

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH: BANGALORE**

**BEFORE SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER
AND
SHRI PRAKASH CHAND YADAV, JUDICIAL MEMBER**

ITA Nos.1790 to 1793/Bang/2024
Assessment Years: 2014-15, 2015-16, 2017-18 & 2020-21 respectively

LRDE Employees Housing Co-operative Society Ltd. C/o LRDE, C.V. Raman Nagar Bangalore 560 093 PAN NO : AAAAL8274E	Vs.	ITO Ward-4(2)(2) Bangalore
APPELLANT		RESPONDENT

Appellant by	:	Smt. Pratibha R., A.R.
Respondent by	:	Sri Subramanian, D.R.

Date of Hearing	:	28.11.2024
Date of Pronouncement	:	28.11.2024

O R D E R

PER BENCH:

All these appeals are arising from the order of Id. CIT(A) dated 17.8.2024 having DIN & Order No.ITBA/NFAC/S/250/2024-25/1067714223(1) for the AY 2020-21 passed u/s 250 of the Income Tax Act, 1961 (in short “The Act”).

2. Since facts and circumstances of the cases and issue involved in all these appeals are same, we are deciding all these appeals by way of this consolidated order. We are taking AY 2020-21 as lead mater for deciding the issue involved.

3. In the original grounds of appeal, the assessee has basically challenged the action of the lower authorities with respect to the disallowance of deduction under section 80P(2)(d) in relation to

interest income from the cooperative banks. The assessee vide its application for additional ground dated 19.11.2024 has asked for deduction of cost of funds, if the interest income of the assessee is to be taxed under section 57 of the Act.

4. Short facts regarding the assessment year 2020-21 which we will take as lead year are like that the assessee is a Co-operative society carrying out the construction of housing projects for its members. It has filed its return of income declaring income of Rs.96,780/-. The same was selected for scrutiny. During the course of assessment proceedings, the AO has observed that the assessee has earned interest income from Co-operative banks. The AO after referring to the definition of Income given in section 2(24) (viiia) observed that income earned from business of banking is income from banking and not cooperative society. Accordingly, the AO denied the deduction u/s 80P(2)(a)(i) & 80P(2)(d) of the Act to the assessee. Aggrieved with the order of AO, the assessee preferred appeal before the Id. CIT(A) and contended that the assessee is entitled for deduction u/s 80P(2)(d) of the Act on the interest income earned from various co-operative banks. Ld. CIT(A) however dismissed the appeal of the assessee.

5. Feeling aggrieved the assessee has come up in appeal before us. Ld. Counsel for the assessee at the outset contended that the additional ground filed by the assessee with respect to the allowing of cost of funds to the assessee in respect of interest income taxed by the lower authorities' u/s 57 of the Act may kindly be granted to the assessee.

6. Ld. D.R. relied upon the orders of authorities below.

7. After considering the rival submissions, we observe that the issue whether interest income is eligible for deduction u/s 80P(2)(d) of the Act with respect to interest income and is no more *res-integra* in the light of the judgement of Hon'ble jurisdictional High Court in the case of Totgars Society Vs. PCIT reported in 395 ITR 611. Therefore, we dismiss the claim of the assessee with respect to the deduction u/s 80P(2)(d) in respect of interest income. However, we are of the considered view that such income is taxable under the head "income from other sources" and cost attributable to such income is allowable to the assessee u/s 57 of the Act. With this observation, we restore this matter to the file of AO for deciding afresh in accordance with law. The AO will compute the cost of funds and then allow the claim as per law.

8. In the result, all these appeals of the assessee are allowed for statistical purposes.

Order pronounced in the open court on 28th Nov, 2024

Sd/-
(Laxmi Prasad Sahu)
Accountant Member

Sd/-
(Prakash Chand Yadav)
Judicial Member

Bangalore,
Dated 28th Nov, 2024.
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The DR, ITAT, Bangalore.
5. Guard file

By order

**Asst. Registrar,
ITAT, Bangalore.**