

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

**BEFORE SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA Nos.802, 803 & 805/Coch/2024
AssessmentYears:2012-13, 2017-18 & 2018-19

The Kundara Panchayath Service Co-operative Bank Ltd. Kundara East Kollam 691 501 Kerala PAN NO : AAFAT9868B	Vs.	ITO Ward-4 Kollam
APPELLANT		RESPONDENT

Appellant by	:	Shri G.Surendranath Rao, A.R.
Respondent by	:	Smt. Leena Lal, Sr. D.R.

Date of Hearing	:	30.01.2025
Date of Pronouncement	:	29.04.2025

O R D E R

PER KESHAV DUBEY, JUDICIAL MEMBER:

These appeals at the instance of the assessee are directed against the orders of Id. CIT(A)/NFACall dated 22.02.2024 vide DIN & Order Nos. ITBA/NFAC/S/250/2023-24/1061358553(1), ITBA/NFAC/S/250/2023-24/1061358651(1) and ITBA/NFAC/S/250/2023-24/1061359001(1) for the assessment years 2012-13, 2017-18& 2019-19 respectively passed u/s 250 of the Income Tax Act, 1961 (in short "The Act"). Since the issue in all these three appeals is common, these are clubbed together, heard together and disposed of by this common order for the sake of convenience.

2. Now first, we take the appeal in ITA No.802/Coch/2024 for the AY 2012-13 as the lead case. The decision in this appeal shall apply mutatis mutandis to other appeals except change in figures.

Now the grounds of appeal as raised by the assessee in this ITA No.802/Coch/2024 are as follows:

1. *The order of the Assessing Officer is against law and facts.*
2. *The Commissioner (Appeals) is not justified in treating the interest received from cooperative banks as income from other sources and disallowing the claim u/s 80P. The Commissioner (Appeals) should have appreciated that the appellant is a Primary Agricultural Credit Society engaged in the business of accepting deposits from members and providing loans to members. The Commissioner (Appeals) was bound by the decision of the jurisdictional High Court which has held that the interest received by a society from another society including a Co-operative bank is exempt under section 80P as District Co-operative Banks are also Co-operative societies. The deduction u/s 80P would also be available even if the interest received is assessed as income from other sources. The Commissioner (Appeals) has hence erred in not following the binding precedent of the jurisdictional High court.*

3. There is a delay of 136 days in filing these appeals before the Tribunal. The Id. AR of the assessee drew our attention on the application for condonation of delay along with an affidavit dated 4.9.2024 wherein it is stated that the delay in filing the appeal was unintentional and was caused due to the mail from the office of CIT(A)/NFAC attaching the appellate order was received in the spam/junk folder of the e-mail box and hence the same were went unnoticed. The fact of the receipt of the appellate order was known when the demand payable was followed up by the Income Tax department and thus there has been delay of about 136 days in filing the appeal. Further, the Id. A.R. of the assessee submitted that the delay was caused due to the genuine and bonafide reason which is beyond the control of the assessee and accordingly prayed to condone the delay of 136 days and admit the appeal for adjudication.

4. The ld. D.R. on the other hand, though opposed for the condonation of delay but could not controvert the submissions made therein.

5. We have heard the rival submissions and perused the materials available on record. In our opinion, it cannot be said that assessee is very callous in its approach in filing the appeal before us. Being so, when substantial justice and technical consideration are pitted against each other, the cause of substantial justice deserve to be preferred, for the other side cannot claim to have vested right for injustice being done because of non-deliberate delay. Moreover, no counter affidavit was filed by the revenue denying the allegation made by the assessee. It is not the case of the revenue that the belated appeal was filed deliberately. Therefore, we have to prefer substantial justice rather than technicality in deciding the issue. Therefore, in our opinion, this is a fit case to condone the delay of 136 days in filing the appeal before this Tribunal. Accordingly, the delay is condoned and the appeal is admitted for adjudication.

6. The assessee is a credit co-operative society registered under Kerala Co-operative Societies Act 1969. For the AY 2012-13 the assessee filed its return of income on 9.11.2019. As per the return the taxable income was Nil after claiming deduction u/s 80P of the Act on the entire gross total income of Rs.2,32,66,045/-. The assessment was completed u/s 143(3) on 16.12.2019. The AO, while completing assessments denied the deduction claimed u/s 80P and treated the interest received on deposits with District Co-operative Banks amounting to Rs.41,68,214/- as income from other sources and consequently denied deduction u/s 80P of the Act on this amount. The assessee filed an appeal before the CIT(A). The CIT(A)/NFAC, held that the assessee is eligible for deduction u/s 80P of the Act on the business income but the action of the AO in denial of section 80P of the Act deduction on interest received from

Co-operative Banks by treating it as income from other sources was upheld. This appeal is filed against the order of the CIT(A) in denying deduction u/s 80P of the Act on the interest received from District Co-operative banks and denial of section 80P deduction on this amount.

