

आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
'B' BENCH, CHENNAI**

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री इंदूरी रामा राव, लेखा सदस्य के समक्ष  
**BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND  
SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.: 2635/CHNY/2025

निर्धारण वर्ष/Assessment Year: 2014-15

**Shriram Finance Limited,**  
(Since Shriram City Union Finance Limited amalgamated with Shriram Transport Finance Co. Ltd., and presently known as Shriram Finance Ltd.,)  
Sri Towers, Plot No.14A,  
South Phase, Industrial Estate,  
Guindy,  
Chennai – 600 032.

**The Deputy Commissioner  
of Income Tax,**  
Corporate Circle 3(1),  
Chennai.

**PAN: AAACS 7703H**

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by

: Shri R. Sivaraman, Advocate

प्रत्यर्थी की ओर से/Respondent by

: Ms. Gouthami Manivasagam,  
Addl.CIT

सुनवाई की तारीख/Date of Hearing

: 04.02.2026

घोषणा की तारीख/Date of Pronouncement

: 05.02.2026

**आदेश/ ORDER**

**PER GEORGE GEORGE K, VICE PRESIDENT:**

This appeal filed by the assessee is directed against the order of Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi dated 29.07.2025 passed under

section 250 of the Income Tax Act, 1961 (hereinafter called 'the Act'). The relevant Assessment Year is 2014-15.

2. The assessee had raised 15 grounds of appeal. Ground Nos.1 & 15 are general and no specific adjudication is called for and hence, the same are dismissed. Ground Nos.2 to 7 relates to legal issue challenging the validity of reopening of assessment. Ground Nos.8 to 14 relates to issue on merits namely whether the First Appellate Authority (FAA) is justified in confirming the AO's order of disallowing the diminution in value of government securities of Rs.5,71,136/-.

3. Brief facts of the case are as follows: The assessee is a domestic company. It is engaged in the business of financing of commercial vehicles. For the assessment year 2014-15, original return of income was filed on 29.11.2024 declaring total income of Rs.5,15,84,67,930/-. The assessment was completed u/s.143(3) of the Act vide order dated 31.12.2016 determining total income of Rs.7,57,45,51,615/-. Subsequently, assessment was reopened and notice u/s.148 of the Act was issued on 31.03.2021. The reason for issuing notice was that assessee had claimed diminution in value of investment amounting to Rs.5,71,136/- as expense in the profit &

loss account. In response to the notice issued u/s.148 of the Act, assessee filed the return of income on 30.04.2021. During the course of reassessment proceedings, it was explained that assessee company had purchased government securities in order to maintain the statutory liquidity reserve in compliance with the RBI regulations. Assessee during the year, claimed value of above government securities diminished to the extent of Rs.5,71,136/- being the difference between the value as on 31.03.2013 (Rs.81.75 lakhs) and the market value as on 31.03.2014 (Rs.76.04 lakhs). It was stated that government securities were purchased during the course of carrying on the business and it was a trading / stock-in-trade and not a capital asset. However, the reassessment was completed by rejecting the claim of the assessee vide order dated 24.03.2022. The AO held that provision for diminishing in value of government securities is only a contingent liability not allowable as business loss. The AO also held that government securities are investments and not stock-in-trade. The relevant finding of the AO in rejecting the claim of assessee reads as follows (para 5.5 & 5.6 of the reassessment order dated 24.03.2022):-

*5.5 The assessee's submission has been perused carefully, but not found to be acceptable due to following reasons:*

*5.1. The assessee has claimed that the amount of Rs. 5,71,136/- is difference between the market value of government securities as on*

*31/03/2013 and as on 31/03/2014. The assessee has claimed that it should be allowed as business loss. If the assessee's argument on this account is analysed, it is pertinent to mention here that the assessee has actually not sold the government securities and the value of Rs. 5,71,136/- calculated by the assessee as provision for diminution of investments is only a notional value. Thus, the assessee's argument is devoid of any merit and the amount of Rs. 5,71,136/- claimed by the assessee as deduction from profit is not allowable to the assessee.*

*5.5.2. The assessee has placed reliance on the judgement of the Hon'ble ITAT. Chennai 'A' Bench in the case of Shriram Transport Finance Limited. It is reiterated that the said judgement does not cover the issue of provision made on account of diminution of securities. Thus, the above case law is not applicable to the case of the assessee.*

