

आयकर अपीलीय अधिकरण
मुंबई पीठ "एस एम सी"
IN THE INCOME TAX APPELLATE TRIBUNAL
MUMBAI BENCH "SMC", MUMBAI
श्री विकास अवस्थी, न्यायिक सदस्य के समक्ष
BEFORE SHRI VIKAS AWASTHY, JUDICIAL MEMBER
आअसं. 3240/मुं/2019 (नि.व.2012-13)
ITA NO. 3240/MUM/2019 (A.Y.2012-13)

Danda Co-op Credit Society Ltd.
239, Valmiki, Khar Danda,
Khar(West), Mumbai 400 052
PAN: AAAAD3039M

: अपीलार्थी/ **Appellant**

बनाम/ Vs.

The Income Tax Officer – 22(1)(2)
Mumbai 400 007

: प्रत्यर्थी/ Respondent

Assessee by : None
Revenue by : Ms Kavita P. Kaushik

सुनवाई की तारीख/ : 17/09/2020
Date of Hearing
घोषणा की तारीख / : 23/11/2020
Date of pronouncement

आदेश/ ORDER

This appeal by the assessee is directed against the order of Commissioner of Income Tax (Appeals)-34, Mumbai (in short 'the CIT(A)') dated 22/02/2019 for the assessment year 2012-13.

2. The brief facts of the case as emanating from records are: The assessee is a Co-operative Credit Society engaged in the business of accepting deposits and lending money to its members. The assessee made investments in the Co-operative

bank in the form of fixed deposits and earned interest income on the said investments. The assessee filed its return of income for the impugned assessment year declaring total income of Rs.14,316/- after claiming deduction of Rs.11,19,367/- under section 80P(2)(a)(i) of the Income Tax Act, 1961 (in short 'the Act'). In scrutiny assessment proceedings, the Assessing Officer disallowed assessee's claim of deduction under section 80P(2)(a)(i) of the Act and also under section 80P(2)(d) in respect of interest income on fix deposits with Co-operative Banks. Aggrieved by the assessment order dated 27/03/2015 passed under section 143(3), the assessee filed appeal before the CIT(A). The first appellate authority rejected the contentions of assessee and confirmed the addition. Hence, the present appeal by the assessee.

3. Ms. Kavita P. Kaushik, representing the Department vehemently defended the impugned order. The Id.Departmental Representative submitted that the assessee has wrongly claimed deduction under the provisions of section 80P(2)(a)(i)/80P(2)(d) of the Act in respect of interest derived from investment with Co-operative Bank. The Id. Departmental Representative submitted that after the insertion of sub-section (4) to section 80P by the Finance Act 2006 w.e.f. 01/04/2007, the Co-operative banks have been taken outside the purview of benefit of exemption provided to the Co-operative societies. The Id. Departmental Representative submitted that assessee has earned interest income from investments with Co-operative Banks, the said income is not eligible for deduction under the provisions of section 80P of the Act.

4. Submissions made by Id. Departmental Representative heard. Orders of the authorities below examined. The solitary issue raised in appeal is against disallowance of deduction Rs.4,72,960/- under section 80P(2)(a)(i)/80P(2)(d) of the Act. The assessee has made investment in Co-operative bank in the form of fixed deposits and has earned interest income of Rs.4,72,960/-. Whether interest income derived by a Co-operative Society from deposits with cooperative banks is eligible for deduction under section 80P(2)(d) of the Act or not is still a subject of debate. The

Tribunal in the case of Kaliandas Udyog Bhavan Premises Co-op Society Ltd. Vs. ITO, 94 taxmann.com 15 (Mumbai) after examining the provisions of section and the decision of Hon'ble Karnataka High Court in the case of Totagars Co-operative Sale Society, 392 ITR 74 held that interest income derived by a co-operative society from investments with a co-operative bank, would be entitled for deduction under section 80P(2)(d) of the Act. The relevant extract of the order reads as under: -

"7. We have deliberated at length on the issue under consideration and are unable to persuade ourselves to be in agreement with the view taken by the lower authorities. Before proceeding further, we may herein reproduce the relevant extract of the said statutory provision, viz. Sec. 80P(2)(d), as the same would have a strong bearing on the adjudication of the issue before us:

"80P(2)(d)

(1) Where in the case of an assessee being a co-operative society, the gross total income includes any income referred to in sub-section (2), there shall be deducted, in accordance with and subject to the provisions of this section, the sum specified in sub-section (2), in computing the total income of the assessee.