6.1 The only issue that is raised in all these appeals is whether the CIT(A) is justified in treating the interest received from Kollam District Co-operative bank as income from other sources and disallowing the claim u/s 80P of the Act?

7. We have heard the rival submissions and perused the materials available on record. We are of the considered opinion that the issue in dispute is squarely covered in the case Pr. CIT v. Peroorkada Service Co-Operative Bank Ltd.(2022) 442 ITR 141 held by Hon'ble Kerala High Court wherein it was held as under:

8. We have noted the rival submissions of the counsel appearing for the parties. In the circumstances of this case, the question that falls for consideration is whether, in the facts and circumstances of this case, the interest income earned by the assessee from the deposits made with District/State Cooperative Banks and Treasury, firstly, would fall as business income of the assessee, and, alternatively, whether the interest income is eligible for deduction under section 80P(2)(d) of the Act. Section 80P reads as follows :--

'80P. (1) Where, in the case of an assessee being a co-operative society, the gross total income includes any income referred to in sub-section (2), here shall be deducted, in accordance with and subject to the provisions of this Section, the sums specified in sub-section (2), in computing the total income of the assessee.

(2) The sums referred to in sub-section (1) shall be the following, namely :--

(a) in the case of a co-operative society engaged in --

(i) carrying on the business of banking or providing credit facilities to its members, or

.....

(d) In respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;'

8.1 Firstly, we keep in perspective the ratio of Supreme Court in *Mavilayi Service Co-operative Bank Ltd.* on the construction of section 80P(2)(a)(i) read with sub-section 4 of section 80P. Now provision in section 80P(2)(a)(i) is read without reference to an activity viz. Primary Agriculture etc. It is noted that section 80P provides for deduction in respect of income of Co-operative Societies and section 80P(2) allows a straight deduction from the computation of total income of the assessee/Co-operative Society to the extent mentioned in respect of incomes referred therein. Under section 80P(2)(a)(i) the whole of profits and gains from business of banking or providing credit facilities to the members of the Society is entitled to deduction. Clauses (ii) to (vii) are unnecessary for the purpose of this judgment, hence not included in the narrative. A Division Bench of High Court of Telangana and Andhra Pradesh in *Vavveru Co-operative Rural Bank Ltd. v. Chief Commissioner of Income Tax (2017) 396 ITR 371 (T&AP) : (Hyd-HC)*, has succinctly tabulated the Societies and the benefits to which each one of the category of Societies is entitled to, would be benefiting in our narrative to excerpt the relevant portion as under :--

'28. We have carefully considered the above submissions. Before considering the effect of the various decisions cited on both sides, we think it would be ideal to look at the statutory prescription in pure and simple form. As we have indicated earlier, section 80P(2) is actually divided into six parts, categorised under clauses (a), (b), (c), (d), (e), and (f). Each one of these clauses deal with different types of co-operative societies engaged in different types of activities. The benefit made available to each one of them is also different from the other. Therefore, it may be useful to present a tabular form, the six categories of co-operative societies covered by clause (a) to (f) and the nature and extent of the benefit available to each one of them, as follows :--

Category of Co-Op. Societies covered by sub-clauses (a) to (f)	Nature and Extent of benefit available
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(a) (1) Co-operative society carrying on the business of banking or providing credit facilities to its members;

(2) Co-op society engaged in Cottage Industry;

The whole of the amount of profits and gains of business attributable to any

(3) Co-operative engaged in marketing one or more of such activities. of agricultural produce grown by its members.

(4) Co-operative society engaged in purchase of agricultural implements, seeds etc., for the purpose of supplying

Category of Co-Op. Societies covered by sub-clauses (a) to (f) **Nature and Extent of benefit available to its members;**

(5) Co-operative society engaged in processing of agricultural produce of its members without the aid of power;

(6) Cooperative society engaged in collective disposal of the labour of its members;

(7) Co-operative society engaged in fishing or allied activities.