*5.5.3. Further the assessee has also placed reliance on the judgment of the Hon'ble Andhra Pradesh High Court in the case of State Bank of Hyderabad vs. CIT. In this regard, it is to be stated that the said judgement pertains to gains/income on maturation of securities. The assessee has not produced anything during the assessment proceedings to prove that the government securities have matured or they have been sold/ transferred. Thus, the facts of the case law are distinguishable from the facts of the assessee's case.*

*5.6. Thus, it is clear that the provision for diminution in value of investments amounting to Rs. 5,71,136/- created by the assessee is a contingent liability and a notional value. As per assessee's submission reproduced in para 5.1 above, the assessee has not been utilized the provision for diminution of assets during the year. Contingent liabilities are not allowed as deductions from business income as per the provisions of the Income Tax Act, 1961. In view of the facts and circumstances mentioned above, an addition of Rs. 5,71,136/- is being made to the total income of the assessee for the year under consideration.*

4. Aggrieved by the reassessment order dated 24.03.2022, assessee filed appeal before the First Appellate Authority (FAA). Before the FAA, assessee company raised grounds on validity of

reassessment and also on merits. The FAA rejected the contentions and dismissed the appeal of the assessee. As regard the issue on merits, the FAA held that investment in government security cannot be held to be stock-in-trade of the assessee and gains/losses arising out of the same cannot be held to be revenue in nature. Further, the FAA held that assessee has not realized any loss from such government securities but only booked expenses as a provision. The FAA distinguished the case law relied on by the assessee company by observing that in the case of assessee it is a mere provision and government securities were never sold whereas in the case cited, the government securities were sold in those years which had resulted in loss.

5. Aggrieved by the order of FAA, assessee has filed the present appeal before the Tribunal. The Ld.AR on merits submitted that the issue in question is squarely covered by the judgment of the Hon'ble Jurisdictional High Court in assessee's own case namely Shriram Transport Finance Company Ltd., in T.C.A No.371 of 2013 (judgment dated 30.06.2022). As regards the legal issue on the validity of reassessment, the Ld.AR submitted that initiation of proceedings u/s.147 of the Act was only due to change of opinion.

In this context, the Ld.AR relied on the following judicial pronouncements:-

- i. *Commissioner of Income Tax Vs Kelvinator of India Ltd EICHELN (320 ITR 561) (SC)*
- ii. *CIT Vs India Cements Limited 274 Taxman 123 Madras HC*
- iii. *International Flower and Fragrance India Private Limited Vs JCIT 274 Taxman 134 Madras HC*
- iv. *Jivraj Tea Limited Vs ACIT 426 ITR 146 Madras HC*

6. The Ld.DR on merits sought to distinguish the judgment of Hon'ble Jurisdictional High Court in assessee's own case (*supra*) by stating that in the case before Hon'ble Madras High Court there was actual sale of government securities and not merely a provision.

7. In rejoinder, the Ld.AR submitted that in the case considered by the Hon'ble High Court (assessee's own case) it is clear from the submissions of standing counsel that the Hon'ble Court was considering the provision of diminution value of government securities and not actual sale of the securities. In this context, the Ld.AR referred to para 9.3 of the judgment of Hon'ble High Court in case's own case (*supra*).

8. We have heard rival submissions and perused the material on record. On merits the solitary issue that arises for our consideration is whether diminution in value of government

securities amounting to Rs.5,71,136/- is an allowable deduction or not. The Hon'ble High Court in assessee's own case had decided the matter in favour of the assessee. The relevant finding of the Hon'ble High Court in assessee's own case reads as follows:-

9.5. *Heard both sides. On a perusal of the orders passed by the authorities below, it could be seen that the assessing officer disallowed the deduction claimed by the assesseees and added back the loss on sale of investments and diminution in value of investments written off to the income of the assesseees, on the premise that the government securities were shown as investments in the balance sheet and the assesseees came forward with the theory that the said investments are stock-in-trade, only for claiming deduction. However, the CIT(A) following the decisions of the Hon'ble Supreme Court in UCO Bank v. CIT [240 ITR 355] and Chainrup Sampathram case [24 ITR 481] as well as the earlier orders of the Tribunal dated 16.12.2010 in ITA.No.725/Mds/2010 and dated 10.10.2011 in ITA No.320/Mds/2011 CO.52/Mds/2011 relating to the respective assessment years 2006-07 and 2007-08, deleted the disallowances made by the assessing officer, by holding that the loss arising on sale of Government securities is business loss and is allowable. The said findings of the CIT(A) were accepted by the Tribunal, by observing that the Government securities held by the assesseees are not as investments, but to comply with the SLR requirements applicable to the Non-Banking Financial Companies. Accordingly, the Tribunal deleted the disallowances made by the assessing officer, as done by the CIT(A).*

