

Catholic Syrian Bank Ltd. v. Commissioner of Income Tax, Thrissur

Civil Appeal No. 1143 of 2011 and connected proceedings (full list below)

[2012] 4 SCR 739 | 2012-02-17

Whether the section 36(1)(vii) proviso required urban/non-rural debts actually written off to be absorbed against a rural provision deduction under section 36(1)(viia), and whether unchallenged earlier-year Tribunal decisions barred Revenue from raising the statutory question in later years.

36(1)(vii) | 36(1)(viia)(a) | 36(2) | 36(2)(i) | 36(2)(v) | 119

Three-judge bench | S. H. Kapadia, C.J.I. | A. K. Patnaik, J. | Swatanter Kumar, J.

Assessment years: 2002-03, 1985-86, 1986-87, 1987-88

Historical bank-debt distinction; statutory limits and later amendment

This decision preserves actual write-off and section 36(2) conditions, statutory provision ceilings and the bar on double deduction, and remands every matter for computation. Its rural/urban distinction must be read with the later Finance Act 2013 insertion of Explanation 2, stated to operate from 1 April 2014. Later judicial treatment and current law are not comprehensively verified; no present deduction, fixed refund or Income-tax Act 2025 mapping is certified.

[paragraphs Section 7\(a\)](#) / [PDF pages 13](#) / [statutory reproduction](#)

01 FACTS OF THE CASE

For AY 2002-03 the scheduled bank claimed Rs. 12,65,95,770 as bad debts written off. The Assessing Officer refused the deduction because the bank had a section 36(1)(viia) provision balance of Rs. 15,01,29,990, the claimed write-off did not exceed that balance, and the officer considered section 36(2)(v) unsatisfied. The Commissioner (Appeals) found that the written-off debts related entirely to urban branches, distinct from the rural provision, and allowed the claim; the Tribunal followed the Kerala High Court Division Bench decision in South Indian Bank. A Full Bench of that High Court rejected the rural/urban distinction and reversed the favourable view (majority paragraphs 1-9).

The group also included appeals against the earlier South Indian Bank decision. The bank maintained separate provision accounts for rural and other advances, a fact the Court recorded as undisputed. Assessee additionally argued that Revenue had accepted Special Bench decisions for AYs 1991-92 to 1993-94 and could not contest the issue for later years (paragraphs 5, 12-13 and 31).

Source: [reported judgment](#) / [paragraphs Majority 1-11](#) / [PDF pages 15, 16, 17, 18, 19, 20](#) / [judicial text](#); [reported judgment](#) / [paragraphs Majority 31](#); [repeated printed page 773](#) / [PDF pages 35, 36](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected the earlier-year finality argument: the unchallenged Tribunal order was final for its own year, but did not prevent Revenue from contesting a statutory question in subsequent assessments (paragraph 13).

On the merits, clauses (vii) and (viiia) covered distinct deductions. Clause (vii) required an actual write-off as irrecoverable and satisfaction of section 36(2); a mere provision was excluded by its Explanation. The provision deduction under clause (viiia) was a separate banking incentive within its statutory ceilings, rather than an unlimited substitute for an actual write-off. Section 36(2)(i) retained the prior-income or ordinary-course banking/money-lending condition, and section 36(2)(v) required the appropriate debit to the provision account where applicable (paragraphs 14-17 and 25).

CBDT Circular Nos. 258, 421 and 464 and the legislative history supported the distinct treatment. The Court explained that beneficial circulars under section 119 bind the tax authorities within their proper scope, but cannot override the Act. The circular discussion traced changing deduction ceilings; it did not fix one universal percentage for all years (paragraphs 18-24).

The anti-double-deduction safeguards remained operative. For debts covered by clause (viiia), the proviso to clause (vii), read with section 36(2)(v), confined the write-off deduction to the excess over the relevant credit balance. In the historical rural-advance scheme considered, the proviso could not neutralise a separate urban/non-rural write-off for which that provision had not been made. The Court relied on the separate accounts, accounting treatment and the absence of a second deduction for the same debt; it approved the favourable Special Bench and South Indian Bank Division Bench construction and rejected the Full Bench approach (paragraphs 26-41).

Kapadia CJI concurred separately. He emphasised that provision and write-off benefits could coexist, but a rural debt could not receive double allowance: the actual write-off was deductible only to the extent it exceeded the clause-(viiia) provision balance. An exclusively urban write-off was outside that historical rural-provision limitation (concurring paragraphs 1-3).