(b) Primary co-operative society engaged in supplying milk, oil seeds, fruits or vegetables grown by its members to

(1) a federal co-operative society, engaged in the same business;

The whole of the amount of profits and gains on such business

(2) the Government or a local authority;

(3) the Government company or Corporation engaged in the same business;

(c) (1) A consumer co-operative society engaged in activities other than those specified in clause (a) or clause (b) either independently of, or in addition to, all or any of the activities so specified. So much of the profits and gains attributable to such activities not exceeding Rs. 100,000 (one hundred thousand rupees).

(2) Co-operative society other than a consumer co-operative society engaged in activities other than those specified in clauses (a) and (b). So much to these profits and gains attributable to such activities not exceeding Rs. 50,000 (fifty thousand rupees).

(d) Interest or dividends derived by the co-operative society from its investments with any other cooperative society; The whole of such income.

(e) Any income derived by the cooperative society from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities; The whole of such income.

(f) A co-operative society other than The income by way of interest on securities and the income from house

Category of Co-Op. Societies covered by sub-clauses (a) to (f)	Nature and Extent of benefit available
(1) <i>A housing society;</i>	<i>property chargeable under section 22.</i>
(2) <i>An urban consumer society;</i>	
(3) <i>A society carrying on transport business;</i>	
(4) <i>A society engaged in the performance of any manufacturing operations with the aid of power, where the gross total income does not exceed Rs. 20,000 (twenty thousand rupees)</i>	

29. From the Tabular form presented above, it may be clear that the deductions available under clauses (a) to (c) are activity-based. The deduction available under clauses (d) and (e) are investment-based and the deduction under clause (f) is institution-based. To put it differently, --

(A) to be eligible for deduction under clause (a), the claim should relate to the profits and gains of business attributable to anyone or more of the activities listed in Clause (a),

(B) to be eligible for deduction under clause (b), the society should be a primary society engaged in supplying milk, oilseeds, fruits, etc. to named institutions, such as, Government, Local Authority, Federal Co-operative Society, or Government Company,

(C) to be eligible for deduction under clause (c), the institution must be engaged in activities other than those covered by Clauses (a) and (b) subject to the further condition that such profits and gains should not exceed a particular limit,

(D) to be eligible for deduction under clause (d), the income should be derived from investments with another Co-operative Society,

(E) to be eligible for deduction under clause (e), the income should be derived from letting of godowns or warehouses, etc.'

8.2 Clause (a) of sub-section (2) of section 80P is intended for the benefit of certain types of co-operative societies, but benefits are confined only to the activities listed in sub-clauses (i) to (vii) of clause (a). In other words, clause (a) of sub-section (2) of section 80P confers benefit upon Co-operative Societies, but the benefit is restricted only to stated benefits and not to all the activities earning income for Co-operative Societies. Put it differently, an institution claiming the benefit of clause (a) of sub-section (2) of section 80P should satisfy two requirements: At the first instance, the institution has to establish that it is a Co-

operative Society. In the case on hand, such requirement is satisfied by the assessee. At the second instance, the institution has to establish that the interest income earned by it is from the business of banking or by providing credit facilities to its members. In such an eventuality, the entire income earned by the assessee is entitled for deduction under section 80P(2)(a)(i) of the Act.

8.3 Further, clause (d) deals with interest in respect of any income by way of interest or dividends derived by the Co-operative Societies from its investments with any other Cooperative Society, the whole of such interest income is eligible for deduction. It is upon plain construction inferable that clause (d) deals with income derived by a Co-operative Society, other than the income covered by clauses (a) to (c) of section 80P(2). Clause (d) deals with yet another type of income earned by the Co-operative Society which is deducted while computing the total income of the assessee. However, to merit acceptance of deduction under clause (d) of section 80P(2) of the Act, the clause referring to interest or dividend derived from investments with any other Co-operative Society is satisfied. In the case on hand, the argument of assessee is that the interest earned by the assessee is from Co-operative Banks/Treasury. The Co-operative Banks are registered under the Kerala Cooperative Societies Act. Therefore, the interest earned could be treated as meriting consideration under clause (d) of section 80P(2) of the Act. It is not in dispute that the District/State Cooperative Banks have licence from the Reserve Bank of India under the Banking Regulation Act and are registered Cooperative Societies under the Act. Suffice to observe that by being a Society doing banking business such society will stand on par with a Co-operative Society registered under the Kerala Co-operative Societies Act would come within the purview of clause (d) of section 80P(2).

