

**IN THE INCOME TAX APPELLATE TRIBUNAL "SMC" BENCH,**  
**MUMBAI**

**BEFORE SHRI ABY T. VARKEY, JM AND SHRI M. BALAGANESH, AM**

आयकर अपील सं/ I.T.A. No.2547/Mum/2022

(निर्धारण वर्ष / Assessment Year: 2020-21)

Regency Premises Co-op Hsg. Society Ltd. Regency Chambers Near nandi Cinema National Library Road Bandra West, Mumbai-400050.	<b>बनाम/</b> Vs.	DCIT/ACIT, CPC Kautilya Bhavan, Mumbai-400051.
<b>स्थायी लेखा सं./जीआइआर सं./PAN/GIR No. : AABAR7613N</b>		
(अपीलार्थी /Appellant)	..	(प्रत्यर्थी / Respondent)

Assessee by:	Shri Bhupendra Shah
Revenue by:	Shri Vaibhav Jain

सुनवाई की तारीख / Date of Hearing: 13/12/2022

घोषणा की तारीख /Date of Pronouncement: 17/01/2023

**आदेश / ORDER**

**PER ABY T. VARKEY, JM:**

This is an appeal preferred by the assessee Co-operative Housing Society Ltd. against the order of the Ld. Commissioner of Income Tax (Appeals)/NFAC, Delhi dated 26.08.2022 for assessment Year 2020-21 wherein the assessee has challenged the action of the Ld. CIT(A) confirming the AO's decision in not granting deduction u/s 80P(2)(d) of the Income Tax Act, 1961 (hereinafter "the Act") of an amount of Rs.3,34,570/- which the assessee has earned as interest on fixed deposit in a Co-operative Bank.

2. Assessee is a Co-operative Housing Society, registered under the Maharashtra Co-op Society Act 1960 and have earned interest from three (3) Co-operative Banks viz, (i) Shamrao Vitthal Co-operative Bank (ii) Saraswat Co-operative Bank & (iii) Mumbai District Co-



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operative Bank. The assessee housing society earned interest income of Rs.3,34,570/- from the fixed deposit kept in the aforesaid three (3) Co-operative banks and claimed deduction u/s 80P(2)(d) of the Act. However, the claim have been disallowed by both the Ld. CIT(A)/AO. Therefore, the assessee has preferred this appeal before us. We note that this issue is no longer res-integra, sicne this issue has cropped up several times before this Tribunal wherein we have consistently allowed the same. Recently this Tribunal in the case of UTI Employees Sai Samrudhi Co-op Housing Society Ltd. Vs. Centralized Processing Unit Income Tax (ITA. No. 2477/Mum/2022 for AY. 2019-20 dated 05.12.2022) on this issue has held as under: -

“2. Assessee is a Co-operative Housing Society, Registered under the Maharashtra Co-op Society Act 1960. The society was formed by Employees and nominees of Unit Trust of India (Government Entity). The grounds of appeal of the assessee is against the action of the Ld. CIT(A) confirming the action of AO not allowing the claim of the assessee on the interest income u/s 80P(2)(d) of the Income Tax Act, 1961 (hereinafter “the Act”) which it had received from Mumbai District Central Cooperative Bank to the tune of Rs.17,58,119/-.

2. Brief facts are that the assessee UTI Employees Sai Samrudhi Co-op Housing Society Ltd. is a Cooperative Housing Society, Registered under the Maharashtra Co-op Society Act. The society was formed by Employees and nominees of Unit Trust of India (Government Entity). The society being a housing society consists of members who are shareholders to whom flats which were allotted by the Society. The assessee had invested its



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Surplus fund with Co-operative Banks as per the directions of the Maharashtra State Co-operative Act. The assessee's claim of deduction of interest income from Mumbai District Central Co-operative Bank to the tune of Rs.17,58,119.00/- u/s 80P(2)(d) of the Act was rejected by CPC u/s 143(1) of the Act. Aggrieved, the assessee preferred an appeal before the Ld. CIT(A) who was pleased to confirm the action of the CPC by relying on the decision of the Hon'ble Karnataka High Court decision in the case of PCIT Vs. Totgars Co-operative Sales Society (2017) 83 taxmann.com 140 (Karn) wherein the Hon'ble High Court held in favour of the revenue. Aggrieved, the assessee is before this Tribunal.

3. Heard both the parties and perused the records. It is undisputed that the assessee is a Cooperative Society which has earned interest income on its fixed deposit to the tune of Rs.17,58,199/- from Mumbai District Central Cooperative Bank. The assessee's claim of deduction in respect of interest income from the Mumbai District Central Co-operative Bank u/s 80P(2)(d) of the Act was rejected by CPC u/s 143(1) of the Act which has been confirmed by the Ld. CIT(A) by relying on the Hon'ble Karnataka High Court decision in the case of Totgars Co-operative Sales Society (supra). The correctness of the action of Ld. CIT(A) on this issue need to be examined. For that let us have a look at the relevant provision, viz. Section 80P(2)(d) of the Act which falls under Chapter VIA (Deduction in respect of certain income).

**Deduction in respect of income of Co-operative Society.**

“80P(2)(d)



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(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 sums 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 followingnamely :-

(a).....

(b).....

(c).....

