

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

**BEFORE SHRI ABY T VARKEY, HON'BLE JUDICIAL MEMBER AND
SHRI S. RIFAUR RAHMAN, HON'BLE ACCOUNTANT MEMBER**

ITA NO. 3072/MUM/2023 (A.Y: 2020-21)

Mahapalika Kshetra Madhyamik Shikshk Sahakari Pat Sanstha Maryadit (Cooperative Credit Society) 201/202 Anish Tower Senapati Bapat Marg Matunga (W), Mumbai PAN: AAAAM1865G	v.	ITO – Ward – 22(2)(1) Piramal Chambers Mumbai - 400012
(Appellant)		(Respondent)

Assessee Represented by	:	Shri Smit Sheth
Department Represented by	:	Shri Satya Prakash Singh
Date of Conclusion of Hearing	:	22.11.2023
Date of Pronouncement	:	13.12.2023

ORDER

PER S. RIFAUR RAHMAN (AM)

1. This appeal is filed by the assessee against order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter in short "Ld.CIT(A)"] dated 03.07.2023 for the A.Y.2020-21.

2. Brief facts of the case are, assessee filed its return of income for the A.Y. 2020-2021 on 13.02.2021 declaring NIL total income. Subsequently the case was selected for complete scrutiny under CASS. Accordingly, notices under section 143(3) and 142(1) of Income-tax Act, 1961 (in short "Act") were issued along with questionnaire. The complete scrutiny assessment was selected specifically on the following issues.

S.No.	Issues
i.	Investments /Advances / Loans
ii.	Deduction from Total income under Chapter VI-A
iii.	High Creditors / Liabilities
iv.	High Interest expenditure / finance costs
v.	Investments / Advances / Loans

3. In response, Authorised Representative of the assessee submitted the relevant information from time to time and also requested for video conference. In Video Conference, the Ld.AR of the assessee reiterated the same as stated in his submissions filed through ITBA portal.

4. After considering the various submissions filed by the assessee the Assessing Officer observed that assessee has declared income under the head "Net profit or loss from business or profession" to the extent of ₹.69,79,339/- and claimed the deduction under section 80P(2) of the Act. The Assessing Officer observed that during the current assessment year

the assessee has received interest from Fixed Deposit / Saving bank Accounts and claimed the entire interest income as deduction under section 80P(2)(a)(i) and 80P(2)(d) of the Act. It includes interest income earned from cooperative bank to the extent of ₹.33,36,433/-. Further, he observed that during the current assessment year assessee has also received dividend from MDCC Bank of ₹.6,85,440/-. Further, he observed that the above deposits / investments in cooperative bank / financial institutions are out of surplus funds of the society. Any interest income arising from deposit / investments of funds in bank is in the nature of income from other sources, taxable under section 56 of the Act and cannot be categorized under income from business. The deduction under section 80P is available only for the profits and gains of the business [providing credit facilities to its members], the above said deduction is not available to the interest income which is in the nature of income from other sources. Accordingly, he discussed various case law in his assessment order and came to the conclusion that the interest income and dividend income earned by the assessee are not eligible to be claimed under section 80P(2) of the Act.

5. Further, Assessing Officer observed that assessee has claimed election expenses of ₹.1,00,000/- and observed that the assessee has

claimed the above expenditure as provision made for meet the election expenses of election that take place every five (5) years in the society in order to elect the management committee members of the society. The above expenditure is claimed under section 37(1) of the Act as it is incurred for the members of the society and assist the society in carrying out the daily affairs of the object of the society. The Assessing Officer rejected the submissions of the assessee and he is of the opinion that expenses should have been incurred in the relevant accounting year in order to claim the deduction under section 37(1) of the Act. He is of the opinion that the above claimed expenses has not been incurred during the year and it is claimed only in the nature of provision made to meet the election expenses which is to be held once in five years. Accordingly, he disallowed the same.

6. Aggrieved assessee preferred appeal before the Ld. CIT(A) and filed grounds of appeal as well as filed the detailed submissions. After considering the detailed submissions of the assessee, Ld. CIT(A) dismissed the grounds raised by the assessee and sustained the additions made by the Assessing Officer. However, at the same time Ld. CIT(A) disallowed the deduction claimed by the assessee under section 80P of the Act. At the same time according to him the assessee is eligible to get

benefit of deduction in respect of proportionate cost, administrative and other expenses which are incurred in order earn such interest / dividend income. Accordingly, he directed the Assessing Officer to determine the same and allow the above expenses against the income declared by the assessee. With regard to election expenses, Ld. CIT(A), after considering the submissions of the assessee rejected the same by sustaining the additions made by the Assessing Officer.