9. The above discussion takes us to the next point for consideration namely, whether the interest income comes under section 28 or 56 of the Act. In other words, the fulcrum of assessee's case is that investment in Bank is business of assessee. Mr. Christopher Abraham relied on both the circumstances and the ratio finally laid by the Supreme Court in M/s. The Totgar's Co-operative Sale Society Limited.

M/s. The Totgar's Co-operative Sale Society Limited

9.1 M/s. Totgar's Co-operative Sale Society had surplus funds with it and invested in short-term deposits with banks and in government securities. The assessee earned interest on such investments. The assessee provides credit facilities to its members and sells the agricultural produce of its members. The substantial question of law which was considered by the Supreme Court in M/s. The Totgars Co-operative Sale Society Limited is whether interest income earned from investments would qualify for deduction as business income under section 80P(2)(a)(i) of the Act. The Supreme Court, in paragraph 10, has further noted that 'at the outset an important circumstance needs to be highlighted. In the present case, the interest held not eligible for deduction under section 80P(2)(a)(i) of the Act is not the interest received from the members for providing credit facilities to them. What is sought to be taxed under section 56 of the Act is the interest income arising on the surplus invested in short-term deposits and

securities, which surplus was not required for business purposes. The assessee markets the produce of its members whose sales proceeds, at times, are retained by it. In this case, we are concerned with the tax treatment of such amount since the fund created by such retention was not required immediately for business purposes. It was invested in specified securities. The question before us (Supreme Court) is whether interest on such deposits/securities which, strictly speaking, accrues to the members account could be taxed as business income under section 28 of the Act? It was further held that an income which is attributable to any of the specified activities in section 80P(2) of the Act could be eligible for deduction'.

9.2 *While dealing with the definition of the word 'income', it is held: 'the word 'income' has been defined under section 2(24)(i) of the Act to include profits and gains. This sub-section is an inclusive provision. Parliament has included specifically business profits into the definition of the word 'income'. Therefore, we are required to give a precise meaning to the words 'profits and gains of business' mentioned in section 80P(2) of the Act. In the present case, as stated above, the assessee/Society regularly invests funds not immediately required for business purposes. Interest on such investments therefore cannot fall within the meaning of the expression 'profits and gains of business'. Such interest income cannot be said also to be attributable to the activities of the Society, namely carrying on the business of providing credit facilities to its members or marketing of agricultural produce of its members. When the assessee/society provides credit facilities to its members, it turns interest income. As stated above, in this case, interest held ineligible for deduction under section 80P(2)(a)(i) is not in respect of the interest received from members. In this case, we are only concerned with interest which accrues on funds not required immediately by the assessee for its business purposes and which have been invested in specified securities as investment. Further, as stated above, the assessee markets the agricultural produce of its members. It retains the sales proceeds in many cases. It is this retained amount which was payable to its members from whom produce was brought which was invested in short-term deposits/securities. Such an amount, which was retained by the assessee/Society was a liability and it was shown in the balance sheet on the liability side. Therefore, to that extent such interest income cannot be said to be attributable either to the activity mentioned in section 80P(2)(a)(i) of the Act or section 80P(2)(a)(iii) of the Act. Therefore, looking to the facts and circumstances of this case, we are of the view that the assessing officer was right in taxing the interest income indicated above, under section 56 of the Act'.*

10. *The thrust of consideration in M/s. The Totgar's Cooperative Sale Society Limited is that the investment made by the assessee of surplus funds whether to be treated as forming part of regular business activity of assessee/Society or not. The Supreme Court, no doubt, has considered that the assessee in the reported case was also retaining the sales proceeds of its members and was investing in the bank accounts and was showing the amount payable to the members on the liability side of the balance sheet. In our consideration, M/s. The Totgar's Co-operative Sale Society Limited deals with what constitutes business income of the Society and what does not constitute business income of the Society. Interest earned from investments is not straight profits or gains from business, but a return by way of interest from investments in Bank etc. The emphasis in section 80P(2)(a)(i) is that*

in a case of a Cooperative Society engaged in carrying on the business of banking or providing credit facilities to its members for deduction of such income from computation. Mavilayi Service Co-operative Bank Ltd. has differentiated between interest earned from members of the Society and non-members and held that the interest income from later portion i.e., non-members is not eligible for deduction. It is difficult to treat the interest earned from a Treasury as better positioned than interest received from non-members. After appreciating the circumstances of the case on hand and the view taken by the Supreme Court in M/s. The Totgar's Co-operative Sale Society Limited, together with Mavilayi Service Co-operative Bank Ltd., we are of the view that the interest income earned by the assessee, in the case on hand, does not straight away fall under section 80P(2)(a)(i) of the Act commending for deduction.

