

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

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI SONJOY SARMA, JM**

**ITA No. 133/Coch/2025
Assessment Year: 2020-21**

Thevalakara Farmers Service Co-op. Bank Ltd. Appellant
Thevalakkara P.O., Karunagappally 690524
[PAN: AAABT3597M]

vs.

The Income Tax Officer, Ward-2, Alappuzha Respondent

Appellant by: ----- None -----
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 02.06.2025
Date of Pronouncement: 30.06.2025

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 07.02.2024 for Assessment Year (AY) 2020-21.

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. It is classified as a primacy agricultural co-operative society. The return of income for AY 2020-21 was filed declaring Nil income after claiming exemption u/s. 80P of the Income Tax Act,

1961 (the Act) of Rs. 1,91,93,341/-. Against the said return of income, the assessment was completed by the ITO, Ward-2, Alappuzha (hereinafter called "the AO") dated 27.12.2022 passed u/s. 143(3) r.w.s. 144B of the Act at a total income of Rs. 2,05,08,943/-. While doing so, the AO had denied the deduction claimed u/s. 80P in respect of interest income earned from District Co-operative Bank and interest on reserve fund, etc. on the ground that the income is assessable under the head 'income from other sources'. Similarly, the AO also made addition on account of miscellaneous income.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order held that the interest income earned from co-operative bank is eligible for deduction u/s. 80P(2)(d) of the act following the decision of the Hon'ble Jurisdictional High Court in the case of Pr. CIT vs. Peroorkada Service Co-op. Bank Ltd. [2022] 442 ITR 141 (Ker). However, confirmed the addition in respect of interest income earned from Treasury and the interest income earned on saving bank account.

4. Being aggrieved, the appellant is in appeal before this Tribunal in the present appeal.

5. At the outset we find that there is a delay of 309 days in filing the present appeal. The appellant had filed a petition seeking condonation of delay by stating that the appellant was not served the

order of the NFAC either through email or through physical mode. In the absence of any material to the contrary to the averments made in the petition deserve to be accepted. Accordingly, we hold that there is no delay in filing the appeal and admit the appeal for adjudication.

6. As regards the merits of addition on account interest received from Treasury and Scheduled banks, etc., the issue is no longer *res judicata* as it stands settled 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.”

7. 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)(i)(a) of the Act in respect of interest received from Treasury, Scheduled Banks, etc.

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

Order pronounced in the open court on 30th June, 2025.

Sd/-
(SONJOY SARMA)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 30th June, 2025
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