(2) The sums referred to in sub-section (1) shall be the following, namely :—

*(a) to (c)***

(d) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;

Thus, from a perusal of the aforesaid Sec. 80P(2)(d) it can safely be gathered that income by way of interest income derived by an assessee co-operative society from its investments held with any other cooperative society, shall be deducted in computing the total income of the assessee. We may herein observe, that what is relevant for claim of deduction under Sec. 80P(2)(d) is that the interest income should have been derived from the investments made by the assessee co-operative society with any other cooperative society. We though are in agreement with the observations of the lower authorities that with the insertion of Sub-section (4) of Sec. 80P, vide the Finance Act, 2006, with effect from 01.04.2007, the provisions of Sec. 80P would no more be applicable in relation to any co-operative bank, other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank, but however, are unable to subscribe to their view that the same shall also jeopardise the claim of deduction of a co-operative society under Sec. 80P(2)(d) in respect of the interest income on their investments parked with a co-operative bank. We have given a thoughtful consideration to the issue before us and are of the considered view that as long as it is proved that the interest income is being derived by a co-operative society from its investments made with any other co-operative society, the claim of deduction under the aforesaid statutory provision, viz. Sec. 80P(2)(d) would be duly available. We may herein observe that the term 'co-operative society' had been defined under Sec. 2(19) of the Act, as under:—

'(19) "Co-operative society" means a cooperative society registered under the Co-operative Societies Act, 1912 (2 of 1912), or under any other law for the time being in force in any state for the registration of co-operative societies;'

We are of the considered view, that though the cooperative bank pursuant to the insertion of Subsection (4) of Sec. 80P would no more be entitled for claim of deduction under Sec. 80P of the Act, but however, as a co-operative bank continues to be a cooperative society registered under the Co-operative Societies Act, 1912 (2 of 1912), or under any other law for the time being enforced in any state for the registration of co-operative societies, therefore, the interest income derived by a co-operative society from its investments held with a co-operative bank, would be entitled for claim of deduction under Sec.80P(2)(d) of the Act.

8. We shall now advert to the judicial pronouncements that had been relied upon by the authorized representatives for both the parties and the lower authorities. We find that the issue that a co-operative society would be entitled for claim of deduction under Sec. 80P(2)(d) for the interest income derived from its investments held with a cooperative bank is covered in favour of the assessee in the following cases:

(i) Land and Cooperative Housing Society Ltd. (supra)

(ii) Sea Green Cooperative Housing and Society Ltd. (supra)

(iii) Marwanjee Cama Park Cooperative Housing Society Ltd. (supra).

We further find that the Hon'ble High Court of Karnataka in the case of Totagars Cooperative Sale Society (supra) and Hon'ble High Court of Gujarat in the case of State Bank Of India (supra), had also held that the interest income earned by the assessee on its investments held with a co-operative bank would be eligible for claim of deduction under Sec. 80P(2)(d) of the Act. Still further, we find that the CBDT Circular No. 14, dated 28.12.2006, as had been relied upon by the Id. A.R, also makes it clear beyond any scope of doubt, that the purpose behind enactment of sub-section (4) of Sec. 80P was to provide that the co-operative banks which are functioning at par with other banks would no more be entitled for claim of deduction under Sec. 80P(4) of the Act. We are of the considered view that the reliance placed by the CIT (A) on the judgment of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. (supra) being distinguishable on facts, thus, had wrongly been relied upon by him. The adjudication by the Hon'ble Apex Court in the aforesaid case was in context of Sec. 80P(2)(a)(i), and not on the entitlement of a co-operative society towards deduction under Sec. 80P(2)(d) on the interest income on the investments parked with a co-operative bank. We further find that the reliance place by the Id. D.R on the order of the ITAT "F" bench, Mumbai in the case of Vaibhav Cooperative Credit Society (supra) is also distinguishable on facts. We find that the said order was passed by the Tribunal in context of adjudication of the entitlement of the assessee cooperative bank towards claim of deduction under Sec.80P(2)(a)(i) of the Act. We find that it was in the backdrop of the aforesaid facts that the Tribunal after carrying out a conjoint reading of Sec. 80P(2)(a)(i) r.w. Sec. 80P(4) had adjudicated the issue before them. We are afraid that the reliance placed by the Id. D.R on the aforesaid order of the Tribunal being distinguishable on facts, thus, would be of no assistance for adjudication of the issue before us. Still further, the reliance placed by