11. *That being so, the next question is such interest income falls under section 56 and even if it falls under section 56 of the Act, whether the assessee is entitled to any deduction or not.*

11.1 *Mr. Christopher Abraham argues that the Parliament in its wisdom is aware of the activities being undertaken by all the Societies to whom relief is provided by way of deduction in section 80P of the Act. It is with this background the Parliament has provided for the deductions in respect of a few other incomes earned by the assessee/Society. Such deductions are specifically attributable to the source from which such interest is received. Expanding the institutions or categories of benefits is contrary to the intent of the Legislature. According to him clause (d) of section 80P(2) is clear in its application, viz. that interest/dividend received from Co-operative Societies alone is entitled for deduction. Once interest is received from a Bank or Treasury, such interest income is out of the purview of the eligible deduction in the computation of assessee's income.*

11.2 *Mr. Jojo appearing for the respondent, in reply to the said argument, relies on the judgment of the Supreme Court in Nawanshahar Central Co-operative Bank Ltd. case and argues that irrespective of the source from which the income is earned, according to the principle laid down in Nawanshahar Central Cooperative Bank Ltd. case, the assessee is entitled for deduction under section 80P(2)(a)(i).*

12. *We have gone through the order of the Supreme Court in Nawanshahar Central Co-operative Bank Ltd. case, for immediate reference it is excerpted :-*

'This Court has consistently held that investments made by a banking concern are part of the business of banking. The income arising from such investments would, therefore, be attributable to the business of bank falling under the head 'profits and gains of business' and thus deductible under section 80P(2)(a)(i) of the Income Tax Act, 1961. This has been so held in Bihar State Co-operative Bank Ltd. v. CIT (1960) [39 ITR 114](#) (SC) : CIT v. Karnataka State Co-operative Apex Bank (2001) [255 ITR 194](#) (SC) and CIT v. Ramanandapuram District Co-operative Central Bank Ltd. (2002) [255 ITR 423](#) (SC).

The principle in these cases would also cover a situation where a Co-operative bank carrying on the business of banking is statutorily required to place a part

of its funds in approved securities. The appeals are accordingly dismissed without costs.'

12.1 The decisions relied on by the Supreme Court refer to Co-operative Banks but not Co-operative Societies. The issue on hand is about the interest income earned by way of investments made with institutions other than Co-operative Societies. We are of the view that by referring to the order in Nawanshahar Central Co-operative Bank Ltd. case it cannot be held that the income has to be brought under section 80P(2)(a)(i) of the Act.

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 (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.

ITA No. 323/2019 [Assessment Year 2011-12]

13. The Principal Commissioner of Income Tax - Thiruvananthapuram/Revenue is the appellant. M/s. Peroorkada Service Co-operative Bank Limited, Thiruvananthapuram/assessee is the respondent. The appeal is at the instance of the Revenue under section 260A of the Act against the Order, dated 17-5-2019 of the Income Tax Appellate Tribunal (for short 'Tribunal'), Cochin Bench, Cochin in ITA No. 67/Coch/2019. The subject matter of the appeal relates to the issues arising from the return filed by the assessee for the assessment year 2011-12.

13.1 The details of the orders etc leading up to the filing of the appeal are tabulated hereunder :--

Assessment Year 2011-12

Assessing Officer Order No. AAAAP3974B/W-2(1)/TVM/2018-19
dated 12-12-2018
Commissioner (Appeals) ITA No. 296/EF/TVM/Commissioner
(Appeals)/TVM/2017 -18 dated 27-11-2018
Income Tax Appellate Tribunal ITA No. 67/Coch/2019 dated 17.05.2019

Income under the head Other Sources:

On verification of financial statements, it is seen that assessee has surplus funds, which the assessee invested as deposits with different institutions like Co-operative Banks, Treasuries, etc. and is in receipt of interest income, which is credited in Profit and Loss Account, in order to arrive at net profit. During the course of assessment proceedings, assessee has furnished break up of interest received during the period, on investments at various institutions, totaling to Rs. 9,85,38,230, details of which are as under :--

