

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

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

ITA No. 1775/Bang/2025
Assessment Year :2018-19

Sri Gangadhareshwara Souhardha Pattina Sahakari Sangha Niyamitha, 1 st Floor, CBS Complex, Gangavathi, Koppal, Karnataka – 583 227. PAN: AABAS2552D	Vs.	The Income Tax Officer, Ward-1, Koppal.
APPELLANT		RESPONDENT

Assessee by	:	Shri Deepak, CA
Revenue by	:	Shri Subramanian – JCIT DR

Date of Hearing	:	07-01-2026
Date of Pronouncement	:	08-01-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. ITA No. 1775/B/2025 is filed by Sri Gangadhareshwara Souhardha Pattina Sahakari Sangha Niyamitha (the Assessee/Appellant) against

the Appellate Order passed by the Ld. National Faceless Appeal Centre, Delhi for Assessment Year 2018-19 on 17.07.2025 wherein the Appeal filed by the Assessee against the Assessment order dated 03.08.2021 passed u/s. 143(3) of the Income Tax Act, 1961 (the Act) by the National Faceless Assessment Centre was dismissed.

2. The Assessee has raised the grounds of Appeal but the only issue involved in this Appeal is denial of deduction u/s. 80P(2)(a)(i) of the Income Tax Act to the Assessee of Rs. 87,19,026/- which is attributable to the business of credit facility to its members.
3. The brief facts of the case show that Assessee is a Co-operative Society registered under the Karnataka Souharda Sahakari Act, 1997. It filed return of income at Rs. Nil claiming deduction u/s. 80P(2)(a)(i) and 80P(2)(c) of the Income Tax Act amounting to Rs. 96,03,873/-. The object of the Society is to provide credit facility to the members of the Society. The return was picked up for scrutiny. There Ld. Assessing Officer noted that Assessee has earned an interest income amounting to Rs. 87,19,026/-. The Ld. Assessing Officer questioned that the above interest income cannot be considered for deduction u/s. 80P of the Act. According to him, the same is chargeable to tax as income from other sources. He made the disallowance of the above sum. Further, he disallowed a sum of Rs. 17,905/- being various income such as member service charge, admission fee etc., holding that sum is not eligible for deduction u/s. 80P of the Act. Consequently, the Assessment Order was passed on 03.08.2021 determining the total income of the Assessee at Rs. 87,36,931/-.
4. When the Assessee challenged the issue before the Ld. CIT(A), he confirmed the action of the Ld. AO. Therefore, Assessee is in Appeal.

5. The facts clearly shows that both the lower authorities have considered the fact that in view of the decision of the Hon'ble Karnataka High Court in case of Totgars Co-operative Sale Society Limited, the interest income earned by the Assessee is chargeable necessarily under the head income from other sources and no deduction u/s. 80P(2)(d) of the Act is allowable to the Assessee.
6. The Ld. Authorized Representative submitted that the issue is squarely covered in favour of the Assessee in view of the two decisions of the Hon'ble Karnataka High Court namely Tumkur Merchants Souhadra Credit Co-operative Society Limited as well as the Totgars Co-operative Sale Society Limited wherein the deduction is allowable to the Assessee under the provisions of section 80P(2)(a)(i) of the Act. It was stated that there is no reason that the Ld. Assessing Officer should consider them the interest income and other income as income from other sources. He referred to the provisions of the Act and submitted that in the income which is attributable to the business of the co-operative society of credit facility to the members is eligible for deduction. He also referred to several judicial precedents of the Coordinate Bench, Bangalore to support his case.
7. The Ld. Departmental Representative supported the orders of the Ld. lower authorities.
8. We have carefully considered the rival contentions and perused the orders of the Ld. lower authorities. The facts shows that the Assessee has claimed deduction u/s. 80P(2)(a)(i) of the Act, held that interest income of Rs. 87,19,026/- including the other income is income attributable to the business of the Assessee and therefore same is allowable.

9. We find that, that the Hon'ble Karnataka High Court in case of Tumkur Merchants Souharda Credit Cooperative Ltd. vs. Income-tax officer Word-V, Tumkur [2015] 55 taxmann.com 447 (Karnataka)/[2015] 230 Taxman 309 (Karnataka)[28-10-2014] and in case of Principal Commissioner of Income-tax, Hubli vs. Totagars Co-operative Sale Society [2017] 78 taxmann.com 169 (Karnataka)/[2017] 392 ITR 74 (Karnataka)[05-01-2017] has allowed the deduction to the Assessee u/s. 80P(2)(a)(i) of the Act. The decision of Hon'ble Supreme Court in 188 taxmann.com 282 was considered by both the above decisions of the Hon'ble Karnataka High Court. Thus, apparently the claim of the Assessee is covered by the above two decisions. Furthermore, the decision of the Hon'ble Karnataka High Court Principal Commissioner of Income-tax, Hubballi vs. Totagars Co-operative Sale Society [2017] 83 taxmann.com 140 (Karnataka)/[2017] 395 ITR 611 (Karnataka)/[2017] 297 CTR 158 (Karnataka)[16-06-2017] cited by the Ld. lower authorities holding it that interest income should be considered as income from other sources has distinguished the above decisions. Therefore, at present all the three decisions of the Hon'ble High Court are on the issue of deduction u/s. 80P of the Act.
10. We find that the facts of the case of the Assessee are nearer to the decision of the Hon'ble Karnataka High Court in case of Tumkur Merchants Souharda Credit Cooperative Ltd. vs. Income-tax officer Word-V, Tumkur [2015] 55 taxmann.com 447 (Karnataka)/[2015] 230 Taxman 309 (Karnataka)[28-10-2014] and in case of Principal Commissioner of Income-tax, Hubli vs. Totagars Co-operative Sale Society [2017] 78 taxmann.com 169 (Karnataka)/[2017] 392 ITR 74 (Karnataka)[05-01-2017] 74.

11. In view of the above facts, we held that the Assessee is entitled to deduction u/s. 80P(2)(a)(i) of the Act on the bank interest as well as other income which are attributable to the business of the Assessee.

12. Accordingly, the orders of the Ld. lower authorities are reversed.

13. Appeal filed by the Assessee is allowed.

Order pronounced in the open court on 08th January, 2026.

Sd/-
(SOUNDARARAJAN K.)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE-PRESIDENT

Bangalore,

Dated, the 08th January, 2026.

TNTS

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

By order

Assistant Registrar,
ITAT, Bangalore