

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT  
AND  
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

<b>ITA No. 2144/Bang/2024</b>
<b>Assessment Year : 2017-18</b>

M/s. H D M C Employees Co-operative Credit Society Ltd., 59, J C Nagar Hubli, Hubballi, Karnataka – 580 025. <b>PAN: AAAAH0288C</b>	<b>Vs.</b>	The Income Tax Officer, Ward – 1(3), Hubli.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri Kotresh .K, CA
Revenue by	:	Ms. Vidhya .K, JCIT-DR

Date of Hearing	:	09-12-2024
Date of Pronouncement	:	28-01-2025

**ORDER**

**PER SOUNDARARAJAN K., JUDICIAL MEMBER**

This is an appeal filed by the assessee challenging the order of the NFAC, Delhi dated 31/03/2024 in respect of the A.Y. 2017-18 and raised the following grounds:

	<i>Grounds of Appeal</i>	<i>Tax effect relating to each ground of appeal (see note below)</i>
1	<i>The order of the Learned National Faceless Appeal center in so far is prejudicial to the interests of the appellant and is bad and erroneous on the facts and circumstances of the case.</i>	<i>Rs. 0</i>
2	<i>The Learned National Faceless Appeal center erred in law and on facts in upholding the invoking of provisions of S.68 of the Act and making an addition of Rs. 42,57,00</i>	<i>Rs. 3182495</i>
3	<i>Without prejudice to the above ground, the learned The Learned National Faceless Appeal center ought to have held that the appellant is a mere conduit for cash deposited by the members with the appellant and the same was deposited by the appellant in the Nationalized Bank.</i>	<i>Rs. 0</i>
4	<i>The Learned National Faceless Appeal center erred in upholding the addition of proportionate interest from Nationalized Banks to the extent of Rs. 1,12,763/-</i>	<i>Rs. 84300</i>
5	<i>The Learned National Faceless Appeal center ought to have held that income from house property assessed at Rs.4,76,742/- is eligible for deduction u/s 80(8)(2)(a)(i).</i>	<i>Rs. 0</i>
6	<i>The Learned National Faceless Appeal center ought to have held that the business income assessed at Rs.86,400/- is eligible for deduction u/s 80(P)(a)(i).</i>	<i>Rs. 64592</i>
7	<i>The Learned National Faceless Appeal center erred in upholding interest u/s 234B and 234C as computed by the AO.</i>	<i>Rs. 1108649</i>

8	<i>Each of the above grounds is without prejudice to one another and the appellant craves leave of the Hon'ble Income Tax Appellate Tribunal, Bangalore to add, delete, amend or otherwise modify one or more of the above grounds either before or at the time of hearing of this appeal.</i>	Rs. 0
<i>Total Tax Effect</i>		<i>Rs. 44,40,036</i>

**2.** The brief facts of the case are that the assessee is a co-operative society and during the A.Y.the assessee earned various incomes, the AO had disallowed the deduction claimed u/s. 80P(2)(a)(i) of the Act and also disallowed the interest earned from the co-operative banks and other banks and assessed the same as income from other sources. The AO also treated the cash deposits made during the demonetisation period as unexplained cash credit u/s. 68 of the Act. As against the said order, the assessee filed an appeal before the Ld.CIT(A) and contended that the deposits made during the demonetisation period are the cash deposited by the members into their account which was subsequently deposited by the assessee with their bankers, Union Bank of India, Hubli and therefore the said deposits would not be treated as unexplained cash credit.

**3.** Even though the Ld.CIT(A) had sent notices to the registered email ID and the email ID available in the ITR, the assessee had not filed any submissions and therefore the Ld.CIT(A) had decided the appeal ex-parte and dismissed the same. As against the order of Ld.CIT(A), the assessee is in appeal before this Tribunal.

**4.** At the time of hearing, the Ld.AR submitted that at no stretch of imagination, the SBN notes deposited could be treated as unexplained cash credit u/s. 68 of the Act since the assessee had explained that the cash deposited into the bank account by the assessee were all from the cash deposited by the members as against their various accounts. The Ld.AR further submitted that the assessee is having a good case on merits since the issue was already covered by the order of the Coordinate Bench of this

Tribunal as well as the Hon'ble Jurisdictional High Court judgment and prayed to allow the appeal. The Ld.AR also filed a paper book enclosing the orders as well as the judgement of the jurisdictional High Court at the time of hearing. The Ld.AR further submitted that even though all the details were made available before the AO, but unfortunately the same were not placed before the Ld.CIT(A) and hence the appeal was decided ex-parte and prayed one more opportunity to submit the details in support of their claim.

**5.** The Ld.DR relied on the orders of the lower authorities and submitted that the assessee had not furnished any valid reasons for not appearing before the Ld.CIT(A) and therefore they are not deserved for any leniency and prayed to dismiss the appeal.

**6.** We have heard the arguments of both sides and perused the materials available on record.

**7.** We have perused the order of Ld.CIT(A) and found that the issues are not decided on merits but the appeal was dismissed for the sole reason that the assessee had not appeared and filed their submissions. Even though the assessee had relied on various orders of the Coordinate Bench of this Tribunal as well as the Hon'ble High Court insofar as the addition made u/s. 68 of the Act is concerned, we are not expressing any opinion on the same since the appeal was decided ex-parte and the Ld.CIT(A) had no occasion to consider the orders as well as the judgment relied on by the assessee and therefore in the interest of justice, we are remitting the entire appeal to the file of the Ld.CIT(A) and direct him to decide the appeal on merits and in accordance with law. We leave it open to the assessee to raise all the issues on merits and also we give liberty to the assessee to furnish the documents relied upon by the assessee before the Ld CIT(A).

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

Order pronounced in the open court on 28<sup>th</sup> January, 2025.

Sd/-  
(PRASHANT MAHARISHI)  
Vice - President

Sd/-  
(SOUNDARARAJAN K.)  
Judicial Member

Bangalore,  
Dated, the 28<sup>th</sup> January, 2025.  
/MS /

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

By order

Assistant Registrar,  
ITAT, Bangalore