

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

**BEFORE SHRI INTURI RAMA RAO, AM**

**ITA No. 291/Coch/2024  
Assessment Year: 2017-18**

Koodali Public Servants Co-op Society Ltd.  
Matannur P.O., Kannur 670702  
[PAN: AABAK8429K]

..... Appellant

Vs.

The Income Tax Officer  
Ward -3, Kannur

..... Respondent

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

Date of Hearing: 09.12.2024  
Date of Pronouncement: 09.12.2024

**ORDER**

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)] dated 15.02.2024 for Assessment Year (AY) 2017-18.

2. Brief facts of the case are that the assessee is a co-operative society formed for providing credit facilities to its members. The assessee filed its return of income for AY 2017-18 on 08.02.2018 declaring total income at Nil after claiming deduction of Rs. 40,95,091/- u/s. 80P of the Income Tax Act, 1961 (the Act). The AO completed the assessment at a total income of Rs. 40.45,090/- by denying the deduction u/s. 80P(2)(d) of the Act in respect of interest income earned from Kannur District Co-operative Bank.

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

4. Being aggrieved, the assessee is in appeal before us in the present appeal.

5. When the appeal was called none appeared on behalf of the assessee nor there any application for adjournment. Therefore, I proceeds to dispose the appeal after hearing the learned CIT-DR and on the basis the material available on record.

6. 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 relied on the decision in the case of 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.

7. I notice that the issue related to interest income received from the District Co-operative bank stands settled by Hon'ble Jurisdictional High Court's decision in the case of PCIT v. Peroorkada Service Co-op. Bank Ltd. [2022] 442 ITR 141 (Ker) wherein their Lordships have rejected the Revenue's identical stand as under: -

*“12.2 Section 80P deals with Co-operative Societies' computation of income. As already noted, it has four sections and several sub-sections and clauses. The Parliament has considered the various situations in which the exigible income and the deductible income of the assessee is considered while computing the income of the assessee. For getting deduction, in our considered view, the assessee must also establish that the interest income earned by the assessee is from a Co-operative Society. As a matter of fact,*

*in the case on hand, there is no dispute that it is not from a Co-operative Society registered under Kerala Co-operative Societies Act. The interest income earned from District Co-operative Bank/State Co-operative Bank, in the facts and circumstances of the case, do come within Section 80P(2)(d). Therefore, the income constitutes income from other sources and the only eligible deduction is covered by Section 80P(2)(d) viz. Interest or dividend derived by the assessee from its investments with any other Co-operative Society. The source of interest income is from Bank and Treasury, interest income received from Treasury be included in the computation of total income of the assessee. In other words, interest earned from Treasury is inadmissible for deduction and interest income from Co-operative Societies registered under the Kerala Co-operative Societies Act are eligible for deduction. The contra consideration of Commissioner of Income Tax (Appeals) and the Tribunal is incorrect and liable to be modified as stated above. Hence, it is held that the interest income earned by the assessee does not come within the ambit of Section 80P(2)(a)(i) and permissible deduction of interest income is limited to Co-operative Societies/Banks registered under Kerala Co-operative Societies Act under clause (d) of the Act and effect order on the above lines is made by the Assessing Officer. The questions are accordingly answered.”*

8. Respectfully following the above decision of the Hon'ble Jurisdictional High Court, I hold that the assessee is entitled for deduction under section 80P(2)(d) of the Act on account of interest received from District Co-operative Bank and Treasury.

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

Order pronounced in the open court on 9<sup>th</sup> December, 2024

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

Cochin, Dated: 9<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

By Order

Assistant Registrar  
ITAT, Cochin