

**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH : BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

ITA No. 210/Bang/2025
Assessment Year : 2017-18

M/s. Maharaja Agrasen Urban Co-op. Credit Society Ltd., 1, Maharaja Agrasen Urban Co-op. Credit So, Agrasen Bhavan Walvekar Galli, Hubballi – 580 020. PAN: AACAM5643E	Vs.	The Income Tax Officer, Ward – 2(1), Hubballi.
APPELLANT		RESPONDENT

Assessee by	:	Smt. Harsha J, Advocate
Revenue by	:	Shri Subramanian .S, JCIT-DR

Date of Hearing	:	15-09-2025
Date of Pronouncement	:	19-09-2025

ORDER

PER SOUNDARARAJAN K., JUDICIAL MEMBER

This is an appeal filed by the assessee challenging the order of NFAC, Delhi dated 27/12/2024 in respect of the A.Y. 2017-18.

2. The brief facts of the case are that the assessee is a co-operative society registered under the provisions of the Karnataka Co-operative Societies Act. The assessee also filed their return of income and claimed deduction u/s. 80P(2)(a)(i) of the Act. Their case was selected for complete scrutiny under CASS and several notices were issued u/s. 143(2) and 142(1)

of the Act. The assessee also submitted the details to the said notices. The AO sought for the verification about the claim of interest made u/s. 80P(2)(a)(i) of the Act on the interest received from the cooperative and nationalised banks. The AO also sought for the source of cash deposits during the demonetisation period. The AO not satisfied with the explanations offered by the assessee had denied the deduction claimed u/s. 80P(2)(a)(i) of the Act and also treated the cash deposits made during the demonetisation period as unexplained cash credit u/s. 68 of the Act. The AO also observed that the assessee is dealing with the associate / nominal members who are all non-members and therefore the assessee is not entitled for deduction u/s. 80P(2)(a)(i) of the Act.

3. As against the said order of the AO, the assessee filed an appeal before the Ld.CIT(A) and contended that the assessee is a co-operative society and the presence of associate / nominal members is not a ground to deny the deduction claimed u/s. 80P(2)(a)(i) of the Act. The assessee also contended that the addition made u/s. 68 is not correct since the assessee had explained the source for the said deposits. The assessee also submitted that the presence of nominal / associate members would not be a reason to deny the deduction since the Co-operative Societies Act permitted to include them as members of the society. The Ld.CIT(A) had decided the appeal ex-parte on the ground that the assessee had not appeared to any of the notices issued to him through the email ID furnished in form 35.

4. As against the said order, the present appeal has been filed before this Tribunal.

5. At the time of hearing, the Ld.AR submitted that the presence of nominal / associate members is not a ground to deny the deduction u/s. 80P(2)(a)(i) of the Act as per the judgment of the Hon'ble Supreme Court reported in 431 ITR 1 in the case of Mavilayi Service Co-operative Bank Ltd. v. CIT. The Ld.AR also submitted that the source for the cash deposit during the demonetisation period was properly explained before the AO.

Therefore the said addition made u/s. 68 is also unwarranted. The Ld.AR further submitted that the assessee had received interest from the co-operative banks which are all the co-operative societies registered under the provisions of the Karnataka Co-operative Societies Act and therefore they are entitled for deduction u/s. 80P(2)(d) of the Act.

6. The Ld.DR relied on the orders of the lower authorities and submitted that the assessee had not furnished any valid reasons for not appearing before the Ld.CIT(A) and therefore submitted that unless and until the reasons were properly explained, it would not be open to the assessee to raise the issue on merits since the order of the Ld.CIT(A) is an ex-parte order.

7. We have heard the arguments of both sides and perused the materials available on record.

8. From the perusal of the assessment order, we came to know that the AO had made the assessment by denying the deduction u/s. 80P(2) of the Act since the assessee is having nominal members and assessee also received interest income from the various banks which are all functioning under the control of the Reserve Bank of India. Similarly, the AO had made the addition u/s. 68 of the Act since during the demonetisation period, SBN notes were deposited into the bank account for which the assessee had no authority to receive the same. Admittedly, the assessee filed an appeal before the Ld.CIT(A) and raised several grounds about the denial of deduction u/s. 80P(2)(a)(i) of the Act as well as the addition made u/s. 68 of the Act. But unfortunately, the assessee had not responded to the various hearing notices issued by the Ld.CIT(A) and therefore the Ld.CIT(A) had, without going into the merits, had decided the appeal ex-parte for want of prosecution.

9. As submitted by the Ld.DR, the assessee had not explained the reasons why they have not appeared before the Ld.CIT(A) when the notices

were sent through the email ID given by the assessee in form 35. Before us, the assessee submitted that they have not received any of the notices and therefore they are not able to appear before the Ld.CIT(A). Except this bald submissions, the assessee had not submitted any other valid reasons for not appearing before the Ld.CIT(A).

10. Considering the facts that the assessee is a co-operative society and the fact that some of the issues were decided by the Hon'ble Supreme Court, in the interest of justice, we are inclined to grant one more opportunity to the assessee to appear before the Ld.CIT(A). We, therefore set aside the ex-parte order of the Ld.CIT(A) and remit this issue to the file of the Ld.CIT(A) for deciding the issue afresh on merits, after granting a reasonable opportunity of being heard to the assessee.

11. In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 19th September, 2025.

Sd/-
(PRASHANT MAHARISHI)
Vice – President

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 19th September, 2025.
/MS /

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|---------------|------------------------|
| 1. Appellant | 2. Respondent |
| 3. CIT | 4. DR, ITAT, Bangalore |
| 5. Guard file | 6. CIT(A) |

By order

Assistant Registrar,
ITAT, Bangalore