

**आयकर अपीलीय अधिकरण, कोलकाता पीठ, कोलकाता**  
**IN THE INCOME TAX APPELLATE TRIBUNAL "A" BENCH KOLKATA**

**Before Shri Rajesh Kumar, Accountant Member and Shri Sonjoy Sarma, Judicial Member**

**I.T.A. Nos.116 to 121/Kol/2025**

Assessment Years: 2015-16, 2016-17, 2017-18, 2018-19, 2020-21 & 2022-23

**Burdwan Co-Operative Agriculture & Rural Development Bank Ltd.....Appellant**  
**Old Court Compound, Burdwan – 713101.**  
**[PAN: AACAB0468Q]**

vs.

**ITO, Ward-1(1), Burdwan.....Respondent**

**Appearances by:**

Shri Palash Chattopadhyay, CA, appeared on behalf of the appellant.

Shri S. B. Chakraborty, Addl. CIT, appeared on behalf of the Respondent.

Date of concluding the hearing : May 07, 2025

Date of pronouncing the order : May 13, 2025

**ORDER**

**Per Sonjoy Sarma, Judicial Member:**

These appeals are filed by the assessee arising out of separate orders of the National Faceless Appeal Centre [hereinafter referred to as 'CIT(A)'] passed u/s 250 of the Income Tax Act (hereinafter referred to as the 'Act'). Since the issues involved in the appeals are common and inter-related as they pertained to the same assessee, accordingly all the appeals were heard together and are being disposed of by this consolidated order. For the sake of convenience, we first take up the ITA No.116/Kol/2025 for assessment year 2015-16 and outcome of this appeal shall apply mutatis mutandis to the interconnected appeals.

2. ITA No.116/Kol/2025 - Brief facts of the case are that the assessee is a cooperative society engaged in providing long-term credit

facilities to its members for agriculture and allied activities. The assessee filed its return of income for the assessment year 2015-16 by declaring total income of Rs.Nil. The return of the assessee was processed u/s 143(1) of the Act. The case of the assessee was selected for scrutiny under CASS for the following reasons:

| Sl.no. | Reasons description   | Reason code |
|--------|---|-------------|
| 1      | Low income in comparison to very high investments appearing in balance sheet  | BA06.01     |
| 2      | Low income in comparison to high loans/advances/investments in shares appearing in balance sheet (Part A-BS, Income in Part B-TI)   | BA06.02     |
| 3      | Mismatch between income/receipts credited to Profit & Loss Account considered under other heads of income and income from heads of income other than business/profession (Schedule BP, Schedule EI & Part-B-TI of return) | BA06.02     |
| 4      | Large deduction claimed under chapter VI-A in ITR)  | DD01.01     |

2.1 Subsequently, the notices u/s 143(2) and 142(1) of the Act were issued to the assessee and the assessee duly complied with such notices. During the assessment proceedings, the Assessing Officer observed that the assessee had shown interest income of Rs.1,43,64,931/- from investment made in LIC, Burdwan Central Co-op Bank Ltd, WB State Co-op Agri & Rural Dev Bank and IDBI, Burdwan. The Assessing Officer while passing the assessment order disallowed the claim of deduction u/s 80P(2)(a)(i) of the Act in respect of this interest income on the ground that the income was not earned from cooperative society operation but from deposits made in banks and other institutions. Accordingly, the

Assessing Officer treated the entire interest income as taxable and assessed the total income of the assessee at Rs.34,77,809/-.

3. Dissatisfied with the above order, the assessee filed an appeal before the ld. CIT(A) contending that the investments were made in compliance of the statutory requirements under the West Bengal Co-operative Societies Act 2006. It was further submitted that similar additions for the assessment years 2012-13, 2013-14 & 2014-15 were deleted by the ld. CIT(A) in earlier order dated 30.09.2019, 03.02.2020 & 03.02.2020 respectively. However, the contention of the assessee was not considered by the ld. CIT(A) and the ld. CIT(A) sustained the addition so made by the Assessing Officer.

