2026:MHC:4641

Order QR

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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 16-11-2026

CORAM

THE HON'BLE DR.JUSTICE ANITA SUMANTH

AND

THE HON'BLE MR.JUSTICE S.KARTHIKEYAN

TCA No. 692 of 2016

Case QR

CNR:{HCMA010968062016}

AND
TCA NO. 693 OF 2016,TCA NO. 694 OF 2016,TCA NO. 695 OF 2016,TCA NO. 696 OF 2016

M/s Indian Overseas Bank
Central Office Funds & Accounts Dept,
762, Mount Road, Chennai 600 002

..Appellant(s)

Vs

Joint Commissioner Of Income
Tax, Special Range-1, Chennai 600034

..Respondent(s)

TCA No. 693 of 2016

Case QR

CNR:{HCMA010968152016}

M/s.Indian Overseas Bank
Central Office Funds & Accounts Dept,
762,Mount Road,Chennai-2

..Appellant(s)

Vs

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Joint Commissioner Of Income
Tax, Special Range-1, Chennai-34

..Respondent(s)

TCA No. 694 of 2016

Case QR

CNR:{HCMA010968252016}

M/s. Indian Overseas Bank
Central Office Funds And Accounts Dept,
762, Mount Road, Chennai 2.

..Appellant(s)

Vs

The Assistant Commissioner
Of Income Tax, Company Circle II (3), Chennai 34.

..Respondent(s)

TCA No. 695 of 2016

Case QR

CNR:{HCMA010968302016}

M/s. Indian Overseas Bank,
Central Office Funds & Accounts Dept,
762, Mount Road, Chennai 600 002.

..Appellant(s)

Vs

The Assistant Commissioner
Of Income Tax, Company Circle II (3), Chennai
600 034.

..Respondent(s)

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TCA No. 696 of 2016

Case QR

CNR:{HCMA010968392016}

M/s. Indian Overseas Bank,
Central Office Funds & Accounts Dept,
762, Mount Road, Chennai 600 002.

..Appellant(s)

Vs

The Assistant Commissioner
Of Income Tax, Company Circle II (3),
Chennai 600 034.

..Respondent(s)

Appeals filed under Section 260A of the Income Tax Act, 1961 against order dated 26.02.2013 passed in ITA Nos.264, 2033, 2032, 264, and 2034/Mds/2005 on the file of the Income Tax Appellate Tribunal 'A' Bench, Chennai for assessment years 1997-98 to 2001-02.

For Appellant(s): Mr.R.Vijayaraghavan
for M/s.Subbaraya Aiyar
Padmanabhan Ramamani

For Respondent(s): Mr.Prabhu Mukund Arunkumar
Senior Standing Counsel

Common Judgment

(Judgment of the Court was delivered by Dr.Anita Sumanth J.)

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This is a batch of five appeals relating to assessment years 1997-98 to 2001-02. A common issue that arises for consideration across appeals flows from the following substantial questions of law:

> *1. Whether on the facts and circumstances of the case the Tribunal was right in not adjudicating the legal issue of applicability of provisions of section 115JA/115JB of the Act to the Banks which are governed by the Banking Regulation Act, 1949?*
>
> *2. Whether on the facts and circumstances of the case and in law the Tribunal was justified in not adjudicating the issue regarding the applicability of 115JA provisions to Banking companies on the ground that the issue raised in ground No.2 of Concise grounds of appeal was not raised in the original grounds of appeal without considering the Ground No,2.7 and 2.8 of the original grounds of appeal?*
>
> *3. Whether on the facts and circumstances of the case and in law the Tribunal was justified in not adjudicating the issue that if profit and loss account prepared in accordance with Banking Regulation Act were considered for purpose of section 115JA/115JB, various adjustments made by assessing officer and confirmed by CIT(Appeals) in computing book profits is beyond the scope of adjustments enumerated in said section ?*
>
> *4. Whether on the facts and circumstances of the case and in law the Tribunal was justified in not following its decision in the case of M/s.lndian Bank v. Addl CIT in ITA No.469/Mds/2010 dated 3.8.2011 for the Asst Year 2000-01 and in the Appellant's own case in ITA Nos.2306/Mds/2008 for AY 2005-06 and 99/Mds/2010 for AY 2006-07 holding that the provisions of section 115JB of the Act are not applicable to the Banks?*

2. This issue, both Mr.Vijayaraghavan, learned counsel for the appellant/assessee and Mr.Prabhu Mukund Arunkumar, learned Senior Standing Counsel for the respondent/Department agree, is covered by a decision of this Court in assessee's own case in T.C.(A) Nos.157 to 159 of 2014 dated

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05.10.2026 for assessment years 2004-05 and 2005-06, wherein this Court had held as follows:

5. Question No.3 relates to whether the provisions of Section 115JB of the Income Tax Act, 1961 (in short 'Act') is applicable to a banking company.

6. The assessee had canvassed the stand that Section 115JB was not applicable to banks prior to amendment by Finance Act, 2012, as per which Section 115JB was specifically made applicable to banks. The Assessing Authority had rejected that contention and an appeal had been filed by the assessee before the Commissioner of Income Tax (Appeals) (in short 'CIT(A)').

