

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

BEFORE SHRI INTURI RAMA RAO, AM

ITA No. 187/Coch/2024
Assessment Year: 2017-18

Guruvayur Vyapari Vyavasayi Co-op. Applicant
Society Ltd.
Vyapari Bhavan, Inner Ring Road
Guruvayur, Thrissur 680101
[PAN: AACAG0215C]

Vs.

The Income Tax Officer Respondent
Ward - 1 & TPS, Guruvayur

Applicant by: Shri Ramdas, CA
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 12.03.2025
Date of Pronouncement: 27.03.2025

ORDER

This appeal filed by the assessee is directed against the order of the Addl/Jt. Commissioner of Income Tax (Appeals)-12, Mumbai [CIT(A)] dated 11.01.2024 for Assessment Year (AY) 2017-18.

2. Brief facts of the case are that the appellant is a co-operative society registered under the Kerala State Co-operative Societies Act, 1969. The appellant had not filed regular return of income u/s. 139(1) of the Income Tax Act, 1961 (the Act) for AY 2-17-18. A

notice u/s. 239 of the Act was served on the assessee. In response to the notice, the appellant filed return of income on 15.03.2018 declaring Nil income after claiming deduction u/s. 80P of Rs.14,45,209/-. Against the said return of income, the assessment was completed by the Income Tax Officer, Ward-1, Guruvayur (hereinafter called "the AO") vide order dated 18.12.2019 passed u/s. 143(3) of the Act at a total income of Rs. 14,45,209/-. While doing so, the AO disallowed the claim for deduction u/s. 80P in respect of interest received from 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 appellant is in appeal before the Tribunal in the present appeal.

5. I heard the rival contentions of both the parties and perused the material available on record. I notice that the issue relates to interest income received from the District Co-operative bank stands adjudicated 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.”

6. 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.

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

Order pronounced in the open court on 27th March, 2025.

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 27th March, 2024

n.p.

Copy to:

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

Assistant Registrar
ITAT, Cochin