

**IN THE INCOME TAX APPELLATE TRIBUNAL  
BANGALORE BENCHES “A”, BANGALORE**

**Before Shri George George K, JM & Shri B.R.Baskaran, AM**

ITA No.1189/Bang/2018 : Asst.Year 2012-2013

The Asst.Commissioner of Income-tax, Circle – 1, Balaburagi.	v.	M/s.Krishna Grameen Bank Head Office – Kusanoor Road, B.B.No.4, Gulbarga Karnataka – 585 105. <b>PAN : AAGFK6964K.</b>
(Appellant)		(Respondent)

Appellant by : Sri.Pradeep Kumar, CIT-DR

Respondent by : Smt.Shettal, Advocate

<b>Date of Hearing : 14.12.2020</b>	<b>Date of Pronouncement : 15.12.2020</b>
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**ORDER**

**Per George George K, JM**

This appeal at the instance of the Department is directed against CIT(A)'s order dated 31.01.2018. The relevant assessment year is 2012-2013.

2. The grounds raised read as follow:-

*“1. The order of the learned Commissioner of Income-tax (Appeals) is opposed to law and facts of the case.*

*2. In the facts and circumstances of the case, the AO disallowed the expenditure claimed by the assessee in the P&L account under the head of amortisation as the same could not partake the character of revenue expenditure, since this amount was incurred fully at the time of SLR investment HELD TO MATURITY (HTM).*

*3. In the facts and circumstances of the case, the ld.CIT(A), has erred in giving relief to the assessee considering the decision of ITAT, Bangalore in the assessee's own case for the Assessment Year 2007-08 & 2009-10, while the same issues are pending before the Hon'ble High Court for adjudication.*

*4. In the facts and circumstances of the case, the ld.CIT(A) has erred in holding that amortisation of premium paid on Government securities in an allowable expenditure ignoring the para 29vi) of CBDT Instruction no.17 of 2008 dated 26.11.2008.*

5. *In the facts and circumstances of the case, the ld.CIT(A), has erred in holding amortisation of premium paid on Government securities over remaining life of the securities as an allowable expenditure ignoring the decision of the Hon'ble Supreme Court in the case of Vijaya Bank v. Addl.CIT 187 ITR 541 (SC).*

6. *Any other facts and grounds which may arise during the case."*

3. The brief facts of the case are as follow:

The assessee is engaged in the business of banking. It had made investment in Government Securities as per Banking Regulations Act and Guidelines issued by the Reserve Bank of India. For the year ending 31.03.2012, the assessee had invested in Government Securities of Rs.304.02 crore and debited to profit and loss account Rs.2,27,61,944 being amortisation of premium paid for purchase of Government Securities over the remaining life of security. The Assessing Officer disallowed the amortisation of premium paid on Government Securities by adding back a sum of Rs.2,227,61,944 to the total income, since according to the Assessing Officer, it is capital in nature and cannot be allowed as revenue expenditure.

4. Aggrieved by the order of the Assessing Officer, the assessee has raised this issue before the first appellate authority. The CIT(A) following the ITAT order in the case of Pragathi Krishna Gramina Bank in ITA No.228 & 229/Bang/2012 (order dated 10.01.2014) for assessment years 2007-

2008 & 2008-2009, had allowed the issue in favour of the assessee.

5. Aggrieved by the order of the CIT(A), the Revenue has filed this appeal before the Tribunal. The learned Departmental Representative relied on the grounds raised.

6. The learned AR, on the other hand, submitted that the issue in question is covered in favour of the assessee by the order of the Tribunal in assessee's own case for assessment year 2007-2008 in ITA No.224/Bang/2011 (order dated 15.06.2012).