7. The appeal was dismissed, as against which, ITA 2306/Mds/2008 (AY -05-06) had been filed by the bank before the Income Tax Appellate Tribunal (in short 'ITAT'/'Tribunal') that also held adverse to the assessee.

8. We have considered this issue in the case of Commissioner of Income Tax, Chennai vs. Indian Overseas Bank[1], wherein applying the decision of the Karnataka High Court in Commissioner of Income Tax vs. Karnataka Bank Ltd.[2], we had answered the same in favour of the assessee as follows:

> *3. The operative portion of the judgment in Commissioner of Income-Tax V. Karnataka Bank Ltd. (supra) is as follows:*
>
> ……
>
> > *'This appeal under Section 260A of the Income Tax Act, 1961 (hereinafter referred to as the Act for short) has been preferred by the assessee against the order dated 19-01-2018 passed by the Income Tax Appellate Tribunal. The subject matter of the appeal pertains to the Assessment year 2008-2009. The appeal was admitted by a bench of this Court on the following substantial questions of law:*

[1] T.C.A.Nos.151 & 152 of 2014 dated 08.12.2025
[2] (2022) 142 taxmann.com 64 (Kar.)

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1. Whether on the facts and in the circumstances of the case, the Tribunal is right in law in setting aside disallowance made under the head investment portfolio by following earlier decisions which has not reached finality even when the assessing authority rightly made disallowance by holding that irrespective of RBI guidelines were applicable to the assessee for the purposes of the I.T.Act or not, as per the principles of accountancy and the various decisions of Apex Court, income should be recognized in a way which reflects a true and fair picture of the affairs of the assessee and accordingly, when bank itself is treating the securities as "held to maturity", for any reason whatsoever, the same should be the case for purposes of Income Tax as this representation alone reflects the true picture of the accounts of the assessee?

2. Whether on the facts and in the circumstances of the case, the Tribunal is right in law in setting aside disallowance made under Section 14A read with Rule 8D(2) (ii) and (iii) of the Act on expenditure incurred on earning exempt income even when the assessing authority rightly made disallowances as conditions for making such disallowances were satisfied and assessee failed to show flow of its own funds to those investments from which income is exempt?

3. Whether on the facts and in the circumstances of the case, the Tribunal is right in law holding that the assessee-Bank cannot be considered as a Company by following decisions which has not reached finality and even when as per Section 2(17) of the Act, the Company is defined as an Institution, association or body which is or otherwise assessable or assessed as a Company and as such Section 115JB is applicable to assessee Bank for MAT purposes?

4. Whether on the facts and in the circumstances of the case, the Tribunal is right in law in setting

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aside disallowance in setting aside disallowance made under Section 40(a) (ia) of the Act on ATM charges of other Banks even though Section 194H and Explanation to said section is applicable to assessee Bank and as such assessee ought to have deducted TDS on such payments?"

2. When the matter was taken up today, the learned counsel for the assessee submitted that the 1st and 3rd substantial questions of law involved in this appeal have already been answered in favour of the assessee by this Court vide judgment dated 16.01.2020 in the case of CIT v. ING Vysya Bank Ltd. reported in [2020] 114 taxmann.com 506/270 Taxman162/422 ITR 116 (Kar.)

3. It is further also submitted that the 2nd substantial question of law involved in this appeal also has already been answered in favour of the assessee by this Court vide judgment dated 15.02.2021 in ITA No.133/2015 the case of CIT v. Quest Global Engineering Services(P). Ltd. It is further submitted that the 4th substantial question of law is also answered by a bench of this Court vide Judgment dated 23.11.2020, passed in CIT v. Corporation Bank [2021] 123 taxmann.com 204/277 taxman 207/431 ITR 554 in favour of the assessee and against the revenue.

4. The aforesaid submission could not be disputed by the learned counsel for the revenue.

5. For the reasons assigned by us in the aforementioned judgments supra the substantial questions of law framed in this appeal are answered in favour of the assessee and against the revenue. In the result, appeal filed by the revenue fails and is hereby dismissed.'

4. The matters are presently being consolidated before the Hon'ble Supreme Court and leave has been granted at the instance of the revenue (See Commissioner of Income Tax, LTU V. Vijaya Bank ([2021] 130

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taxmann.com 149 (SC)) and Commissioner of Income-Tax V. Karnataka Bank Ltd. ([2022] 142 taxmann.com 65 (SC)).

5. In light of the above, the substantial question of law is answered in favour of the assessee.

9. In light of the decision extracted above, the third substantial question of law is answered in favour of the assessee.

2. Following the aforesaid decision, the substantial questions of law admitted on 15.11.2026 are answered in favour of the assessee and these Tax Case (Appeals) are allowed with no order as to costs.

(A.S.M.,J.) **(S.K.,J.)**

16-11-2026

Index: Yes/No
Speaking order
Neutral Citation: Yes

SL

To

1. Joint Commissiionr Of Income Tax,
   Special Range-1, Chennai 600034

2. The Assistant Commissioner of Income Tax,
   Company Circle II (3), Chennai 600 034.

3. The Income Tax Appellate Tribunal, Madras
   'A' Bench.

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