

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

**BEFORE SHRI INTURI RAMA RAO, AM&  
SHRI RAHUL CHAUDHARY, JUDICIAL MEMBER**

**ITA No. 580/Coch/2025  
(Assessment Year : 2014-15)**

The Vazhayoor Service Co-op. Bank Ltd. .... Appellant  
No.D1989, Head Office,  
Azhinhlam P.O., Ernad,  
Malappuram Dist., Kerala-673632  
[PAN: AACAT 5682 J]

vs.

ITO, Ward-2, Tirur ..... Respondent

Appellant by: None  
Respondent by: Smt. Leena Lal, Sr. DR

Date of Hearing: 22.08.2025  
Date of Pronouncement: 28.08.2025

**ORDER**

**Per Inturi Rama Rao, AM:**

This is an appeal filed by the Assessee-Cooperative Society directed against the order passed by the learned Commissioner of Income Tax (A)/NFAC, Delhi [for short, 'CIT(A)'] dated 19.06.2025 passed u/s. 250 of the Income Tax Act, 1961 (for short, 'the Act') for the Assessment Year (A.Y.) 2014-15.

2. Brief facts of the case are that appellant is a cooperative society registered under the Kerala Co-operative Societies Act, 1969. It is classified as primary agricultural credit cooperative society. It is engaged in the business of accepting deposits from member and providing credit facilities to its member. The return of

income for the A.Y. 2014-15 was filed on 30/03/2015 disclosing nil income after claiming deduction under section 80P of the Act. Against the said return of income, the assessment was completed by the ITO, Ward-3, Tirur (for short, 'AO') vide order dated 19/12/2016 passed under section 143(3) of the Act at a total income of Rs. 1,72,40,710/- by disallowing the claim for deduction under section 80P of the Act by holding that the appellant is a cooperative bank and hit by the provisions of section 80P(4) of the Act.

3. Being aggrieved by the above assessment order, an appeal was filed before the Ld. CIT(A), who vide impugned order directed the AO to allow deduction under section 80P of the Act, however, confirmed the addition of Rs. 5,96,757/- made on account of disallowance of provisions for bonus, leave salary etc.

4. Being aggrieved by the order of CIT(A), the appellant is in appeal before us in the present appeal. When the appeal was called on for hearing, none appeared on behalf of the Assessee despite due service of notice of hearing, therefore, after hearing ld.Sr.DR we proceed to dispose of the appeal on merits based on the material on record.

5. We have heard ld. Sr.DR and perused the material on record. The issue in the present appeal that arises for our consideration is whether the additions made on account of disallowance of several provisions for bonus etc. qualifies for deduction under section 80P of the Act or not. Undisputedly, the additions made would enhance

the business profits of the appellant society which qualifies deduction under section 80P of the Act. The CBDT vide circular dated 37/2016, dated 02/11/2016 clarified the position that the business disallowance would enhance the business income and, therefore, the business income so enhanced shall be eligible for deduction under section 80P of the Act. To the same effect, the decisions of Hon'ble Gujarat High Court in the case of *ITO vs Keval Constructions* (354 ITR 13) and Hon'ble Bombay High Court in the case of *CIT vs. Vishvambharnath Tiwari* (ITA No. 02/2011).

6. In the light of the settled legal position, we are of the considered opinion that the additions made by the AO would partakes character of the business income, qualifies for deduction under section 80P of the Act. Accordingly, no addition is required to be made by the AO.

7. In the result, appeal filed by the appellant stands allowed.

Order pronounced in open Court on 28<sup>th</sup> August, 2025.

Sd/-  
**(RAHUL CHAUDHARY)**  
**JUDICIAL MEMBER**

Sd/-  
**(INTURI RAMA RAO)**  
**ACCOUNTANT MEMBER**

Cochin, Dated: 28<sup>th</sup> August, 2025

vr/-

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