

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

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI SANDEEP SINGH KARHAIL, JM**

**ITA No. 914/Coch/2024
Assessment Year: 2022-23**

Kulasekharapuram Service Co-op. Bank Ltd. Appellant
Kattikadavu, Karunagappally, Kollam 690542
[PAN: AABAK9297M]

vs.

The Income Tax Officer, Ward 2, Alappuzha Respondent

Appellant by: Ms. Varsha Nambiar, Advocate
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 25.03.2025
Date of Pronouncement: 27.03.2025

ORDER

Per: Inturi Rama Rao, AM

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)], dated 30.08.2024 for Assessment Year (AY) 2022-23.

2. Brief facts of the case are that the assessee is primary agricultural credit co-operative society registered under the Kerala Co-Operative Societies Act, 1969. The assessee filed the return of income of AY 2022-23 declaring Nil income after claiming deduction of Rs. 2,47,37,806/- u/s. 80P of the Income Tax Act, 1961 (the Act). Against the said return of income the Income Tax Officer, Ward-2, Alappuzha (hereinafter “the

AO”) completed the assessment vide order dated 12.02.2024 passed u/s. 143(3) r.w.s. 144B of the Act at a total income of Rs. 2,47,37,806/-. While doing so, the AO made addition of Rs. 2,47,37,806/- by denying the claim of the appellant for deduction u/s. 80P(2)(a)(i) in respect of interest income from scheduled banks.

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. We have heard the rival contentions of both the parties and perused 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 further quotes 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. Regarding the interest income received from Treasury, Scheduled Banks, etc., this issue is no longer res integra, as it is covered by the judgement of the Hon’ble Jurisdictional High court in the case of CIT vs. Sahyadri Co-operative Credit Society Ltd. in ITA No. 63 of 2019, wherein it was held as under: -

“ The question that arises therefore is whether, merely because the assessee chooses to deposit its surplus profit in a permitted bank or financial institution, and earns interest on such deposits, such interest would cease to

form part of its profits and gains attributable to its business of providing credit facilities to its members? In our view that question must be answered in the negative, since we cannot accept the contention of the Revenue that the interest earned on those deposits loses its character as profits/gains attributable to the main business of the assessee. It is not as though the assessee in the instant case had used the surplus amount (the profit earned by it) for an investment or activity that was unrelated to its main business, and earned additional income by way of interest or gain through such activity. The assessee had only deposited the profit earned by it in the manner mandated under Section 63 of the Multi-State Co-operative Societies Act, or permitted by Section 64 of the said Act. In other words, it dealt with the surplus profit in a manner envisaged under the regulatory Statute that regulated, and thereby legitimized, its business of providing credit facilities to its members. Under those circumstances, if the assessee managed to earn some additional income by way of interest on the deposits made, it could only be seen as an enhancement of the profits and gains that it made from its principal activity of providing credit facilities to its members. The nature and character of the principal income [profits earned by the assessee from its lending activity) does not change merely because the assessee acted in a prudent manner by depositing that income in a bank, instead of keeping it in hand. The provisions of the I.T. Act cannot be seen as intended to discourage prudent financial conduct on the part of an assessee.”

8. Respectfully following the above decisions of the Hon'ble Jurisdictional High Court we hold that the assessee is entitled for deduction under sections 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.

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

Sd/-
(SANDEEP SINGH KARHAIL)
JUDICIAL MEMBER
Cochin, Dated: 27th March, 2025

Sd/
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

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