

**IN THE INCOME TAX APPELLATE TRIBUNAL  
COCHIN BENCH**

**BEFORE SHRI INTURI RAMA RAO, AM**

**ITA No. 538/Coch/2024  
Assessment Year: 2020-21**

Pulamanthole Service Co-op. Bank Ltd.  
Pattambi Road, Pulamanthole  
Malappuram 679323  
[PAN: AABAP5757F]

..... Appellant

Vs.

The Income Tax Officer  
Tirur

..... Respondent

Appellant by: ----- None -----  
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 10.12.2024  
Date of Pronouncement: 10.12.2024

**ORDER**

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)] dated 31.03.2024 for Assessment Year (AY) 2020-21.

2. Brief facts of the case are that the assessee is a primary agricultural credit society registered under the Kerala Co-Operative Societies Act, 1969. The assessee filed its return of income declaring Nil income after claiming deduction of Rs. 2,01,46,840/- u/s. 80P92)(a)(i) of the Income Tax Act, 1961 (the Act). The case was selected for scrutiny and various opportunities were granted to the assessee by the Assessing Officer (AO). The assessee furnished

information such as Registration Certificate, copy of bye laws, statement of income, profit & loss account, balance sheet, etc. on 16.02.2022. Finally the assessment was completed u/s. 143(3) r.w.s. 144B of the Act on 31.09.2022 by making an addition of Rs.40,25,073 /- under income from “Other Sources” being interest income earned on investments made with Social Welfare Pension Consortium Ltd.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order confirmed the action of the AO.

4. When the application was called none appeared on behalf of the assessee nor there any application for adjournment. Therefore, I proceed to dispose the stay application after hearing the learned Sr. DR.

5. Learned CIT- DR vehemently argued that such interest income could have hardly be held even derived from assessee’s regular credit facilities made available to the members concerned. He further quotes PCIT & Anr. v. Totagars Co-operative Sales Society reported in (2017) 395 ITR 611 (Kar.) and submitted that the impugned disallowance has been rightly made in assessee’s hand.

6. I have heard rival contentions and perused the material available on record. The issue in the present appeal relates to eligibility of deduction u/s. 80P of the Act on interest income earned from investment with Social Welfare Pension Consortium Ltd.

7. This issue is no longer res integra, as it is settled by the judgement of the Hon'ble Jurisdictional High court in the case of CIT vs. Sahyadri Co-operative Credit Society Ltd. in ITA No. 63 of 2019, wherein it was held that the interest income earned on investments made out of surplus fund with scheduled banks or any other such entities also partake the character of business income which qualifies for deduction u/s. 80P(2)(a)(i) of the Act. The operative part of the judgement is extracted as under: -

*“ The question that arises therefore is whether, merely because the assessee chooses to deposit its surplus profit in a permitted bank or financial institution, and earns interest on such deposits, such interest would cease to form part of its profits and gains attributable to its business of providing credit facilities to its members? In our view that question must be answered in the negative, since we cannot accept the contention of the Revenue that the interest earned on those deposits loses its character as profits/gains attributable to the main business of the assessee. It is not as though the assessee in the instant case had used the surplus amount (the profit earned by it] for an investment or activity that was unrelated to its main business, and earned additional income by way of interest or gain through such activity. The assessee had only deposited the profit earned by it in the manner mandated under Section 63 of the Multi-State Co-operative Societies Act, or permitted by Section 64 of the said Act. In other words, it dealt with the surplus profit in a manner envisaged under the regulatory Statute that regulated, and thereby legitimized, its business of providing credit facilities to its members. Under those circumstances, if the assessee managed to earn some additional income by way of interest on the deposits made, it could only be seen as an enhancement of the profits and gains that it made from its principal activity of providing credit facilities to its members. The nature and character of the principal income [profits earned by the assessee from its lending activity) does not change merely because the assessee acted in a prudent manner by depositing that income in a bank, instead of keeping it in hand. The provisions of the I.T. Act cannot be seen as intended to discourage prudent financial conduct on the part of an assessee.”*

8. Respectfully following the above decisions of the Hon'ble Jurisdictional High Court, I hold that the appellant-society is entitled for deduction under sections 80P(2)(a)(i) of the Act in respect of interest income received from Social Welfare Pension Consortium Ltd.

9. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open court on 10<sup>th</sup> December, 2024

Sd/-  
**(INTURI RAMA RAO)**  
**ACCOUNTANT MEMBER**

Cochin, Dated: 10<sup>th</sup> December, 2024

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

Assistant Registrar  
ITAT, Cochin