4. Aggrieved by the above order, the assessee has filed the present appeal before this Tribunal. At the time of hearing, the ld. AR argued that the assessee being a cooperative credit society which is engaged in the business of providing credit facilities to its members and the funds invested in the fixed deposits were not borrowed fund nor set-aside reserves funds kept for specific purposes but part of genuine working capital of the society. He also stated that funds were required for timely repayment of deposits to the members at the time of maturity. He also stated that the said investment was made in pursuant to the mandatory directions issued by the Registrar of Cooperative Societies under the W.B Cooperative Societies Act i.e. Memo No.2301 dated 11.03.1993 which mandates that 70% of the surplus funds of cooperative credit society must be kept in fixed deposits/certificate with nationalised or scheduled banks, copy of the said direction is extracted below for ready reference:

GOVERNMENT OF WEST BENGAL  
**CO-OPERATION DIRECTORATE**

No. 2301

Dated Cal., the 11. 3. 1993.

CIRCULAR

With a view to enabling the Co-op. Land Dev. Banks to evolve the system of speedy self-financing to a great extent and better profitability by attracting deposits from the members and non-members, the PLDBs have been asked to start Deposit Mobilisation Scheme. Under Circular bearing No. 2001 dated 26. 2. 92 and subsequent correspondence from the Co-operation Dtc, some guidelines have been given to the PLDB, for operating the Deposit Mobilisation Scheme on the line of PACSs with necessary changes.

2. The West Bengal State Co-operative Agriculture and Rural Development Bank Ltd. under its letter no. 1712 (Opn)/958 dated 11. 9. 91 also advised the PLDBs to start Deposit Mobilisation Scheme after observing certain specified norms.

3. The PLDBs should raise more than 70% of the total deposits as Savings Deposits and 70% of the total Deposits are to be kept by the PLDBs in the NSC, Fixed Deposits, Cash Certificate of the Banks etc. and one-third of the deposits so raised are to be kept with the Apex Bank as and when the rates of Interest on such deposits profitable to the PLDBs are declared by the W. B. State Co-op. Agriculture and Rural Development Bank. The latter bank was earlier advised not to adjust its dues against Deposits accounts of the PLDBs in any case.

4. In no case the PLDBs should divert the funds raised through deposit mobilisation in meeting the operational costs, establishment costs, towards repayment of the Apex Bank's dues etc. In case of gross defaults from the modalities the PLDBs concerned shall be asked by the Range A. R. C. S. acting as the Charge Office to scrutinise the Friday Returns of the PLD Banks, to stop raising of deposits and their permission to operate the scheme shall be discontinued forthwith. Besides, the PLDBs are advised to maintain liquied cover under proviso of Rule 82 of W. B. C. S. Rules, 1987. Returns and Reposts in this regard as prescribed like Friday Returns etc. should be submitted to A. R. C. S. of the concerned Range, the W. B. State Co-op. Agriculture and Rural Development Bank and this Directorate in time.

Sd/- S. DAS  
Registrar of Co-operative Societies  
WEST BENGAL

4.1 The ld. AR placed reliance on the decision of the Coordinate Kolkata Bench of the Tribunal in the case of Katwa-Kalna Co-operative Agriculture And Rural Development Bank Ltd. vs. ITO in ITA No.274/Kol/2021 order dated 22.06.2023, wherein, in similar facts and circumstances, the Tribunal held that interest income earned on statutory deposits made in compliance with the directives issued by the

Registrar of Cooperative Societies is eligible for deduction u/s 80P(2)(a)(i) of the Act. The relevant part of the order of the Tribunal is extracted as under:

*“6. We after hearing the parties note that business of the assessee is to provide credit facilities to its members and assessee received deposit from its members as margin money in respect of loan facility sanction to them. Besides that assessee also received deposit from its members in their respective savings bank account and in compliance with the order issued by Registry of Co-operative Society, Govt. of West Bengal, the present assessee is also required to deposit 70% of such deposits amount in NSC, fixed deposit/certificate of bank and in furtherance of such direction assessee had deposited those funds with SBI and generated interest income. However, the ld. AO while framing the assessment with a view to bring into tax such SBI interest earned by the assessee as income from other sources rather than treating it as business income in the hands of assessee and by doing so, he did not allow claim of the assessee u/s 80P(2)(a)(i) of the Act by treating interest income is not being business income. We further note that in the present case, assessee has not generated any surplus fund which has been invested with SBI but such deposit are made only to adhere compliance issued by Registry of Co-operative Society, Govt. of West Bengal. As per it, assessee was required to deposit 70% of total deposits, to be kept in NSC, fixed deposit/certificate of bank and by doing so, assessee earned interest income of Rs. 16,86,273/-. In view of the above, we find that alleged interest income earned by the assessee is a business income and the ld. AO erred in treating it as income from other sources. Therefore, the assessee is eligible for claiming deduction u/s 80P(2)(a)(i) of the Act. We thus set aside the finding of ld. CIT(A) and delete the disallowance of deduction u/s 80P(2)(a)(i) of the Act. Accordingly, ground no. 1 to 4 are allowed.”*

