

## SPECIALIZED WORKSHOP FOR ASSESSING OFFICERS

*DTRTI, Chennai organises workshops focussed at claims of deduction by banks under Section 36(1)(viiia) - leads to substantial disallowances in many cases throughout the region and appreciable revenue gain.*

Section 36 (1) (viiia) of the Income-tax Act is a special provision which is applicable to scheduled and non-scheduled banks, including co-operative banks. This provision allows twin deductions under the same section, namely, a deduction of 7.5% of the total income (computed before making any deduction under chapter VIA), and an amount not exceeding 10% of the aggregate average advances made by the rural branches of such bank.

2. The Addl. CIT, Range-I, Salem, while assessing Salem District Central Co-operative Bank Ltd. (AY 2007-08), came to the conclusion that certain branches of the bank did not qualify as rural branches for the purposes of the said provision. Consequently the benefit of deduction u/s 36(1)(viiia) was denied to those branches by him. The investigation had resulted in an addition of ₹ 8.33 crore leading to a demand of ₹ 1.74 crore for AY 2007-08.<sup>4</sup> Interestingly, the said assessee went on to become the highest non-corporate tax-payer of Tamilnadu, and he was felicitated during the 150th year of Income Tax Celebrations held at Chennai on 24.7.2011.

3. The DTRTI, Chennai, as part of its knowledge-sharing initiative, invited the Addl. CIT to conduct workshops which would enable AOs to investigate the claims of deduction made by banks under section 36(1)(viiia). 32 AOs participated in the workshop held at Chennai and 16 AOs at Coimbatore. Efforts were made to nominate in particular those officers who were assessing cases where claim of deduction under the said legal provision had been made. They were requested to bring the assessment records, laptops and 3G data cards.

4. During the training sessions conducted by DTRTI, Chennai, the AOs were taught to examine the claims under section 36(1)(viiia) vis-a vis the statistical details compiled by Census of India. According to the Explanation below section 36(1)(viiia), "rural branch"

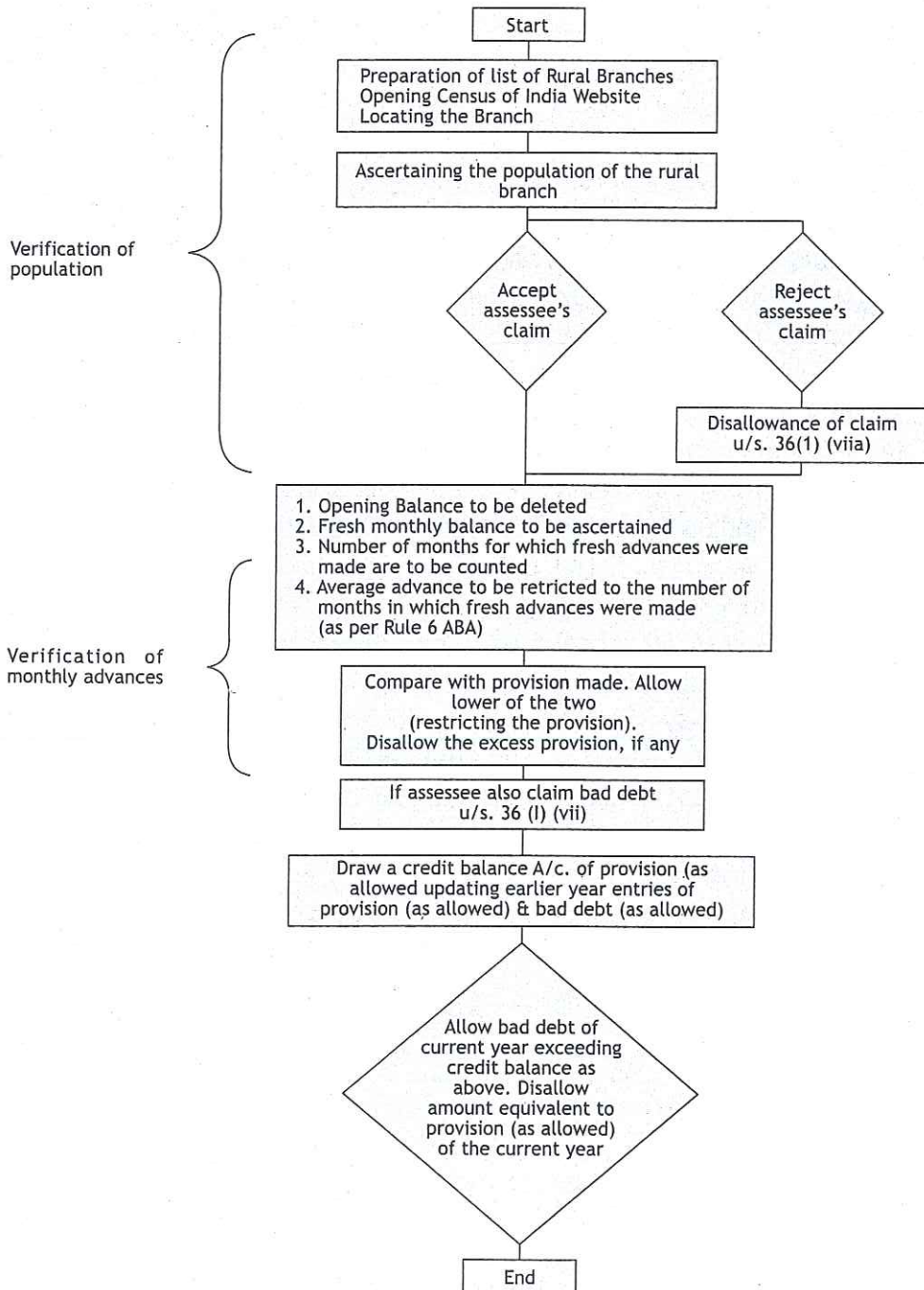
<sup>4</sup> The case was reported in 'Let Us Share', Vol-3 (p.99).

means a branch of a scheduled bank or a non-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. By accessing the 'Census of India' website the participants could verify the population of the specific areas where the so-called "rural branches" were located, and ascertain the population of those areas. The workshops thus provided them theoretical, factual and practical inputs on verification of claim under section 36(1) (viiia). The important aspects to be looked into were explained in detail. The workshops were greatly appreciated by the participants.

