

IN THE INCOME TAX APPELLATE TRIBUNAL PANAJI BENCH  
PANAJI

BEFORE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER &  
SHRI G D PADMAHSHALI ACCOUNTANT MEMBER

I T A. Nos. 72/PAN/2023  
(A.Y. 2018-19)

TheJambotiMultipurpose Co-operative Society Ltd, At post,Jamboti, Khanapur, Belgaum Karnataka-591113	Vs .	Pr.CIT, C.R.Building, Navanagar, Hubli-580025, Karnataka .
PAN/GIR No. AAAJT1994Q		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

Assessee by	Shri.Pramod Vaidya.AR
Revenue by	Shri.Captain Pradeep Arya CIT-DR

सुनवाई की तारीख/Date of Hearing	11.08.2025
घोषणा की तारीख/Date of Pronouncement	25.08.2025

**ORDER**

**PER PAVAN KUMAR GADALE JM:**

The assessee has filed the appeal against the order of the Pr. Commissioner of Income Tax (Pr.CIT) Hubli passed u/s 263 of the Act. The assessee has raised the grounds of appeal challenging the revision order passed by the Pr.CIT set aside the order passed by the assessing officer.

2. The brief facts of the case are that, the assessee is a cooperative society registered under the Karnataka Co-operative Societies Act 1959. The assessee has filed the

return of income for the A.Y 2018-19 on 04.10.2018 with total income of Rs.NIL. And the said return of income filed is found defective by the revenue authorities. Subsequently, the assessee has filed the return of income on 30.03.2019 disclosing a total income of Rs.Nil/- after claiming deduction of Rs.25,59,276/- u/sec 80P of the Act. Further the case was selected for limited scrutiny under E-assessment scheme-2019 on the issue-deduction from total income Under Chapter VA. And notice u/sec 143(2) and u/sec 142(1) of the Act are issued calling for details in respect of claims and the information supporting the return of income filed. The assessee has filed the details on 16.12.2020 & 29.01.2021 and the Assessing Officer (A.O) has dealt on the submissions/details at Para 3.6 of the order and further show cause notice was issued and the assessee has filed the reply dated 14.04.2021 on the disputed issues of the interest income from cooperative banks/scheduled banks and commercial banks. Whereas the A.O was not satisfied with the explanations and dealt on the provisions and judicial decisions made addition of Rs.3,99,869/- interest income u/sec 56 of the Act and assessed the total income of Rs.3,99,870/- and passed the order u/sec 143(3) r.w.s 144B of the Act dated 19.04.2021.

3. Subsequently, the Pr. CIT on perusal of the records and information found that the order passed by the AO under section 143(3) r.w.s 144B of the Act is erroneous and prejudicial to the interest of the revenue and issued

revision notice U/sec 263 of the Act. The Pr.CIT is of the view that the number of associate members of the assessee society continued to be more than 15% of the total membership of the society for the relevant period and the assessee has violated the provisions of section 18(1) of the Karnataka Cooperative Societies (Amendment) Act 2014. In compliance to the notice u/sec 263 of the Act dated 09.02.2023, the assessee has the details and explanations through ITBA Portal.. Whereas the Pr.CIT was not satisfied with the explanations and submissions and is of the opinion that the order passed by the AO is erroneous and prejudicial to the interest of the revenue, and accordingly issued directions to the AO and set-aside the order 143(3) r.w.s 143B of the Act and has passed order u/s 263 of the Act dated 07.03.2023. Aggrieved by the order of the Pr.CIT, the assessee has filed an appeal before the Hon'ble Tribunal.

4. At the time of hearing, the Ld.AR submitted that the Pr.CIT has erred in set aside the order u/sec 143(3) r.w.144B of the Act, which does not satisfy the twin conditions of erroneous and prejudicial to the interest of the revenue. The Ld.AR submitted that the explanation 2 to sec 263 of the Act ought to be considered only when the AO has not applied his mind, the facts are to be verified and no enquiry is conducted. Whereas, the A.O has verified the facts, bylaws, details of regular members, associate and nominal members and made disallowance of

deduction u/sec80P to the extent of Rs.3,99,869/-. The Ld.AR substantiated the submissions relying on judicial decisions and factual paper book and prayed for allowing the appeal. Per Contra, the Ld.DR supported the order of the Pr. CIT and made submissions that the assessing officer has not verified /examined the fact that the number of associate members of the assessee society continued to be more than 15% of the total membership of the society for the relevant period and violated the provisions.

5. We heard the rival submissions and perused the material available on record. The Ld.AR envisaged that the order passed by the Pr.CIT is bad in law as the order revised under revision proceedings passed by the Pr. CIT is not erroneous and prejudicial to the interest of the revenue. The contentions of the Ld.AR are that the number of associate members of the assessee society continued to be more than 15% of the total membership of the society for the relevant period cannot be accepted as violation under the income tax Act. The Ld.DR submissions are that the Pr.CIT has dealt on the facts and information which proves that the Assessing Officer has not applied his mind and not made enquiries on the disputed issue. We find the A.O has called for the list of all the members of the society during the relevant period and there is no examination and verification of the facts or findings by the A.O on the issue of associate members exceeding 15% of total membership in the assessment proceedings. Accordingly, the matter needs to be verified and reasons for claim should be

justified and the assessing officer shall adjudicate a fresh on merits on the disputed issue and shall provide adequate opportunity of hearing to the assessee and the assessee should also cooperate in submitting the information. Accordingly, we do not find merits in the appeal filed by the assessee and is dismissed.

6. In the result, the appeal filed by the assessee is dismissed.

Order pronounced in the open court on 25.08.2025.

**-S/d-**

**(GD PADMAHSHALI)  
ACCOUNTANT MEMBER**

Panaji Dated: 25/08/2025

**-S/d-**

**(PAVAN KUMAR GADALE)  
JUDICIAL MEMBER**

**Copy of the Order forwarded to:**

1. The Appellant,
2. The Respondent
3. The Pr.CIT
4. CIT
5. DR, ITAT
6. Guard file.

//True Copy//

BY ORDER,  
(Asstt. Registrar)ITAT,  
Panaji

		Date	<u>Initial</u>	
1.	Draft dictated on			PS
2.	Draft placed before author			PS
3.	Draft proposed & placed before the second member			PS
4.	Draft discussed/approved by Second Member.			PS
5.	Approved Draft comes to the Sr.PS/PS			PS
6.	Kept for pronouncement on			
7.	File sent to the Bench Clerk			
8.	Date on which file goes to the AR			
9.	Date on which file goes to the Head Clerk.			
10.	Date of dispatch of Order.			
11.	Dictation Pad is enclosed			