

**IN THE INCOME TAX APPELLATE TRIBUNAL
“SMC” BENCH, COCHIN**

Before Shri Inturi Rama Rao, Accountant Member

ITA No.129/Coch/2025 : Asst.Year 2015-2016

Kolavalloor Service Co-operative Bank Limited, Cheruparamba Thalassery Kannur – 670 693. PAN : AACAK2696M.	v.	The Income Tax Officer Ward 2 Kannur.
(Appellant)		(Respondent)

Appellant by : Sri.Arun Raj S, Advocate
Respondent by : Smt.Leena Lal, Senior AR

Date of Hearing : 13.03.2025	Date of Pronouncement : 27.03.2025
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ORDER

This appeal filed by the assessee is directed against the order of the National Faceless Assessment Centre / Commissioner of Income-tax (Appeals) [“CIT(A)” for short] dated 10.12.2024 for the assessment years 2015-2016.

2. The appellant is a co-operative society, registered under the Kerala Co-operative societies Act, 1969 and it is classified as a primary agricultural credit society. The return of income for the assessment year 2015-2016 was filed on 30th October, 2015 declaring Nil income after claiming deduction u/s.80P of the Income-tax Act, 1961 (“the Act” hereinafter). The said return of income was completed by the Assessing Officer (“the AO” hereinafter) vide order dated 19.12.2017 passed u/s.143(3) of the Act at a total income of Rs.30,90,290. While doing so,

the AO disallowed the claim of deduction u/s.80P of the Act by holding that the appellant society is a co-operative bank, therefore, not eligible for deduction u/s.80P of the Act. Further, the AO proceed to hold that the interest income earned on the investments and deposits made with co-operative banks out of the surplus funds does not qualify for deduction u/s.80P(2) of the Act.

3. Being aggrieved, the appellant filed an appeal before the CIT(A), who vide the impugned order confirmed the action of the AO in denying the deduction u/s.80P(2)(a)(i) as well as 80P(2)(d) of the Act. However, the CIT(A) directed the AO to allow the expenditure incurred in earning the interest income earned from co-operative banks. Thus, the CIT(A) partly allowed the appeal of the assessee.

4. Being aggrieved, the appellant is in appeal before me in the present appeal. The learned Counsel for the assessee submits that the lower authorities have grossly erred in holding that the appellant is a co-operative bank but not a primary agricultural credit society and not hit by the provisions of sub-section (4) of section 80P of the Act. It is therefore prayed that orders of the lower authorities may be set aside.

5. Insofar as the claim of deduction u/s.80P(2)(d) of the Act is concerned, the learned Counsel submits that the interest income earned from co-operative banks qualifies for deduction u/s.80P(2)(d) of the Act in view of the judgment of the Hon'ble jurisdictional High Court in the case of PCIT v. Peroorkada Service Co-operative Bank Ltd. (2022) 442 ITR 141 (Ker.).

6. On the other hand, the learned Sr.DR relied upon the orders of the authorities below.

7. I heard the rival submissions and perused the material available on record. With regard to the interest income earned by the appellant from other co-operative banks are concerned, the Hon'ble jurisdictional High Court in the case of PCIT v. Peroorkada Service Co-operative Bank Ltd. (supra) has fairly held that such interest income qualifies for deduction u/s.80P(2)(d) of the Act. The relevant paragraph is reproduced as under:-

“12.2 Section 80P deals with co-operative societies' computation of income. As already noted, it has four sub-sections and several clauses and sub-clauses. 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 registered under the Kerala inadmissible for deduction and interest income from co-operative societies Co-operative Societies Act are eligible for deduction. The contra consideration of the 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 judgment of the Hon'ble High Court, I hold that the interest income earned by the appellant society from other co-operative banks qualifies for deduction u/s.80P(2)(d) of the Act. Accordingly, I direct the A.O. to allow the claim of deduction u/s.80P(2)(d) of the Act.

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

Order pronounced on this 27th day of March, 2025.

Sd/-
(Inturi Rama Rao)
ACCOUNTANT MEMBER

Cochin; Dated : 27th March, 2025.
Devadas G*

Copy to :

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

Asst.Registrar/ITAT, Cochin