



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2013-14/619

UBD. CO. BPD. PCB. Cir. No. 67/09.50.001/2013-14

May 30, 2014

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Madam/ Dear Sir,

**Deferred Tax Liability on Special Reserve created under
Section 36(1) (viii) of the Income Tax Act, 1961-UCBs**

It has been observed that some banks are not creating deferred tax liability (DTL) on Special Reserve as per Accounting Standard 22: '*Accounting for taxes on Income*' (AS 22) on the ground that they do not intend to withdraw from such Reserve in the future. In many cases banks have formalised such intent by having resolutions passed by their Boards or Committees to this effect.

2. The matter regarding creation of DTL on Special Reserve has been examined and banks are advised that, as a matter of prudence, DTL should be created on Special Reserve.

3. For this purpose, banks may take the following course of action:

a) If the expenditure due to the creation of DTL on Special Reserve as at March 31, 2013 has not been fully charged to the Profit and Loss account, banks may adjust the same directly from Reserves. The amount so adjusted may be appropriately disclosed in the Notes to Accounts of the financial statements for the financial year 2013-14.

b) DTL for amounts transferred to Special Reserve from the year ended March 31, 2014 onwards should be charged to the Profit and Loss Account of that year.

शहरी बैंक विभाग, केंद्रीय कार्यालय, गारमेंट हाऊस, पहली मंज़िल, डॉ. एनी बेसेंट मार्ग, वरली, मुंबई - 400018 भारत
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हिंदी आसान है, इसका प्रयोग बढ़ाइए—

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्ति की जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।
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4. In view of the requirement to create DTL on Special Reserve, banks may reckon the entire Special Reserve for the purpose of computing Tier-I Capital

Yours faithfully,

(P. K. Arora)
General Manager

शहरी बैंक विभाग, केंद्रीय कार्यालय, गारमेंट हाऊस, पहली मंज़िल, डॉ. एनी बेसेंट मार्ग, वरली, मुंबई - 400018 भारत
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