<i>Name of Institution</i>	<i>Amount</i>
<i>Trivandrum District Co-operative Bank</i>	<i>9,28,68,899</i>
<i>Kerala State Co-operative Bank</i>	<i>6,21,881</i>
<i>District Treasury</i>	<i>5,43,014</i>
<i>Kerala State Consumer Federation Co-operative Society</i>	<i>15,97,654</i>
<i>Consumerfed</i>	<i>20,12,798</i>
<i>Kerala State Rubber Marketing Federation Co-operative Society</i>	<i>5,56,484</i>
<i>Neyyattinkara School Teachers Cooperative Society</i>	<i>2,32,500</i>
<i>Trivandrum Taluk Co-operative Employees Society</i>	<i>1,05,000</i>
<i>TOTAL</i>	<i>9,85,38,230</i>

This interest income is liable to be taxed under the head 'Income from other sources' and during the course of assessment proceedings, it was proposed to treat Rs. 9,85,38,230 as income under the head 'Other Sources'. The dispute relates to the extent to which the deduction claimed by the assessee is legal. The substantial question raised reads as follows :--

1. Whether on the facts and in the circumstances of the case, the order of the ITAT is correct in not duly considering that the assessee had invested surplus funds like an ordinary investor and it has to be taxed as Income from Other Sources?

ITA No. 5/2020 [Assessment Year 2013-14]

14. The Principal Commissioner of Income Tax, Thiruvananthapuram/Revenue is the appellant. M/s. Peroorkada Service Co-operative Bank Limited, Thiruvananthapuram/assessee is the respondent. The appeal is at the instance of the Revenue under section 260A of the Act against the Order, dated 26-6-2019 of the Income Tax Appellate Tribunal (for short 'Tribunal'), Cochin Bench, Cochin

in ITA No. 47/Coch/2019. The subject matter of the appeal relates to the issues arising from the return filed by the assessee for the assessment year 2013-14.

14.1 *The details of the orders etc leading up to the filing of the appeal are tabulated hereunder :--*

Assessment Year	2013-14
Assessing Officer	Order No. AAAAP3974B/W-2(1)/TVM/2017-18 dated 19-12-2017
Commissioner (Appeals)	ITA No. 293/EF/TVM/Commissioner (Appeals)/TVM/2017 -18 dated 7-11-2018
Income Tax Appellate Tribunal	ITA No. 47/Coch/2019 dated 16-6-2019

Income under the head 'Other Sources':

(i) Interest income on deposits:

(a) Vide Order under section 263, Principal Commissioner of Income Tax has directed to ensure that interest income on deposits is accounted for in accordance with provisions of section 145. During the course of assessment proceedings, assessee has furnished break up of interest received during the period, on investments at various institutions, totaling to Rs. 14,18,62,743, details of which are as under :--

<i>Name of Institution</i>	<i>Amount</i>
District Treasury	36,00,000
Consumer Federation	53,23,353
Rubber Marketing Federation	9,67,350
Neyyattinkara School Teachers Cooperative Society	2,70,000
Trivandrum Taluk Co-operative Employees Society	1,05,000
TDCB	13,15,97,040
TOTAL	14,18,62,743

14.2 *This interest income is liable to be taxed under the head 'Income from other sources' and during the course of assessment proceedings, it was proposed to treat Rs. 14,18,62,743 as income under the head 'Income from Other Sources'. The dispute relates to the extent to which the deduction claimed by the assessee is legal. The substantial question raised reads as follows :--*

1. Whether on the facts and in the circumstances of the case, is the order of the ITAT correct, in not duly considering that the assessee had invested surplus funds like an ordinary investor and the interest on such deposits has to be taxed as 'Income from Other Sources'?

15. In ITA No. 142/2019 it has been held that the interest income earned by the Society comes with the category of income from other sources and section 80P(2)(d) deals with the eligible deduction in this behalf. It has been held in the connected cases that the assessee is entitled to deduction of interest income earned from Co-operative Banks/Societies/Federation registered under the Co-operative Societies Act and the income earned from Treasury is not included in section 80P(2)(d) and is not entitled for deduction from computation of income. The assessing officer passes Effect Order on the lines indicated above.

Appeals are allowed as indicated above. No order as to costs.”

7.1 In view of the above, respectfully following the judgement of jurisdictional High Court of Kerala, we are of the opinion that the interest income earned from Kollam District Co-operative bank in the facts and circumstances of the case do come within section 80(2)(d) of the Act.

8. In the result, appeals filed by the assessee are allowed.

Order pronounced in the open court on 29th Apr, 2025

Sd/-
(Inturi Rama Rao)
Accountant Member

Sd/-
(Keshav Dubey)
Judicial Member

Bangalore,
Dated 29th Apr, 2025.
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The DR, ITAT, Bangalore.
5. Guard file

By order

Asst. Registrar,
ITAT, Cochin.