

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH : BANGALORE**

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

<b>ITA No. 2005/Bang/2024</b>
<b>Assessment Year : 2015-16</b>

M/s. Jyothi Pattin Souhard Sahakari Niyamithi, 1 K H Patil Stadium Complex, Behind K H Patil Stadium, APMC YARD GADAG, Gadag – 582 101. <b>PAN: AAAAJ2120P</b>	<b>Vs.</b>	The Income Tax Officer, Ward – 1, Gadag.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri Kashinath H Kalmath, Advocate
Revenue by	:	Ms. Neha Sahay, JCIT-DR

Date of Hearing	:	15-01-2025
Date of Pronouncement	:	20-01-2025

**ORDER**

**PER PRAKASH CHAND YADAV, JUDICIAL MEMBER**

Present appeal of the assessee is arising from the order of Ld.CIT(A) dated 27/08/2024 having DIN & Order No: ITBA/NFAC/S/250/2024-25/1067996952(1) and relates to A.Y. 2015-16.

**2.** The brief facts as coming out from the orders of the authorities below are that the assessee is a co-operative society and engaged in the business of banking / providing credit facilities to the members of society. For the impugned assessment order, it has filed its return of income on 27/08/2015

declaring Nil income. The return of income filed by the assessee was processed u/s. 143(1) of the IT Act and thereafter selected for scrutiny. During the course of assessment proceedings, the assessing officer observed that the assessee has claimed deduction of section 80P with respect to the interest income earned by the assessee. The assessing officer granted deduction of 80P(2)(d) to the assessee. Thereafter, PCIT vide its order dated 16/06/2017 revised the order of AO u/s. 263 of the IT Act and directed the assessing officer to assess the interest income under the head income from other sources and allowed the corresponding expenses pertaining to the earning of such income i.e. cost of fund. Thereafter, the assessing officer passed the impugned assessment order and called for the details from the assessee with respect to the cost of funds attributable to the interest income earned by the assessee. However, the assessee could not file any details and the assessing officer could not allow the benefits of the cost of funds to the assessee.

**3.** Aggrieved with the order of the AO, the assessee preferred an appeal before the Ld.CIT(A). The Ld.CIT(A) after discussing the entire case laws as well as the provisions of the Income Tax Act, directed the AO to allow proportionate deduction of expenses attributable to the earning of interest income on the fixed deposits made with the banks.

**4.** Still aggrieved, the assessee has come up in appeal before us. When the bench asked the assessee about the grievance of the assessee in respect of the impugned CIT(A) order, the Ld. Counsel for the assessee craves that the matter may be restored to the file of AO for fresh examination.

**4.1** The Ld.DR could not object and pointed out that similar directions were given by PCIT u/s. 263 as well as CIT(A).

**5.** After considering the rival submissions, we are of the view that the assessee has come up in appeal just to seek an opportunity of being heard before the AO. Therefore, in the interest of justice, we restore this matter to

the file of AO for examining afresh and allow cost of the funds to the assessee vis-à-vis interest income earned from the bank deposits. The assessee is also directed to produce the necessary documents before the AO for establishing the factum of cost of funds. Needless to say that the assessing officer will grant appropriate opportunity of being heard to the assessee before passing any order.

**6.** In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 20<sup>th</sup> January, 2025.

Sd/-  
(LAXMI PRASAD SAHU)  
Accountant Member

Sd/-  
(PRAKASH CHAND YADAV)  
Judicial Member

Bangalore,  
Dated, the 20<sup>th</sup> January, 2025.  
/MS /

Copy to:

- |               |                        |
|---------------|------------------------|
| 1. Appellant  | 2. Respondent          |
| 3. CIT        | 4. DR, ITAT, Bangalore |
| 5. Guard file | 6. CIT(A)              |

By order

Assistant Registrar,  
ITAT, Bangalore