as per the provisions of section 37 of the Act. Considering this we direct to allow the same."

2. Jila Sahakari Kendriya Bank Marya oshangabad v. DCIT (1)(1), Bhopal

ITA No.307/ Ind/ 2015, A.Y. 2010-11 - Indore Bench. The Tribunal deleted an addition of 47.071akh on identical facts, holding that contribution to the Cadre Fund is not an

appropriation of profit but a necessary business expenditure arising from the statutory cadre system.

These coordinate-bench rulings, rendered in identical factual and legal circumstances, fully support the present assessee's claim. In all these cases, the Tribunal recognized that Cadre Fund is a statutory or institutional requirement under the cooperative structure and the expenditure is directly linked with the business operations of the bank. Refer: Page No 17 to 61.

5. Consistency Principle

The assessee has been consistently following the same accounting and provisioning method for Cadre Fund for several years. In none of the preceding assessments has such expenditure been disallowed. Disallowing the same in the current year, without any change in facts or law, is contrary to the settled principle of consistency as upheld in:

- Radhasoami Satsang vs. CIT (193 ITR 321, SC)
- CIT vs. Excel Industries Ltd. (358 ITR 295, SC)

6. Evidence and Documentation Submitted

The following supporting documents are enclosed to substantiate the genuineness of the claim:

1. Details of Cadre Fund provisions made and utilized during the current and previous years. Ledger account of Cadre Fund showing that payments have been made by debiting the provision account. (Refer Page No 114 to 200)
2. Copies of orders/deputations issued by the Bank deputing cadre staff to various affiliated cooperative societies. (Refer Page No 1 to 4)
3. Similar provision was made and allowed in preceding assessment years without disallowance. Copy of Assessment order and Audited Balance Sheet annexed herewith. (Refer Page No 201 to 236)
4. Copies of relevant judicial precedents. Refer Page No 17 to 61)

Prayer

In view of the above facts, documentary evidences, consistent accounting treatment and settled judicial precedents, it is respectfully prayed that the disallowance of Cadre Fund Expenses sustained by the learned CIT(A) may kindly be deleted.”

4. It is emphasized by the Ld. Counsel for the assessee that the provisions for cadre fund is made in accordance with Accounting Standard (AS) 29, Provisions, Contingent Liabilities and Contingent Assets/Ind AS 37, which permits recognition of a provision when: (a) the entity has a present obligation as a result of a past event; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. In this case, all these conditions are satisfied viz. (i) the obligation arises from the cadre system mandated by the cooperative structure; (ii) Payments are regularly made towards salaries and benefits of cadre staff; and (iii) the estimate is based on actual depositions and historical data.

5. The **Hon'ble Apex Court** in the case of **Bharat Earth Movers Vs. Commissioner of Income Tax, 245 ITR 428 (SC)** has held that “if a business liability has definitely arisen in the accounting year, the deduction should be allowed although the liability may have to be quantified and discharged at future date. What should be certain is the incurring of the liability. It should also be capable of being estimated with reasonable certainty though the actual quantification may not be possible.

If these requirements are satisfied the liability is not a contingent one. The liability is in present though it will be discharged at a future date. It does not make any difference if the future date on which the liability shall have to be discharged is not certain.”

6. Similarly, the **Co-ordinate Bench of the Tribunal, Indore** in the case of **Jila Sashakari Kendriya Bank Maryadit, Hosangabad Vs. DCIT (1)(1), Bhopal, ITA No.307/Ind/2015, A.Y.2010-11** held that contribution to the Cadre Fund is not an appropriation of profit but a necessary business expenditure arising from the statutory cadre system.”. Further in another decision of the Co-ordinate Bench of the Tribunal, Indore in the case of **The District Central Co-operative Bank Ltd., Raisen Vs. ACIT 3(1), Bhopal, ITA No.47/Ind/2014, A.Y.2010-11** has held that “The income of the assessee and District central Cooperative Bank generates from the basic activities done at the level of Primary Agricultural societies (PACS). Thus the sharing of the salary of the staff in a manner as provided in the government instructions can be said be well related to business of the assessee. Therefore, the same is allowable as per the provisions of section 37 of the Act. Considering this we direct to allow the same.”

7. Further, we observe that the assessee had provided all the documents and evidence regarding details of cadre fund provisions made,

ledger account of the cadre fund, copies of orders/deputations issued by the Bank deputing cadre staff to various affiliated cooperative societies. We also note that the assessee has been consistently following the same accounting and provisioning method for Cadre Fund for several years as evident from Pages 201 to 236 of the paper book wherein in all other preceding assessment years such expenditure has been allowed by the Department. That even on the principles of consistency as held by the Hon'ble Apex Court in the cases of **(i) Radhasoami Satsang vs. CIT (193 ITR 321, SC)**; and **(ii) CIT vs. Excel Industries Ltd. (358 ITR 295, SC)**, the same should be allowed since the Revenue failed to establish through any new set of facts in the relevant year. When there are no contrary evidences placed by the Department there cannot be any valid reason to take a different view in terms with principles of legal consistency. There is emanating no reason from perspective of the Department to take different view for the assessee regarding the relevant assessment year. The obligation to create provisions for the cadre fund arises from the cadre system mandated by the Co-operative structure and it is also not disputed that payments have been regularly made towards salary and benefit of the cadre staff and therefore, it is legitimate business liability and not contingent one. Accordingly, following the aforesaid judicial pronouncements and on examination of facts, we allow the appeal of the

assessee and direct the A.O to delete the addition while giving appeal effect of this order.

8. In the result, appeal of the assessee is allowed.

Order pronounced in the open court on 6th February, 2026.

Sd/-
AVDHESH KUMAR MISHRA
(ACCOUNTANT MEMBER)

Sd/-
PARTHA SARATHI CHAUDHURY
(JUDICIAL MEMBER)

रायपुर/ RAIPUR ; दिनांक / Dated : 6th February, 2026.

SB, Sr. PS

आदेश की प्रतिलिपि अग्रहित / Copy of the Order forwarded to :

1. अपीलार्थी /The Appellant.
2. प्रत्यर्थी /The Respondent.
3. The CIT(Appeals)-1, Raipur (C.G.)
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, रायपुर बेंच, रायपुर / DR, ITAT, Raipur Bench, Raipur.
5. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, रायपुर / ITAT, Raipur.