Source: [reported judgment / paragraphs Majority 12-41, including duplicate physical page 36 / PDF pages 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40 / judicial text](#); [reported judgment / paragraphs Concurrence 1-3 / PDF pages 40, 41, 42 / judicial text](#)

03 JUDICIAL DECISION

The statutory question was answered for the assessee. Assessee appeals were allowed and Revenue appeals dismissed; all matters were remanded to their Assessing Officers for computation in accordance with law and the judgment. The Court did not itself award the lead claimed amount or a fixed refund. Kapadia CJI expressly recorded no order as to costs (majority paragraphs 41-42; concurrence paragraph 3).

Source: [reported judgment / paragraphs Majority 41-42 / PDF pages 39, 40 / judicial text](#); [reported judgment / paragraphs Concurrence 3 / PDF pages 42 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the deduction construction; Revenue on the preliminary later-year finality objection

Assessee appeals allowed; Revenue appeals dismissed; all 36 listed matters remanded to the Assessing Officer for computation; no costs

Statutory interpretation decided; individual lawful computations remain for the Assessing Officers

Actual write-off, section 36(2) conditions, clause-(viiia) ceilings and the anti-double-deduction proviso are retained. The historical rural/urban construction is not a current-law certification.

Source: [reported judgment / paragraphs Full appeal list; majority 42; concurrence 3 / PDF pages 14, 40, 42 / reported metadata and judicial text](#)

05 AKHB REVIEW POINT

Reconcile the actual write-off, the debt category, the provision ledger and section 36(2) conditions before applying this judgment. Independent statutory deductions do not authorise claiming the same debt twice. The remand matters: the Supreme Court settled the governing construction but left computations to the Assessing Officers.

A material later statutory change prevents unqualified present-day reuse. Section 7(a) of the Finance Act 2013 inserted Explanation 2 to section 36(1)(vii), with stated effect from 1 April 2014, specifying one clause-(viiia) provision account for all types of advances, including rural advances. The checked court-hosted statutory reproduction supports that insertion only. The note does not determine the amendment's operation in any other year or certify subsequent judicial treatment, deduction ceilings, present law, or a 2025-Act mapping.

Source: [reported judgment / paragraphs Majority 14-17, 25-27, 40-42 / PDF pages 24, 25, 26, 31, 32, 39, 40 / judicial text; court hosted statutory reproduction / paragraphs Finance Act 2013 section 7\(a\), commencement and inserted Explanation 2 / PDF pages 13 / statutory reproduction](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 1143 of 2011 / Civil Appeal No. 1147 of 2011 / Civil Appeal No. 1151 of 2011 / Civil Appeal No. 1155 of 2011 / Civil Appeal No. 1156 of 2011 / Civil Appeal No. 1157 of 2011 / Civil Appeal No. 1158 of 2011 / Civil Appeal No. 1159 of 2011 / Civil Appeal No. 1160 of 2011 / Civil Appeal No. 1170 of 2011 / Civil Appeal No. 1171 of 2011 / Civil Appeal No. 1172 of 2011 / Civil Appeal No. 1173 of 2011 / Civil Appeal No. 1174 of 2011 / Civil Appeal No. 1175 of 2011 / Civil Appeal No. 1176 of 2011 / Civil Appeal No. 1177 of 2011 / Civil Appeal No. 1178 of 2011 / Civil Appeal No. 1179 of 2011 / Civil Appeal No. 1180 of 2011 / Civil Appeal No. 1181 of 2011 / Civil Appeal No. 1182 of 2011 / Civil Appeal No. 1183 of 2011 / Civil Appeal No. 1184 of 2011 / Civil Appeal No. 1185 of 2011 / Civil Appeal No. 1186 of 2011 / Civil Appeal No. 1187 of 2011 / Civil Appeal No. 1188 of 2011 / Civil Appeal No. 1189 of 2011 / Civil Appeal No. 1190 of 2011 / Civil Appeal No. 1191 of 2011 / Civil Appeal No. 1192 of 2011 / Civil Appeal No. 1193 of 2011 / Civil Appeal No. 1194 of 2011 / Civil Appeal No. 1396 of 2011 / Civil Appeal No. 1397 of 2011

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Finality of unchallenged earlier-year Special Bench assessments

Result: No bar to Revenue contesting the statutory question in later assessment years

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 21; 22

Paragraphs: Majority 12-13

Source role: judicial text

2.

Issue: Independent urban/non-rural write-off and rural provision deduction

Result: Clause-(vii) deduction for debts outside the clause-(viiia) provision is not absorbed by that provision merely because the bank also claims clause-(viiia) relief

In whose favour: Assessee, subject to statutory predicates

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 31; 32; 39; 40

Paragraphs: Majority 25-27, 40-41

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 40; 41; 42

Paragraphs: Concurrence 1-3

Source role: judicial text

3.