9.6. *Admittedly, the assesseees are Non-Banking Financial Companies. It is the specific case of the assesseees that they have to comply with the SLR requirements as mandated by the RBI, for which, they made investments in government securities and hence, the same have to be treated as stock-in-trade and hence, the loss on sale of investments / diminution in value of investments is an allowable deduction. At this juncture, it is apropos to refer to the decision of this court in Lakshmi Vilas Bank Ltd v. CIT [(2006) 284 ITR 93 (Mad)], wherein, after following the various decisions of the supreme court as well as the High Courts, it was held that the Government securities held by the assessee were stock-in-trade. The relevant passage of the same is extracted below:*

6. The learned counsel for the assessee relies on the recent judgment of the Supreme Court in *United Commercial Bank Vs. Commissioner of Income-tax*, [1999] 240 ITR 355, wherein the Apex Court, after reiterating that the principles applicable in valuation of stock are:

“(1) that for valuing the closing stock, it is open to the assessee to value it at the cost or market value, whichever is lower;

(2) In the balance-sheet, if the securities and shares are valued at cost, from that no firm conclusion can be drawn. A taxpayer is free to employ for the purpose of his trade, his own method of keeping accounts, and for that purpose, to value stock-in-trade either at cost or market price;

(3) A method of accounting adopted by the taxpayer consistently and regularly cannot be discarded by the Departmental authorities on the view that he should have adopted a different method of keeping accounts or of valuation;

(4) The concept of real income is certainly applicable in judging whether there has been income or not, but, in every case, it must be applied with care and within recognised limits;

(5) Whether the income has really accrued or arisen to the assessee must be judged in the light of the reality of the situation;

(6) Under section 145 of the Act, in a case where accounts are correct and complete but the method employed is such that in the opinion of the Income-tax Officer, the income cannot be properly deduced therefrom, the computation shall be made in such manner and on such basis as the Income-tax Officer may determine, held that,

“... the appellant followed the mercantile system of accounting both for book keeping purpose as well as for tax purposes. The appellant consistently and for over 30 years prior to the assessment year in dispute (1982-83) had been valuing its stock-in-trade (investments) “at cost” in the balance-sheet whereas for the same period of time the appellant had been valuing the very same investment “at cost or market value whichever is lower” for income-tax purposes. That practice was accepted by the Department and there was no justifiable reason for not accepting the same. From the form of the prescribed balance-sheet under the Banking Regulation Act it was evident that scheduled nationalised banks were directed to put the value of shares and securities at cost and if the market value was lower, it was to be

shown separately in brackets. Preparation of the balance-sheet in accordance with the statutory provision would not disentitle the assessee in submitting income-tax return on the real taxable income in accordance with a method of accounting adopted by the assessee consistently and regularly. That could not be discarded by the Departmental authorities on the ground that the assessee was maintaining the balance-sheet in the statutory form on the basis of the cost of the investments. In such cases, there was no question of following two different methods for valuing its stock-in-trade (investments) because the bank was required to prepare the balance-sheet in the prescribed form and it had no option to change it. For the purpose of income-tax what is to be taxed is the real income which is to be deduced on the basis of the accounting system regularly maintained by the assessee and that was done by the assessee in the present case.”

7. This Court, in the case of Commissioner of Income-tax Vs. Karur Vysya Bank Ltd. [2005] 273 ITR 510, to which one of us is a party (P.D.Dinakaran, J.), held that the Government Securities held by the assessee-Bank have to be treated as stock-in-trade and not investment by following the Supreme Court judgment in Karnataka State Co-operative Apex Bank-s case [1999] 240 ITR 255. In view of the above reasoning of the Supreme Court, we are of the view that the Government Securities held by the assessee are stock-in-trade.