7. Aggrieved assessee is in appeal before us raising following grounds in its appeal: -

"1. The action of the learned CIT (A) in disallowing the deduction u/s 80P(2)(a)(i) of Rs.40,21,873 as claimed by the Appellant is erroneous and bad in law.

2. The action of the learned CIT(A) of assessing the income from Interest on Fixed Deposit and Dividend income `vidend Income of Rs. 40,21,873 u/s.80 P(2)(d) instead of section 80P(2)(a)(i) is erroneous and bad in law.

3. The action of the learned CIT (A) by not considering the ITAT, Mumbai order already decided in favour of the Appellant in A.Y.2014-15 on the same matter is erroneous and bad in law.

4. The action of the learned CIT (A) in disallowing the election expenses of Rs. 1,00,000 u/s 37(1) is erroneous and bad in law.

5. The appellant craves to leave, add, alter, amend and/or delete any grounds of appeal during the course of appeal."

8. At the time of hearing, Ld.AR of the assessee submitted that the issue under consideration is covered in favour of assessee and submitted that Coordinate Bench in assessee's own case for the A.Y. 2014-15 has considered the similar facts and allowed the claim of the assessee. He brought to our notice the relevant order of the Coordinate Bench which his placed at Page No. 53 of the Paper Book.

9. On the other hand, Ld. DR brought to our notice Page No. 53 of the Paper Book which is the decision in assessee's own case i.e. M/s. Mahapalika Kshetra Madhyamik Shikshk Sahakari Pat Sanstha Maryadit in ITA No. 928/MUM/2008 dated 25.06.2019, and submitted that in that the assessee is a cooperative credit society and is in the business of collection of deposits and to provide credit facilities to its members for their welfare and he submitted that whereas in this case no doubt assessee also a cooperative society, however, assessee has earned the interest income / dividend income from the cooperative bank / financial institutions. Therefore, assessee is not eligible to claim deduction under section 80P(2) of the Act. Further, Ld. DR submitted that the Coordinate Bench in A.Y.2014-15 in assessee's own case allowed the claim of the assessee by treating the assessee as not cooperative bank. He submitted that assessee is not the cooperative bank however in this current assessment

year the finding of the Assessing Officer is not about how the assessee has earned the income but the assessee has earned the interest income / dividend from cooperative bank and other financial institutions. Therefore, facts are different in A.Y. 2014-15. The findings in the A.Y.2014-15 cannot be relied upon in the current assessment year under consideration.

10. In this regard, Ld. DR relied on the decisions of the ITAT Bangalore Bench in the case of Sangam Coop. Credit Society Ltd v. AO in ITA No. 68 & 69/Bang/2023 dated 12.05.2023 and M/s. Karinje Service Co-operative Society Taccode Ltd., v. ITO in ITA No. 955/Bang/2022 dated 02.02.2023.

11. In the rejoinder, Ld.AR of the assessee submitted that the deduction claimed by the assessee under section 80P(2) is having two segments one is earned from the members and other is the deposits made with the cooperative bank and financial institutions. He submitted that the facts are similar in assessee's own case for the A.Y. 2014-15 wherein the deduction claimed under section 80P(2) includes income from members as well as interest income earned from cooperative bank. Therefore, he submitted that facts in the assessment year 2014-15 are exactly similar to the facts in the present assessment year.

12. Considered the rival submissions and material placed on record, we observe that assessee has claimed similar deduction in A.Y. 2014-15 and facts in the above assessment year are exactly similar and based on the facts in the above assessment year i.e., A.Y. 2014-15 the Coordinate Bench has allowed the claim of the assessee by observing as under: -

"5. On appraisal of the above mentioned finding and also going through the material available on record, we noticed that the assessee nowhere fall within the definition of the Co-operative Bank. The assessee is not a recognized bank in view of the provision of the Reserve Bank of India (RBI). There is a difference between the Co-operative bank and in the Credit Co-operative Society. If the Assessee is not in the banking business then in the said circumstances, no doubt the assessee is entitled to raise the claim of deduction u/s 80P of the Act. The facts are not distinguishable at this stage also. The assessee is not doing the banking business. The CIT(A) has relied upon the decision of Bombay High Court in the case of Quepem Urban Co-operative Credit Society Ltd. Vs. ACIT dated 17.04.2015 (2015) 58 taxmann.com 113 (Bombay). No law contrary to the law relied by the Ld. CIT(A) in his order has been produced before us. Taking into account all the facts and circumstances, we are of the view that the CIT(A) has decided the matter of judiciously and correctly which is not liable to be interfere with at this appellate stage. Accordingly, these issues are being decided in favour of the assessee against the revenue."

