

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT**

<b>ITA No. 2315/Bang/2025</b>
<b>Assessment Year : 2020-21</b>

M/s. Sri Bhyraveswara Credit Cooperative Society Limited, No. 1, 8 <sup>th</sup> Main, 22 <sup>nd</sup> Cross, MRCR Layout, Vijaya Nagar, Bengaluru, Karnataka – 560 040. <b>PAN: AAAAS6789B</b>	<b>Vs.</b>	The Income Tax Officer, Ward-3(1)(1), Bengaluru.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri Pradeep Kumar Jain, CA
Revenue by	:	Shri Ganesh R Ghale - Advocate, Standing Counsel for Revenue

Date of Hearing	:	16-12-2025
Date of Pronouncement	:	09-02-2026

**ORDER**

**PER PRASHANT MAHARISHI, VICE – PRESIDENT**

1. This appeal is filed by Bhyraveswara credit cooperative society Ltd (assessee/appellant) against the appellate order passed by the National faceless appeal Centre, Delhi (the learned CIT – A) for assessment year 2020 – 21 dated 22 August 2025 by which appeal filed by the assessee against the assessment order passed under section 143 (3) read with section 144B of The Income Tax Act, 1961 (The Act) dated 8 September 2022 passed by the assessment unit (the learned AO), was dismissed.
2. Thus, the assessee is aggrieved with the same and has raised the several grounds of appeals where the main issue is with respect to non-granting of deduction under section 80 P of the act.

3. Brief facts of the case shows that assessee is a co-operative society engaged in the business of providing credit to its members, filed its return of income on 10 February 2021 at Rs. Nil. The case of the assessee was selected for the scrutiny and notices were issued under section 143 (2) and 142 (1) for verification of the deduction from total income under chapter VI A of the act.
4. It was found that the assessee has shown income of ₹ 6,452,594/- and claimed the same amount as a deduction under section 80 P of the act. The assessee society has received interest income of ₹ 1,248,909 from apex bank, ₹ 340,062 from savings bank account with the apex bank, ₹ 192,030/- from janta Seva Cooperative bank on fixed deposit and further ₹ 1,803,632/- from JSCB fixed deposit. The assessee has claimed the deduction of the above sum u/s 80 (2) (a) (i) of The Act .
5. The learned assessing officer was of the view that since the cooperative banks are not cooperative societies, the interest income earned by the assessee is also chargeable to tax under the head income from other sources under section 56 of the act, the deduction of interest earned and received by the assessee is not eligible for deduction under section 80 P (2) (d) of the act. Accordingly, he disallowed the deduction claimed under section 80 P of ₹ 3,558,633 as per the assessment order passed under section 143 (3) read with section 144B of the income tax act dated 8/9/2022 wherein the total income of the assessee was assessed at ₹ 3,558,633/-.
6. Assessee aggrieved with the same preferred an appeal before the learned CIT - A. It was submitted that assessee has offered the above sum as business income of the assessee and the income is chargeable to tax under the head business and profession. Thus, the claim of the assessee is under section 80 P (2) (a) (i) of the act. The assessee has never claimed as deduction under section 80 P (2) (d) of the act. The learned CIT - A was also shown schedule [3] of the computation of total income wherein such deduction is claimed under

section 80 P (2) (a) (i) of the act. Thus, the claim of the assessee was that the assessee has claimed deduction as above interest income being part of the business of the banking credit facilities to its members. The assessee further referred to several judicial precedents before him wherein the claim of the assessee is allowable as deduction.

7. The learned CIT – A however was of the view that interest income earned by the assessee from above cooperative bank are chargeable to tax under the head income from other sources under section 56 of the act and as interest has been received from cooperative banks and not cooperative societies, assessee is not eligible for deduction under section 80 P (2) (d) on interest income on deposit made with the cooperative banks amounting to ₹ 3,558,633/- mainly relying upon the decision of the honourable Karnataka High Court in case of principal Commissioner of income tax versus total is cooperative sale society (2017) 83 taxmann.com 140 (Karnataka). He therefore held that the income of the bank interest is chargeable to tax under section 56 of the act and as the assessee has received interest from cooperative banks, according to the provisions of section 80 P (4) of the act the assessee is also not eligible for deduction under section 80 P (2) (d) of the act. Accordingly appeal of the assessee was dismissed.
8. Aggrieved, with the order of the learned CIT – A, assessee is in appeal before us. The learned authorised representative has filed a paper book containing 267 pages. He was heard. His claim was that the claim of the assessee is covered by the decision of the honourable Karnataka High Court in case of the decision of the Tumkur merchants' cooperative societies Ltd. He also referred to several judicial precedents of the coordinate benches.
9. The learned departmental standing Counsel Shri Ganesh R Ghale , Advocate vehemently supported the order of the learned lower authorities and submitted that issue is squarely covered in favour of