8. Further, we have seen from the order of the Tribunal that for the earlier year, the Tribunal decided the case in favour of the assessee. When the Tribunal decided the case in favour of the assessee on identical facts, it is not proper for the Tribunal to take a different view for the subsequent years. In the case of Commissioner of Income-tax Vs. Ramamurthi (L.G.), [1977] 110 ITR 453, it is held as follows:

“No Tribunal of fact has any right or jurisdiction to come to a conclusion entirely contrary to the one reached by another Bench of the same Tribunal on the same facts. It may be that the members who constituted the Tribunal and decided on the earlier occasion were different from the members who decided the case on the present occasion. But what is relevant is not the personality of the officers presiding over the Tribunal or participating in the hearing but the Tribunal as an institution. If it is to be conceded that simply

because of the change in the personnel of the officers who manned the Tribunal, it is open to the new officers to come to a conclusion totally contradictory to the conclusion which had been reached by the earlier officers manning the same Tribunal on the same set of facts, it will not only shake the confidence of the public in judicial procedure as such, but it will also totally destroy such confidence. The result of this will be conclusions based on arbitrariness and whims and fancies of the individuals presiding over the courts or the tribunals and not reached objectively on the basis of the facts placed before the authorities.

If a Bench of a Tribunal on the identical facts is allowed to come to a conclusion directly opposed to the conclusion reached by another Bench of the Tribunal on an earlier occasion, that will be destructive of the institutional integrity itself. That is the reason why in a High Court, if a single judge takes a view different from the one taken by another judge on a question of law, he does not finally pronounce his view and the matter is referred to a Division Bench. Similarly, if a Division Bench differs from the view taken by another Division Bench it does not express disagreement and pronounce its different views, but has the matter posted before a Fuller Bench for considering the question. If that is the position even with regard to a question of law, the position will be a fortiori with regard to a question of fact. If the Tribunal wants to take an opinion different from the one taken by an earlier Bench, it should place the matter before the President of the Tribunal so that he could have the case referred to a Full Bench of the Tribunal consisting of three or more members for which there is provision in the Income Tax Act itself.

9. In the light of the aforesaid decision of this court, it is clear that the Tribunal completely erred in coming to the conclusion it did, at variance with and opposed to the conclusion of the Tribunal on the earlier occasion.”

9.7. *That apart, it is to be pointed out here that the identical issue was decided in favour of the assessee by the Karnataka High Court in CIT v. Karnataka Bank Ltd [110 taxmann.com 128], however, against this, the Revenue preferred an SLP to the Supreme Court and the same is pending.*

9.8. *In the light of the aforesaid decisions, which are squarely applicable to the facts of the present case, this court is of the opinion that Government securities are only stock-in-trade and not capital investment and the loss, if any, on sale of them cannot be treated as capital loss and hence, the assessee is entitled for deduction of loss on sale of investments / diminution in value of investments. Therefore, the Tribunal was right in deleting the disallowances made by the assessing officer and the same need not be interfered with. Accordingly, the issue raised by the Revenue qua loss on sale of investments/ diminution in value of investments, stands answered in favour of the assessee.*”

9. It is clear from the submissions of the Ld.Standing Counsel in the case considered by the Hon’ble High Court in assessee’s own case (*supra*), the Hon’ble High Court has considered provision written off whether is allowable business loss or not. The contention of the Ld.Standing Counsel in this regard at para 9.3 reads as follows:-

“9.3. *Adding further, the learned Senior Standing Counsel for the Revenue submitted that the purchase of government securities should be treated as ‘investment’ and not ‘stock-in-trade’ as claimed by the assessee. Once it is treated as an investment, it can only be disallowed as capital expenditure and cannot be allowed as deduction treating it as normal business expenditure. Moreover, it is a mere provision written off and not an actual loss. It is also submitted that the assessee had claimed the same without filing the revised return and therefore, the same cannot be allowed as deduction.*”

10. In light of the Hon’ble Jurisdictional High Court judgment, we hold that diminution in value of government security for the relevant assessment year is to be allowed as a deduction. It is ordered accordingly.

11. Since we have decided the issues on merits, the legal issue raised regarding the validity of reopening of assessment is not adjudicated and is left open.

12. In the result, the appeal filed by the assessee is partly-allowed.

Order pronounced in the open court on 5<sup>th</sup> February, 2026 at Chennai.

*Sd/-*

(इंटूरी रामा राव)

**(INTURI RAMA RAO)**

लेखा सदस्य/ACCOUNTANT MEMBER

चेन्नई/Chennai,

दिनांक/Dated, the 5<sup>th</sup> February, 2026

**RSR**

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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

*Sd/-*

(जॉर्ज जॉर्ज के)

**(GEORGE GEORGE K)**

उपाध्यक्ष /VICE PRESIDENT