5. The assessments completed by the AOs who had attended the workshops resulted in substantial disallowances of the claims u/s 36 (1) (viiia). To cite one instance, the disallowance made by DCIT, LTU, Chennai in his order dated 30.12.2011 in the case of Indian Overseas Bank, Chennai amounted to ₹ 386 crore. Some of the other cases where significant amounts of disallowance were made included the Lakshmi Vilas Bank, Trichy (₹ 5.62 crore), the Karur Vysya Bank, Trichy (₹ 3.93 crore), City Union Bank, Kumbakonam (₹ 3.75 crore) etc.

6. The workshops further highlighted the fact that even information available from open sources (the 'Census of India' website in this case) accessed with the help of existing facilities provided by the Department such as the laptops and 3G Data Cards, could be effectively utilized to enhance the quality of assessments, leading to substantial revenue gain. The verification could be made sitting in the office itself and there was no need for any site inspection or lengthy postal correspondence with the relevant authorities. The attached diagram outlines the key points of the training strategy adopted by DTRTI, Chennai.

### Verification of claims for deduction under section 36(1)(viiia)



**SOME CASES WHERE SIGNIFICANT DISALLOWANCES OF CLAIM UNDER SECTION 36(1)(viiia)  
WERE MADE**

S.No.	Bank & Branch	AY	Amount Disallowed (₹)	AO	JCIT/Addl. CIT	CIT
1	Indian Overseas Bank, Chennai	2009-10	386,22,20,454/-	S. Nambirajan, DCIT, LTU, Chennai	K.P. Gopakumar, JCIT, LTU, Chennai	P.R. Ravi Kumar, CIT, LTU, Chennai.
2	Lakshmi Vilas Bank Ltd., Trichy	2009-10	5,61,89,000/-	R.S. Naik, JCIT, Kumbakonam	R.S. Naik, JCIT, Kumbakonam	M. Ravindra Sai, CIT, Trichy
3	Karur Vysya Bank Ltd., Trichy	2009-10	3,92,90,000/-	R.S. Naik, JCIT, Kumbakonam	R.S. Naik, JCIT, Kumbakonam	M. Ravindra Sai, CIT, Trichy
4	City Union Bank, Kumbakonam	2009-10	3,75,08,489/-	R.S. Naik, JCIT, Kumbakonam	R.S. Naik, JCIT, Kumbakonam	M. Ravindra Sai, CIT, Trichy
5	The Coonoor Co-operative Urban Bank Ltd., Coonoor	2009-10	17,61,313/-	A.S.Dineshkumar, ACIT, Circle I(1), Ooty	K. Rajagopal, JCIT, Range-I, Ooty	A. Vasantha Kumar, CIT-II, Coimbatore
6	The Udhagamandalam Co-operative Urban Bank Ltd., Ooty	2009-10	8,82,767/-	A.S.Dineshkumar, ACIT, Circle I(1), Ooty	K. Rajagopal, JCIT, Range-I, Ooty	A. Vasantha Kumar, CIT-II, Coimbatore
7	M/s TamilNadu Industrial Co-op Bank Ltd., Chennai	2009-10	8,24,531/-	P. Madhanasekaran, Addl.CIT, Business Range VII(i/c), Chennai	P. Madhanasekaran, Addl.CIT, Business Range VII(i/c), Chennai	Avinash K Sahai, CIT-VII, Chennai
	<b>TOTAL DISALLOWANCE</b>		<b>399,86,76,554/-</b>			

Names of the Officers : Jayanthi Krishnan, Director, DTRTI, Chennai  
Dr. P.K.Srihari, Addl. CIT , Range –I, Salem  
Ruby George, Addl. Director, DTRTI, Chennai  
Howard Devisser, Asst. Director, DTRTI,  
Chennai  
E. Elango, AAD, DTRTI, Chennai  
Dharani K., AAD, DTRTI, Chennai  
S. Parvathy, AAD, DTRTI, Chennai  
V. Veeraraghavan, AAD, DTRTI, Chennai

#### **'FIELD TRAINING' INITIATIVE BY MSTU, PUNE**

MSTU, Pune has started a new initiative in the form of 'Field Training'. Under this initiative, training, instead of being conducted at the MSTU, is conducted by the faculty of MSTU in the respective assessment Ranges by troubleshooting the actual day to day problems relating to ITD application being faced by the assessing officers of the Range. The availability of live cases greatly enhances the effectiveness of training.

As a result of the initiative, there was a reduction of infructuous demand to the tune of ₹ 150 crore during the FY 2010-11. The impact of the initiative was evident from the fact that in the next year, the field staff could manage troubleshooting on their own, leaving only critical cases amounting to about ₹ 15 crore for the trainers to handle.

Saving of government resources by way of TA/DA of the participants was another significant outcome of the 'Field Training' initiative of MSTU, Pune.