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

5. From a bare reading of Sec. 80P(2)(d), it can be discerned that interest income derived by an assessee co-operative society from its investments held with any other co-operative society shall be deducted in computing its total income. So, 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 co-operative society. So if the interest income is derived by a co-operative society from its investments made with any other co-operative society, the claim of deduction under Sec. 80P(2)(d) of the Act is a valid claim. Further 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;”



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6. Further, it is noted that though the co-operative banks pursuant to the insertion of sub-section (4) to Sec. 80P would no more be entitled for claim of deduction under Sec. 80P of the Act, but as a cooperative bank continues to be a co-operative 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, 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. As far as the reliance placed made by the Ld. AR in support of the claim of deduction u/s 80P(2)(d) of the Act as well as the reliance placed by the Ld. DR for supporting the order of the Ld. CIT(A), it is noted that the case laws cited by both the parties have been taken note by this Tribunal in the case of M/s. Rema Sahakari Karkhana Ltd. Pune Bench (ITA. No. 1249/Pun/2018 dated 07.01.2022) wherein the Tribunal has held as under: -

“9. In so far the judicial pronouncements that have been relied upon by the ld. A.R are concerned; we find that the issue that a co-operative society would be entitled for claim of deduction under Sec. 80P(2)(d) on the interest income derived from its investments held with a co-operative bank is covered in favour of the assessee in the following cases:

- (i). M/s Solitaire CHS Ltd. vs. Pr. CIT, ITA No. 3155/Mum/2019; dated 29.11.2019 ( ITAT “G” Bench, Mumbai);
- (ii). Majalgaon Sahakari SAKhar Karkhana Ltd. Vs. ACIT, Circle-3, Aurangabad, ITA No, 308/Pun/2018 (ITAT Pune) M/s Rena Sahakari Sakhar Karkhana Ltd. Vs. Pr. CIT-2, Aurangabad ITA No. 1249/Pun/2018 – A.Y 2013-14 7



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(iii). Kaliandas Udyog Bhavan Pemises Co-op. Society Ltd.  
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We further find that the Hon'ble High Court of Karnataka in the case of Pr. Commissioner of Income Tax and Anr. Vs. Totagars Cooperative Sale Society (2017) 392 ITR 74 (Karn) and Hon'ble High Court of Gujarat in the case of State Bank Of India Vs. CIT (2016) 389 ITR 578 (Guj), had held, that the interest income earned by the assessee on its investments 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 also makes it clear beyond any scope of doubt that the purpose behind enactment of sub-section (4) of Sec. 80P was that the co-operative banks which were functioning at par with other banks would no more be entitled for claim of deduction under Sec. 80P(4) of the Act. Although, in all fairness, we may herein observe that the Hon'ble High Court of Karnataka in the case of Pr. CIT Vs. Totagars co-operative Sale Society (2017) 395 ITR 611 (Karn), as had been relied upon by the Id. D.R before us, had held, that a co-operative society would not be entitled to claim deduction under Sec. 80P(2)(d); but then, the Hon'ble High Court in the case of Pr. Commissioner of Income Tax and Anr. Vs. Totagars Cooperative Sale Society (2017) 392 ITR 74 (Karn) and Hon'ble High Court of Gujarat in the case of State Bank of India Vs. CIT (2016) 389 ITR 578 (Guj), had observed, that the interest income earned by a co-operative 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. Backed by the aforesaid conflicting judicial pronouncements, we may herein observe, that as held by the Hon'ble High Court of



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Bombay in the case of K. Subramanian and Anr. Vs. Siemens India Ltd. and Anr (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. Accordingly, 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 Pr. Commissioner of Income Tax and Anr. Vs. Totagars Cooperative Sale Society (2017) 392 ITR 74 (Karn) and that of the Hon'ble High Court of Gujarat in the case of State Bank Of India Vs. CIT (2016) 389 ITR 578 (Guj), wherein it was observed that the interest income earned by a co-operative 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."

7. Therefore, in the light of the discussion, this Tribunal is of the view that the assessee Co-operative Society's claim for deduction of Rs. 17,58,199/- (FD Interest) from Mumbai District Central Co-operative Bank. is allowable deduction u/s 80P(2)(d) of the Act. Therefore, the appeal of the assessee is allowed and AO is directed to allow the claim of deduction of Rs. 17,58,199/-."

3. Therefore, in the light of the aforesaid discussion on the case law, this Tribunal is of the view that the assessee Co-operative Society's claim for deduction of Rs.3,34,570/- (FD Interest) from the following co-operative banks (i) Shamrao Vitthal Co-operative Bank (ii) Saraswat Co-operative Bank & (iii) Mumbai District Co-operative



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Bank are allowable deduction u/s 80P(2)(d) of the Act. Therefore, the appeal of the assessee is allowed and AO is directed to allow the claim of deduction of Rs.3,34,570/-.

4. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on this 17/01/2023.

Sd/-

Sd/-

(M. BALAGANESH)  
ACCOUNTANT MEMBER

(ABY T. VARKEY)  
JUDICIAL MEMBER

मुंबई Mumbai; दिनांक Dated : 17/01/2023.  
Vijay Pal Singh, (Sr. PS)

**आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त(अपील) / The CIT(A)-
4. आयकर आयुक्त / CIT
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, मुंबई / DR, ITAT, Mumbai
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

उप/सहायक पंजीकार / (Dy./Asstt. Registrar)  
आयकर अपीलीय अधिकरण, मुंबई / ITAT, Mumbai