4.2 The ld. AR further referred to the orders of the ld. CIT(A) for the assessment years 2012-13, 2013-14 & 2014-15 were deleted by the ld. CIT(A) in earlier orders dated 30.09.2019, 03.02.2020 & 03.02.2020 respectively, wherein, under similar circumstances, the department has accepted the assessee's claim for deduction of interest income. He, therefore, urged that principles of consistency must be applied in the present case also and the deduction is required to be allowed in the present year too.

5. On the other hand, the ld. DR relied on the orders of the Assessing Officer as well as the ld. CIT(A). He submitted that investments in the fixed deposits were not in the course of providing credit facilities to its members and hence the same do not qualify for deduction u/s 80P(2)(a)(i) of the Act.

6. After hearing rival contentions and perusing the materials available on record, we find that it is undisputed fact that the assessee is a registered cooperative society and engaged in providing credit facilities to its members and has earned interest income on fixed deposits made with various banks and institutions. It is also not in dispute that the investments were made pursuant to the mandatory directions issued by Registrar of Cooperative Societies under the W.B Cooperative Societies Act i.e. Memo No.2301 dated 11.03.1993 which mandates that 70% of the surplus funds of cooperative credit society must be kept in fixed deposits/certificate with nationalised or scheduled banks. We note that under similar facts and circumstances, various decisions including the decision of the Coordinate Kolkata Bench of the Tribunal in the case of Katwa-Kalna Co-operative Agriculture and Rural Development Bank Ltd. vs. ITO (supra) have held that interest income earned on statutory deposits made in compliance with the directives issued by the Registrar of Cooperative Societies is eligible for deduction u/s 80P(2)(a)(i) of the Act. We further note that the ld. CIT(A) in the previous assessment years i.e. A.Ys 2012-13, 2013-14 & 2014-15 vide orders dated 30.09.2019, 03.02.2020 & 03.02.2020 respectively had accepted the assessee's claim of deduction of interest income and allowed the appeal of the assessee by deleting the respective additions. We find force in the assessee's contentions and the revenue has not brought any contrary material or evidence to demonstrate any change in facts or legal positions which

may warrant different view in the present year. We further note that it is settled law that the principle of consistency must be followed and we place reliance on the decision of the Hon'ble Supreme Court in the case of Radha Soami Satsang vs. CIT (1992) 193 ITR 321 (SC). In the light of the above discussion, we are of the considered view that the Assessing Officer as well as the ld. CIT(A) were not justified in denying the benefit of deduction u/s 80P(2)(a)(i) of the Act to the assessee. We, therefore, set aside the order of the ld. CIT(A) and direct the Assessing Officer to delete the said addition of Rs.1,43,64,931/- made on account of interest income.

7. In terms of the above, ITA No.116/Kol/2025 filed by the assessee is allowed.

8 ITA No.117 to 121/Kol/2025 –Since the facts and issues involved in all the captioned appeals are identical, therefore, our findings/directions given above in ITA No.116/Kol/2025 will mutatis mutandis apply to the all remaining other appeals also i.e. I.T.A. Nos.117 to 121/Kol/2025. Hence, I.T.A. Nos.117 to 121/Kol/2024 are also allowed.

9. In the result, all the captioned appeals of the assessee are allowed.

***Kolkata, the 13<sup>th</sup> May, 2025.***

Sd/-

**[Rajesh Kumar]**

लेखा सदस्य/Accountant Member

Sd/-

**[Sonjoy Sarma]**

न्यायिक सदस्य/Judicial Member

Dated: 13.05.2025.

RS

*Copy of the order forwarded to:*

1. Burdwan Co-Operative Agriculture & Rural Development Bank Ltd
2. ITO, Ward-1(1), Burdwan
3. CIT(A)-
4. CIT- ,
5. CIT(DR),

//True copy//

By order

Assistant Registrar, Kolkata Benches