Issue: Double deduction for a debt covered by the provision

Result: Proviso limits the actual write-off allowance to the excess over the provision credit balance, read with section 36(2)(v)

In whose favour: Revenue safeguard retained

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 32; 33; 34; 39; 40

Paragraphs: Majority 27-30, 41

Source role: judicial text

4.

Issue: Relief and quantification

Result: All matters remanded for computation under the decided law; no final rupee allowance

In whose favour: Assessee on legal issue; computation open

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 40

Paragraphs: Majority 42

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 42

Paragraphs: Concurrence 3

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

28; 36(1)(vii)(b); 36(1)(vii)(c); 143(1); 143(2); 143(3); 260A

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Swatanter Kumar, J. (for himself and A. K. Patnaik, J.); separate concurring reasons by S. H. Kapadia, C.J.I.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER STATUTORY DEVELOPMENTS AND THEIR LIMITS

1.

Relationship: Later insertion separately limits historical reuse; no overruling or currentness certification

Source url: [Open cited source](#)

Description: Finance Act 2013 section 7(a), with stated effect from 1 April 2014: one clause-(vii) provision account covering all types of advances, including rural advances.

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 13

Paragraphs: Section 7(a)

Source role: statutory reproduction

Scope limit: Only the insertion and its stated commencement checked; no comprehensive amendment history or subsequent judicial interpretation.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 42 PDF pages; SHA-256

5795b6a94be20520782f590cf84ceff50d0c3bd180ea98e776a0b72da60b3de. Original bytes preserved.

Report/headnote/references on physical pages 1-14; jurisdiction and full appeal list on page 14. Swatanter Kumar J. judicial paragraphs 1-42 on pages 15-40, and Kapadia CJI concurring paragraphs 1-3 on pages 40-42, fully read. Printed SCR page 773 is duplicated at physical pages 35 and 36; after that duplicate, physical page equals printed SCR page minus 737. No adjacent judgment.

Open cited source rendition

AY 2002-03 is the Catholic Syrian lead year in paragraph 1. Paragraph 5 identifies the earlier South Indian Bank litigation as assessments from 1985-86 to 1987-88 and identifies that judgment as the subject of Civil Appeal Nos. 1190-1193/2011, without assigning each year to a particular appeal. The Special Bench years 1991-92 to 1993-94 are historical finality context, not added as separately verified appealed years. No complete year schedule for all 36 matters is supplied.

The decision concerns the historical relation between actual bad-debt write-off, the banking provision deduction and the anti-double-deduction proviso. Section 119 circulars inform that construction. The reproduced section 36 extract contains historical percentage ceilings and dated optional provisos; this note does not treat it as a certified statutory consolidation for each companion year. The later Finance Act 2013 amendment is separately identified editorial context.

Primary source is the reported eSCR rendition; cached public acquisition URL and exact preserved hash are retained without claiming a new live retrieval of the judgment.; Physical pages 35 and 36 reproduce the same printed SCR page 773. Both were visually checked. There are 42 PDF pages but 41 distinct printed SCR pages; later pins use physical PDF pages, not a naive 739-based offset.; The printed jurisdiction list contains 36 appeals. All gaps in numbering are preserved; no complete party/year allocation is invented.; The statutory extract in majority paragraph 14 prints a five-per-cent income ceiling plus ten-per-cent rural-advance ceiling and includes dated optional provisos. Paragraphs 21-23 recount other historical percentages. These passages are not a certified statutory version for every assessment year.; Majority paragraph 20 states a commencement date for the Finance Act 2001 Explanation. The note does not adopt that passage as an independently verified amendment-history assertion.; The last editorial footer says Appeal disposed of in the singular; the judicial operative paragraphs expressly dispose of assessee and Revenue appeals and remand all matters.; The Finance Act 2013 auxiliary PDF is a court-hosted reproduction bearing itatonline.org footer text; it is not represented as an original Gazette. The older Income Tax Department Circular 03/2014 link returned 404 and is not cited as a retrieved source.

All 36 civil appeals printed in the jurisdiction list are retained. Paragraph 5 expressly identifies Civil Appeal Nos. 1190-1193/2011 as challenging the earlier South Indian Bank Division Bench judgment. The concluding order allows assessee appeals and dismisses Revenue appeals, remanding every matter for computation. The report does not provide a reliable party/year allocation for every other number; none is invented.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and assessment years only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Any source-checked comparison is expressly bounded.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 42](#)

SHA-256: 5795b6a94be20520782f590cf84ceff50d0c3bd180ea98e776a0b72da60b3de

[court hosted statutory reproduction - PDF pages: 63](#)

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