

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

BEFORE SHRI INTURI RAMA RAO, AM

**ITA No. 498/Coch/2025
Assessment Year: 2020-21**

Punnayurkulam Service Co-op. Appellant
Bank Ltd No. P 417,
Punnayurkulam, Thrissur.
[PAN: AACAP 6129 J]

vs.

Income Tax Officer Respondent
Ward-1 & TPS, Guruvayur.

Appellant by: Shri Ramdas M, CA
Respondent by: Smt. Leena Lal, Sr. DR

Date of Hearing: 08.08.2025
Date of Pronouncement: 13.08.2025

ORDER

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)] dated 07.05.2025 for Assessment Year (AY) 2020-21.

2. Brief facts of the case are that assessee is a cooperative society incorporated under the Kerala Cooperative Societies Act, 1969. It is classified as primary agricultural credit cooperative society. It is engaged in the business of accepting deposits from members and providing credit facilities to its members. The return of income for the A.Y. 2020-21 was filed on 08/02/2021 declaring nil income.

Subsequently, it was revised on 27/05/2021 declaring nil income after claiming deduction u/s. 80P(2)(a)(i) & 80P(2)(c)(ii) return of income, the assessment was completed by the Assessing Officer (for short, 'AO') by making disallowance of claim deduction u/s. 80P of the Act of Rs. 28,68,891/-.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order partly allowed the appeal of the appellant by holding that appellant is eligible to claim deduction u/s. 80P(2)(d) of the Act for interest earned from cooperative bank, and disallowed the interest earned from treasury.

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

5. I have heard rival submissions and perused the material on record.

6. Regarding the interest income received from Treasury, Scheduled Banks, etc., this issue is no longer *res integra*, as it is covered by the judgment 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 decision of the Hon'ble Jurisdictional High Court, I hold that assessee is entitled for deduction under sections 80P(2)(a)(i) of the Act in respect of interest received from Treasury, Scheduled Banks, etc. Thus, the appeal filed by the appellant stands allowed.

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

Order pronounced in the open court on 13th August, 2025.

Sd/-

(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 13th August, 2025

vT/-

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