7. We have heard the rival submissions and perused the material on record. The Tribunal in assessee's own case for assessment year 2007-2008 (supra) had decided an identical issue in favour of the assessee. The Tribunal while deciding the issue in favour of the assessee, had relied on various orders of the Tribunal. The relevant finding of the Tribunal reads as follow:-

*“7.4 We have heard both parties and have carefully perused and considered the material on record and the judicial decisions cited of various benches of the Tribunal in respect of the assessee's claim for deduction on account of expenditure incurred on amortization of premium on purchase of Govt. securities amounting to Rs.4,84,11,629. We find from a perusal of the decision of the co-ordinate bench of the Tribunal in the case of Sir M. Vishveswaraya Co-op. Bank Ltd. (supra) that the Tribunal had occasion to consider a similar issue of amortization of premium on investments exhaustively at paras 4 to 8 thereof after which it held that the assessee was entitled to such deduction. The operative part of the said order at para 8 thereof, is as under :*

“08. We have carefully considered the rival submissions and perused the relevant facts and materials on record. We have also considered the findings of the various benches of the Tribunal, as under :

(i) Catholic Syrian Bank Ltd v. ACIT – (2010) 38 SOT 553 (Coch) : An identical issue to that of the subject matter under consideration had arisen before the Cochin Bench. After analyzing the issue in depth, the bench has observed that with regard to amortization of premium on purchase of Government securities, it was clarified that this was made as per the prudential norms of the RBI. Following the Tribunal decision in the assessee's own case and considering that the assessee bank is following consistent and regular method of accounting system, there is no justification in interfering with the order of the Commissioner of Incometax (Appeals) on this issue of amortization of premium on government securities. United Commercial Bank v. CIT (1999) 156 CTR (SC) 380 ; (1999) 240 ITR 355 (SC) and South Indian Bank Ltd., (ITA No.126/Coch/2004,dated.\_\_\_\_ Sept, 2005 followed.”

(ii) The Khanapur Co-op Bank Ltd v. ITO – ITA No.141/PNJ/2011,dated.8.9.2011: The Hon'ble Bench of Panaji Tribunal had recorded its findings that "6. Likewise, the premium amortized at Rs.1,78,098/- is claimed to be in respect of securities held under the category 'held to maturity'. The Assessing Officer has taken them as long term investments. In other words, he has accepted the assessee's claim that the securities are 'held to maturity'. That being so and having regard to the CBDT Instruction No.17 of 2008 dated.26.11.2008 as reproduced herein above, the premium paid on such government securities is required to be amortized over the period remaining to maturity ....."

(iii) In the case of Corporation Bank v. ACIT, M'lore in ITA.112/Bang/2008 (Bang), for the assessment year 2004-05, the earlier bench had also held a similar view. In the light of the above discussion and the case laws discussed supra, taking into account the totality of the facts and materials, we are of the considered view that the assessee is entitled to claim this deduction and hence we allow the grounds of the assessee relating to this issue.”

*Respectfully following the decision of the Tribunal in the case of Sir M. Vishveswaraya Co-operative Bank Ltd. (supra), we hold that the assessee is entitled to deduction on account of amortization of premium on Govt. securities and therefore no interference is called for in the order of the learned CIT(A). Consequently, the grounds raised by Revenue on this issue are dismissed.”*

7.1 In view of the above order of the Tribunal in assessee's own case for assessment year 2007-2008, which is identical to the issue raised in the instant case, we hold that the CIT(A) is justified in allowing deduction of amortisation of premium amounting to Rs.2,27,61,944. It is ordered accordingly.

8. In the result, the appeal filed by the Revenue is dismissed.

Order pronounced on this 15<sup>th</sup> day of December, 2020.

**Sd/-**  
**(B.R.Baskaran)**  
**ACCOUNTANT MEMBER**

**Sd/-**  
**(George George K)**  
**JUDICIAL MEMBER**

Bangalore; Dated : 15<sup>th</sup> December, 2020.  
Devadas G\*

Copy to :

1. The Appellant.
2. The Respondent.
3. The CIT(A), Gulbarga
4. The Pr.CIT, Kalaburagi.
5. The DR, ITAT, Bengaluru.
6. Guard File.

Asst.Registrar/ITAT, Bangalore