the Ld. D.R on the order of the ITAT 'SMC' Bench, Mumbai in the case of Shri Sai Datta Cooperative Credit Society Ltd. (supra), would also not be of any assistance, for the reason that in the said matter the Tribunal had set aside the issue to the file of the assessing officer for fresh examination. That as regards the reliance placed by the Id. D.R on the judgment of the Hon'ble High Court of Karnataka in the case of Totagars co-operative Sale Society (supra), the High Court had concluded that a cooperative society would not be entitled to claim of deduction under Sec. 80P(2)(d). We however find that as held by the Hon'ble High Court of Bombay in the case of K. Subramanian v. Siemens India Ltd. [1983] 15 Taxman 594/[1985] 156 ITR 11 (Bom), where there is a conflict between the decisions of non-jurisdictional High Court's, then a view which is in favour of the assessee is to be preferred as against that taken against him. Thus, taking support from the aforesaid judicial pronouncement of the Hon'ble High Court of jurisdiction, we respectfully follow the view taken by the Hon'ble High Court of Karnataka in the case of Totagars Cooperative Sale Society (supra) and Hon'ble High Court of Gujarat in the case of State Bank Of India (supra), wherein it was observed that the interest income earned by a cooperative society on its investments held with a co-operative bank would be eligible for claim of deduction under Sec.80P(2)(d) of the Act."

[Emphasized by us]

5. The Hon'ble Karnataka High court in the case of PCIT vs. Totagars Co-operative Sale Society 392 ITR 74 has held that for the purpose of section 80P(2)(d) of the Act, Co-operative Bank should be considered as cooperative society. Similar view has been taken by the Hon'ble Gujarat High court in the case of Surat Vankar Sahakari Sangh Ltd. vs. ACIT 421 ITR 134.

6. However, on the same issue Hon'ble Karnataka High court in the case of PCIT vs. Totagars Co-operative Sale Society 395 ITR 611 (Karnataka) has taken a contrary view holding that interest income earned from deposit with the cooperative bank does not qualify for deduction under section 80P(2)(d) of the Act. It would be relevant to mention here that the Hon'ble High Court while rendering the later judgement has not considered the earlier decision rendered in the case of Totagars Co-operative Sale Society (supra). The CIT(A) has rejected the claim of assessee by following later judgment rendered in Totagar's case.

7. No judgement from Hon'ble Jurisdictional High court on the issue of eligibility of deduction under section 80P(2)(d) of the Act on interest income derived by a Co-

operative Society from a Cooperative Bank has been brought to our notice. The Hon'ble Bombay High Court in the case of K. Subramanian Vs. Siemens India Ltd. 156 ITR 11 has held that when two conflicting decisions of non-jurisdictional High Courts are available, the view that favours the assessee is to be preferred. Accordingly, following the decision of Hon'ble Karnataka High Court in the case of Totagars Co-operative Sale Society (supra) and the decision in the case of Hon'ble Gujarat High Court in the case of Vankar Sahakari Sangh (supra) the deduction claimed by the assessee under section 80P(2)(d) of the Act in respect interest derived from investments with the cooperative banks is allowed. I find merit in the grounds of appeal raised by the assessee, ergo the appeal of assessee is allowed.

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

Order pronounced on Monday the 23rd day of November, 2020.

Sd/-

(VIKAS AWASTHY)

न्यायिक सदस्य/JUDICIAL MEMBER

मुंबई/ Mumbai, दिनांक/Dated: 23/11/2020

Vm, Sr. PS(O/S)

प्रतिलिपि अग्रेषितCopy of the Order forwarded to :

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकर आयुक्त(अ)/ The CIT(A)-
4. आयकर आयुक्त CIT
5. विभागीय प्रतिनिधि, आय.अपी.अधि., मुंबई/DR, ITAT, Mumbai
6. गार्ड फाइल/Guard file.

BY ORDER,

//True Copy//

(Dy./Asstt. Registrar)
ITAT, Mumbai