Principal Commissioner of Income Tax 2, Kolkata v. Bandhan Bank Ltd.

ITAT/286/2023 (IA No: GA/1/2023, GA/2/2023)

ITAT/286/2023 (IA No: GA/1/2023, GA/2/2023) (High Court at Calcutta, 2024-02-07) | 2024-02-07

ESOP cost deduction sustained following PVP Ventures, Lemon Tree Hotels and Biocon.

Income-tax Act,1961: sections 37(1), 260A

High Court at Calcutta | 2-judge bench (Division Bench) | Chief Justice T.S. Sivagnanam | Justice Supratim Bhattacharya

Assessment years: 2017-18

01 FACTS OF THE CASE

After condoning Revenue's 117-day filing delay, the Court considered its challenge to the Tribunal's 27 March 2023 order in ITA 370/Kol/2022 for AY 2017-18. The disputed addition concerned ESOP cost.

Source: PDF pp.1–2

02 DISCUSSION BY THE HON'BLE COURT

Revenue characterised ESOP expenditure as notional and capital. The Court considered the issue covered for the assessee by PVP Ventures, Lemon Tree Hotels and Biocon, which the Tribunal had also relied upon.

Source: PDF p.2

03 JUDICIAL DECISION

The Court sustained deduction under section 37(1), describing the employee-service and profit-earning purpose recognised in those authorities, and found no ground to interfere.

Source: PDF p.2

04 OUTCOME / IN WHOSE FAVOUR

Revenue appeal dismissed; the substantial question answered against Revenue.

Source: PDF p.3

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

The employee-service purpose answered the capital objection: The Court treated the expenditure through its connection with securing employee services and earning profits. Its reasoning rejects the notional/capital objection raised in this appeal. A comparable claim should establish the employment purpose and the relevant scheme, rather than assume that the presence of shares makes expenditure either automatically capital or automatically deductible. (PDF p.2)

Allowance does not settle every computation question: The short judgment supplies no scheme terms, vesting schedule, valuation calculation, forfeiture adjustment or rupee amount. It supports the deduction issue decided, not a particular measurement or timing method absent from the source. Those matters require the relevant records and authorities rather than an invented extension of this order. (PDF pp.1–3)

Separate condonation and historical precedent status: The Court accepted the explanation for the 117-day delay and then dismissed the appeal on the legal issue. Its observation that the cited decisions appeared not to have been appealed records the position considered then; it is not independent verification of their present appellate status or later treatment. (PDF pp.1–3)

Source: PDF p.2

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 3-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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