

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

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

ITA No. 2046/Bang/2025
Assessment Year : 2018-19

M/s. Laxmi Venkatesh Credit Co-operative Society Ltd., Sunanda Devadas Tower, P.P.C. Road, Udupi – 576 101. PAN: AAAJL0987F	Vs.	The Income Tax Officer, Ward – 1 & TPS, Udupi.
APPELLANT		RESPONDENT

Assessee by	:	None
Revenue by	:	Shri Ganesh R Ghale, Advocate, Standing Counsel for Revenue

Date of Hearing	:	04-12-2025
Date of Pronouncement	:	06-01-2026

ORDER

PER SOUNDARARAJAN K., JUDICIAL MEMBER

This is an appeal filed by the assessee challenging the order of the NFAC, Delhi dated 23/07/2025 in respect of the A.Y. 2018-19 and raised the following grounds:

“1. The Ld. Respondent misread and misconceived the impugned Order passed by CIT (A) dt. 23-07-2025 and proceeded to pass the OGE to the order of CIT (A) dt. 25-07-2025 in a tearing hurry sustaining the entire addition of Rs. 9,19,383/- in respect of Interest on Investments derived by the appellant from Co-operative Banks grossly ignoring that CIT (A) had partly allowed the appeal of the appellant.

2. *The Respondent had passed OGE dt. 25-07-2025 without soliciting any information or explanation from the appellant and also without providing an opportunity of hearing and hence the OGE dt. 25-07-2025 is bad in law.*

3. *During the relevant F.Y., as per the audited Financial Statements, the total Deposits (borrowed funds) of the Appellant stood at Rs. 9,35,14,784/- against which it had maintained Investment in Deposits with Co-operative Banks of Rs. 1,29,48,558/- as mandatory fluid resources out of statutory compulsion and as such, the entire interest income of Rs. 9,19,383/- qualifies for deduction under Sec. 80P(2)(a)(i) of the Act. The Respondent failed to consider the observation of Hon'ble CIT (A) in para 15.6 at Page No. 36 (in bold letters) r/w. Page No. 8 of Order dt. 23-07-2025 while passing OGE dt. 25-07-2025.*

4. *It is trite law that interest income derived from statutory deposits shall be considered as operational income derived in the course of regular activities and consequently qualifies for deduction u/s. 80P(2)(a)(i) of the Act and the interest income derived from investments over and above the statutory limit, shall be considered as Income from Other Sources under Sec. 56 of the Act against which an Assessee is eligible to claim proportionate cost of funds as deduction under Sec. 57(iii) of the Act. It is submitted, the appellant is entitled to get this relief as per the order of CIT (A) dt. 25-07-2025.*

5. *The appellant submits, the issue as to interest income derived from co-operative banks stands covered by the judgement of this Hon'ble Tribunal in ITA No. 1929 & 1930/Bang/ 2024 in ITO, Ward -1, Udupi vs. Khambadakone Rytara Seva Sahakari Sangha Ltd., Kundapur dated 12-06-2025 and ITA No. 1982 & 1983/Bang/2024 in Maravanthe Badakere Vyavasaya Seva Sahakari Sangha Ltd., Navunda, Byndoor vs. ITO, Ward — 1, Udupi dated 30-04-2025.”*

2. When the matter was taken up for hearing, none appeared on behalf of the assessee. The Ld.DR submitted that the appeal against the order giving effect to the order of the Ld.CIT(A) is not maintainable before this Tribunal and therefore prayed to dismiss the appeal.

3. We have gone through the said grounds of appeal and we found that the assessee had challenged the order giving effect to the order of the Ld.CIT(A) dated 25/07/2025 in which the AO had confirmed the levy of tax on the interest income earned from the statutory deposits made by the assessee with the co-operative banks under the head income from other sources. We have also perused the order of the Ld.CIT(A) and in pages 33 and 36, the Ld.CIT(A) had observed as follows:

“The appellant has also claimed that part of the deposit with the coop bank on which the interest was received and the deduction under section 80P(2)(a)(i) of the Act was claimed was deposited with such bank due to the mandatory statutory requirement and has claimed that such interest should be eligible for deduction under section 80P(2)(a)(i) of the Act.”

“In view of the above judgement the appellant is entitled to deduction under section 80P(2)(a)(i) of the Act with respect to the interest income earned on the mandatory (mandatory for being eligible and to carry out the core business of the appellant society) required amount to be deposited with the mandatorily required specified bank. Respectfully following the judgement of Hon'ble ITAT in the case of SRCC Society (supra) the deduction on this limited issue(ref. para (d) of the appellant's submissions dated 03.06.2025) in this regard shall be allowed by the learned AO after the verification with the opportunity to the appellant.”

4. In spite of that findings, it is the grievance of the assessee that the AO had not granted the deduction u/s. 80P(2)(a)(i) of the Act. Therefore in the grounds of appeal filed before this Tribunal, the assessee had found fault with the order giving effect to the order of the Ld.CIT(A) by the AO.

5. As per section 253 of the Act, the appeal to the Appellate Tribunal will lie against the order passed by the Deputy Commissioner (Appeals) or Commissioner (Appeals) only. In the present case, there is no grievance for the assessee against the Ld.CIT(A) order but their only grievance is against the order giving effect to the order of the Ld.CIT(A). We do not think that the order giving effect to the order of the Ld.CIT(A) would fall under the provisions of section 253. If the assessee is aggrieved with the order of the

AO against the order giving effect to the order of the Ld.CIT(A), then the proper course of action to be taken under the provisions of the Act is to approach the Commissioner (Appeals). Admittedly, the assessee had not challenged the said order before the Ld.CIT(A). In such circumstances, we do not find that the present appeal filed by the assessee challenging the order giving effect to the order of the Ld.CIT(A) by the AO is maintainable and therefore we are dismissing the appeal filed by the assessee.

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

Order pronounced in the open court on 06th January, 2026.

Sd/-
(PRASHANT MAHARISHI)
Vice – President

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 06th January, 2026.
/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