IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH

BEFORE SHRI INTURI RAMA RAO, AM

ITA No. 816/Coch/2025
Assessment Year: 2020-21

Kuruvambalam Service Co-op. Bank Ltd. ..... Appellant
Chemmalassery, Malappuram 679328
[PAN: AACAK3292M]

vs.

The Income Tax Officer, Tirur ..... Respondent

Assessee by: ------- None -------
Revenue by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 06.11.2025
Date of Pronouncement: 21.11.2025

O R D E R

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)] dated 02.09.2025 for Assessment Year (AY) 2020-21.

2. Brief facts of the case are that appellant is a co-operative society registered under the Kerala State Co-operative Societies Act, 1969. It is classified as a primary agricultural credit co-operative society. It is engaged in the business of accepting deposits from members and providing credit facilities to members. The appellant filed the return of income for AY 2020-21 on 10.02.2021 declaring income of Rs. 1,00,160/- after claiming deduction of Rs. 37,89,750/-

u/s. 80P(2)(a)(i) of the Income Tax Act, 1961 (the Act). Against the said return of income, the assessment was completed by the Assessment Unit of Income Tax Department (hereinafter called "the AO") vide order dated 22.09.2022 passed u/s. 143(3) r.w.s. 144B of the Act at total income of Rs. 18,00,160/-. While doing so, the AO made addition u/s. 56 of the Act of Rs. 17,00,000/- on account of income from other sources.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order confirmed the action of the AO.

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

5. When the appeal was called on nobody appeared on behalf of the assessee despite due service of notice of hearing. Therefore, we proceed to dispose of the appeal after hearing the learned Sr. DR.

6. Regarding the interest income received from Treasury, Scheduled Banks, etc., this issue is no longer *res integra*, as it is covered 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)(a)(i) of the Act in respect of interest received from Treasury, Scheduled Banks, etc.

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

Order pronounced in the open court on 21st November, 2025.

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 21st November, 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