the revenue by the decision of the honourable Karnataka High Court in case of Totagars sales cooperative societies Ltd as well as the decision of the Reserve Bank Employees Cooperative Housing Society Ltd.

10. We have carefully considered the rival contention and perused the orders of the learned lower authorities. The facts clearly shows that that assessee is a member credits cooperative society has earned interest of ₹ 1,995,662/- from janta Seva Cooprtative bank and ₹ 1,562,971/- from apex bank totaling to ₹ 3,558,633/-. Assessee has specifically claimed this sum as a deduction as part of its business of credit to its members. The assessee offered this income as a business income and claimed deduction under section 80 P (2) (a) (i) of the act. This is evident as per the computation of total income is placed at page No. 267 of the paper book. The learned assessing officer was of the view that the income of the interest from the above banks earned by the assessee is chargeable to tax under the head income from other sources under section 56 of the Act and therefore the above sum is not the business income of the assessee. He further stated that as the assessee has earned interest from cooperative societies, which are cooperative banks, therefore assessee is also not entitled to deduction under section 80 P (2) (d) of the act by virtue of the decision of the honourable Karnataka High Court in 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]. The learned CIT - A agreed with the decision of the learned assessing officer and held that assessee is not eligible for deduction.
11. However we find that honourable Karnataka High Court 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] and 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] has held that assessee is entitled to deduction under section 80 P (2) (a) (i) of the income tax act , if the income is attributable to the business of the assessee. Undisputedly the claim of the assessee is the same. There is no iota of evidence placed by the learned assessing officer stating that the above interest income should be chargeable to tax as income from other sources and same is not business income of the assessee. According to the provisions of section 80 P (2) (a) (i) of the income tax act the income attributable to the business of the credit cooperative society is eligible for deduction under that section.

12. Therefore, the issue is squarely covered in favour of the assessee by the decisions of the honourable Karnataka High Court on identical facts and circumstances in the case where the claim of the assessee is under section 80 P (2) (a) (i) of the act. We find that the above decision cited by the authorized representative in favour of the assessee by the honourable jurisdictional Karnataka High Court have not been overruled by any of the subsequent decisions. These two decisions of the honourable Karnataka High Court also considered the decision of the honourable Supreme Court which was relied upon the other decisions of the honourable Karnataka High Court cited by the learned departmental representative and the learned lower authorities.
13. In view of the above facts, respectfully following the decision of the honourable High Court 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] and Tumkur Merchants Souharda Credit Cooperative Ltd. vs. Income-tax officer Ward-V, Tumkur [2015] 55 taxmann.com 447 (Karnataka)/[2015] 230 Taxman 309 (Karnataka)[28-10-2014] ,I do not have any hesitation in holding that assessee is entitled to deduction on the sum of ₹ 3,558,633/- on the interest income

earned by the assessee on from Janta Seva Cooperative Bank of ₹ 1,995,662/- and apex bank of ₹ 1,562,971/- under section 80 P (2) (a) (i) of the income tax act. The learned assessing officer is directed to accordingly granted the above deduction. Accordingly, the orders of the learned that lower authorities are reversed and ground No. 1 of the appeal of the assessee is allowed.

14. In view of the above decision in ground No. 1 the other grounds of appeal becomes infructuous and hence dismissed.
15. In the result appeal of the assessee is allowed as indicated above.

Order pronounced in the open court on 09<sup>th</sup> February 2026.

Sd/-  
(PRASHANT MAHARISHI)  
VICE-PRESIDENT

Bangalore,  
Dated, the 09<sup>th</sup> February, 2026.

\*TNTS\*

Copy to:

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

By order

Assistant Registrar,  
ITAT, Bangalore