

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

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

ITA No. 1843/Bang/2025
Assessment Year : 2017-18

M/s. Primary Cooperative Agriculture Rural Development Bank Limited, D. No. 22, Sharadha Nagar, Sringeri, Chikmagalur District, Karnataka – 577 139. PAN: AACAP9326R	Vs.	The Income Tax Officer, Ward-2, Chikmagalur.
APPELLANT		RESPONDENT

Assessee by	:	Shri Prasanna Shenoy, CA
Revenue by	:	Shri Ganesh R Ghale – Advocate, Standing Counsel for Revenue

Date of Hearing	:	03-12-2025
Date of Pronouncement	:	09-02-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. ITA No. 1843/Bang/2025 is filed by M/s. Primary Cooperative Agriculture Rural Development Bank Limited (the Assessee/Appellant) for Assessment Year 2017-18 against the Appellate Order passed by the National Faceless Appeal Centre, Delhi dated 23.06.2025 wherein the Appeal filed by the Assessee against the Assessment Order passed u/s. 143(3) of the Income Tax Act, 1961 (the Act) by the Income Tax Officer, Ward-2, Chikmagalur (the Ld. Assessing Officer) dated 27.07.2019 was dismissed. The Assessee aggrieved with the same has preferred this Appeal.

2. The issue is that Assessee has been denied deduction being the Primary Co-operative Agricultural and Rural Development Bank u/s. 80P of the Act. The brief facts of the case shows that the Assessee filed its return of income on 28.10.2017 wherein the gross total income of Rs. 39,92,145/- and total income of Rs. Nil/- were shown claiming deduction of Rs. 39,92,145/- u/s. 80P of the Act. The return of income was picked up for scrutiny for verification of large deduction. Assessee has claimed it to be a co-operative society engaged in the business of advancing loans to agriculturist and non-farm sector. It has various classes of members. On examination of the documents filed by the Assessee he noted that Assessee is not entitled to deduction u/s. 80P of the Act by virtue of sub section 4. The Assessee submitted that Assessee is eligible for deduction. The Ld. Assessing Officer held that it is a co-operative bank and therefore the Assessment Order was passed determining total income of the Assessee at Rs. 39,92,145/- on 27.07.2019.
3. The Assessee aggrieved with the Assessment Order preferred an Appeal before the Ld. CIT(A) who passed the Appellate Order on 23.06.2025. Before the Ld. CIT(A), the Assessee submitted that Assessee is entitled to deduction u/s. 80P(2)(a)(i) of the Act as it is providing credit facilities to its members. It was further stated that even sub section 80P(4) does not apply to the Assessee as it is not a co-operative bank but a primary co-operative agricultural and rural development bank. With respect to the deduction of ancillary income u/s 80P(2)(c)(ii) of Rs. 12,945/- from E-stamp is also eligible for deduction. The Ld. CIT(A) rejected the contention of the Assessee and dismissed the Appeal.
4. The Ld. Authorized Representative submitted the written submission wherein he submitted that section 80P(4)(b) excludes primary co-operative agricultural and rural development bank and therefore the

Assessee is entitled to deduction u/s. 80P of and is not precluded by virtue of section 80P(4) of the Act. With respect to the deduction u/s. 80P(2)(a)(i), he submits that Assessee is in the business of providing credit facilities to its members and therefore the income is attributable to that business and hence eligible for deduction. With respect to deduction u/s. 80P(2)(c)(ii), it was submitted that e-stamping income is received by the Assessee which is less than 1% of the total income and therefore it falls in the category of any other income of the co-operative society and hence deductible.

5. The Ld. Departmental Representative Shri Ganesh R Ghale, Advocate, Standing Counsel for Revenue vehemently supported the orders of the Ld. lower authorities.
6. We have carefully considered the rival contentions and perused the orders of the Ld. lower authorities. We find that the issue is now squarely covered in the favor of the Assessee by the decision of the Hon'ble Supreme Court in Kerala State Co-Operative Agricultural & Rural Development Bank Ltd. vs. Assessing Officer [2023] 154 taxmann.com 305 (SC)/[2023] 295 Taxman 675 (SC)/[2023] 458 ITR 384 (SC)[14-09-2023] wherein it has been held that state rural agricultural and rural development bank which is engaged in providing credit facility to its members are necessarily co-operative society and not members of public. Further, it is also not a co-operative bank within meaning of section 5B r.w.s. 56 of Bank Regulation Act, 1949, deduction u/s. 80P could not have been denied to the Assessee.
7. Further, issue before us is that Assessee is a primary agricultural credit society and rural development bank. Provisions of section 80P(4) does not debar the Assessee from claiming deduction u/s. 80P of the Act. By the above judgment, the Hon'ble Supreme Court has

set aside the decision of the Hon'ble Kerala High Court in Kerala State Co-operative Agricultural & Rural Development Bank Ltd. v/s. CIT in 383 ITR 610 (Kerala). This very judgment is relied upon by the Ld. CIT(A) for holding that Assessee is not eligible for deduction u/s. 80P of the Act by virtue of sub section 4. As the above decision has been set aside, the natural corollary is that now the Assessee is eligible for deduction as it is not bound by the provisions of sub section 4 of the Act.

8. Therefore, we direct the Ld. Assessing Officer to consider the claim of the Assessee by virtue of the above decision and allow the claim u/s. 80P of the Act.
9. The second issue involved is that Assessee is engaged in the earning of the interest from various entities. Such interest income is also eligible for deduction u/s. 80P(2)(a)(i) of the Act as the income of interest etc., is attributable to the business of the Assessee.
10. With respect to the deduction u/s. 80P(2)(c)(ii), the deduction to the expenditure of Rs. 50,000/- is available. The Assessee has earned the e-stamping charges fees of Rs. 12,945/-. The above activity is authorized by the government agencies and therefore such profits and gains are allowable for deduction.
11. In the result, the Appeal of the Assessee is allowed.

Order pronounced in the open court on 09th February, 2026.

Sd/-
(SOUNDARARAJAN K.)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE-PRESIDENT

Bangalore,
Dated, the 09th February, 2026.

Copy to:

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

By order

Assistant Registrar,
ITAT, Bangalore