

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

**Before Shri Inturi Rama Rao, Accountant Member &
Shri Sonjoy Sarma, Judicial Member**

**ITA No.52 to 55/Coch/2025
Assessment Years: 2010-11, 2016-17, 2017-18 & 2018-19**

The Muthalamada Service Co-operative Bank Ltd. 6/247, the Muthalamada Service Co-operative Bank/Society Ltd., Pollachi Road, Muthalamada, Kerala- 678507. PAN : AAAAT4212C.	v.	ITO, Ward-5, Palakkad
(Appellant)		(Respondent)

Appellant by : None
Respondent by : Smt. Leena Lal, Snr AR

Date of Hearing : 03.06.2025
Date of Pronouncement : 11.06.2025

ORDER

Per Sonjoy Sarma:

All the captioned appeals have been preferred by the assessee against separate orders by the National Faceless Appeal Centre [hereinafter referred to as 'CIT(A)'] dated 05.12.24, 04.12.2024, 04.12.2024 & 05.12.2024 respectively. Since the issue involved in these appeals are interlinked and are arising from the same set of facts, therefore, these appeals were heard together and are being disposed of by this common order. For the sake of convenience, ITA No.52/Coch/2025 is taken as lead case.

2. ITA No.52/Coch/2025 – Brief facts of the case are that the assessee is a co-operative society and has not filed return of income for the assessment year under consideration i.e. A.Y 2010-11. Thereafter, a notice u/s 148 of the Act was issued on 27.03.2015 and the assessee filed return for assessment year 2010-11 on 07.07.2015. Later on, notices u/s 143(2) and 142(1) were duly issued. The Assessing Officer completed the assessment of the assessee on 22.03.2016 u/s 144 r.w.s. 147 of the Act after disallowing deduction u/s 80P of Rs.42,11,084/-, rebate on interest and depreciation and demanding a tax and interest of Rs.157,80,080/-.

3. Aggrieved by the above order, the assessee preferred an appeal before the ld. CIT(A). The ld. CIT(A) vide its order dated 05.12.2024 has partly allowed the appeal of the assessee.

4. Dissatisfied with the above order, the assessee has come in appeal before us. At the time of hearing, no one appeared on behalf of the assessee, although notices were served from the registry to the assessee.

5. The ld. DR has submitted that despite availing many opportunities before the lower authorities, the assessee has failed to file details or explanations to substantiate the claim before the ld. CIT(A). She therefore relied on the decisions of the lower authorities and stated that the appeal of the assessee may be dismissed.

6. We, after hearing the submission of the ld. DR and perusing the materials available on record, find that 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.”

7. In the light of the above discussion, we deem it fit to remand the whole issue to the file of the Id. CIT(E) to re-examine the issue of claim of deduction u/s 80P keeping in view the decision in CIT vs. Sahyadri Co-operative Credit Society Ltd. (supra). Hence, ITA No.52/Coch/2025 is allowed for statistical purposes.

8. Since, the facts and issues are similar in all the appeals, therefore, our decision in ITA No.52/Coch/2025 will mutatis mutandis apply to all the remaining appeals. Hence, ITA Nos.53 to 55/Coch/2025 are allowed for statistical purposes.

9. In terms of the above, all the captioned appeals are allowed for statistical purposes.

Order pronounced on 11.06.2025.

**Sd/-
(Inturi Rama Rao)
Accountant Member**

**Sd/-
(Sonjoy Sarma)
Judicial Member**

Cochin, Dated: 11.06.2025.

RS

Copy to :

1. The Appellant.
2. The Respondent.
3. The CIT(A), Concerned.
4. The CIT Concerned.
5. The DR, ITAT, Cochin.
6. Guard File.

Asst. Registrar/ITAT, Cochin