13. From the above decision of the Coordinate Bench, we observe that assessee has declared interest income earned from its own members and the above said interest is allowed as deduction under section 80P(2)(i)(a) of the Act with the observation that assessee is not falling within the

definition of cooperative bank. Therefore, assessee is eligible to claim the deduction under section 80P(2) of the Act.

14. Further, we observe that that identical issue i.e. whether the assessee a cooperative society is entitled for deduction u/s. 80P(2)(d) of the Act on the interest income earned from other cooperative banks/societies has been decided by various Coordinate Benches in favour of the assessee. In the case of Kshatriy Gadkari Maratha Cooperative Credit Society Ltd., v. ITO in ITA.No. 3646 & 3647/MUM/2018 dated 26.04.2019 it has been held as under: -

"3. The Assessing Officer while completing the assessments u/s.143(3) of the Act denied the deduction u/s. 80P(2)(a)(i) of the Act for the assessee, holding that the assessee is engaged in the banking activities and therefore assessee is not a cooperative society but is a cooperative bank. He also observed that in view of the provisions of Sec. 80P(4) of the Act since assessee is a cooperative bank assessee is not entitled for deduction u/s. 80P of the Act. However, Ld.CIT(A) considering the activities of the assessee and referring to various judicial pronouncements held that assessee cannot be treated as a cooperative bank. Ld.CIT(A) deleted the disallowance made by the Assessing Officer in respect of the income earned from the activities of providing credit facilities to its members. In other words, the Ld.CIT(A) allowed deduction u/s.80P(2)(a)(i) of the Act in respect of the income earned by the assessee in providing credit facilities to its members as cooperative society and not a cooperative bank. No appeal by the Revenue challenging this finding of the Ld.CIT(A). He quantified the deduction to be allowed at ₹.8,07,963/- and ₹.10,34,063/- for the A.Ys. 2013-14 and 2014-15 respectively. However, the Ld.CIT(A) held that the assessee is not entitled for deduction u/s.80P(2)(d) of ₹.15,38,417/- and ₹.17,72,197/- for A.Ys. 2013-14 and 2014-15 respectively on the interest income earned by the assessee from cooperative banks and in coming to such conclusion the Ld.CIT(A) referred to the decision of the Coordinate Bench and also the decision of the Hon'ble Apex court in the case of The Totgar Cooperative Sales Society Limited v. ITO [322 ITR 283]. He also relied on the Coordinate Bench decision in the case of Vaibhav Cooperative Credit Society v. ITO in ITA.No. 5819/Mum/2014 dated 17.03.2017.

4. Ld. DR vehemently supported the orders of the authorities below.

5. Heard rival submissions, perused the orders of the authorities below. The issue in the case of The Totgar Cooperative Sales Society Limited v. ITO (supra) is

as to whether the interest on surplus funds is eligible for deduction u/s. 80P(2)(a)(i) of the Act or is it assessable to tax under the head other sources. It was not the question as to whether the assessee a cooperative society engaged in the business of providing credit facilities to its members is entitled for deduction u/s. 80P(2)(d) of the Act on the interest income from cooperative Banks or cooperative societies. The facts in the case before the Hon'ble Supreme Court were that assessee which was engaged in providing credit facilities to its members also marketing the agricultural produce of its members had surplus funds from the sale proceeds of the produce. Assessee earned interest income on deposits from such surplus funds which were parked in the banks and government securities as short term deposits. The Hon'ble Supreme Court held that the interest earned on such deposits not being attributable to the business of providing credit facilities to the members or marketing of agricultural produce of the members is assessable as "other income" and not as "business profits". Therefore, this decision has no application to the facts of the assessee case.

6. *In the case before me, the issue is, whether the assessee is entitled for deduction u/s. 80P(2)(d) of the Act on the interest earned from investments in cooperative banks/cooperative societies.*

7. *Provisions of section 80P(2)(d) reads as under: -*

"(d)in respect of any income by way of interest or dividends derived by the cooperative society from its investments with any other cooperative society, the whole of such income."

8. *As could be seen from the above, the provisions of section 80P(2)(d) of the Act are very clear and assessee is entitled for deduction u/s.80P(2)(d) of the Act in respect of interest or dividends received from investments made with any other cooperative societies. The decision on which the Ld.CIT(A) placed reliance i.e. The Totgar Cooperative Sales Society Limited v. ITO (supra), is not on the issue of whether the assessee is entitled for exemption u/s. 80P(2)(d) of the Act vis-à-vis the interest income earned by the cooperative society from investments in other cooperative societies. Hence the decision of Hon'ble Supreme Court in the case of The Totgar Cooperative Sales Society Limited v. ITO (supra) has no application to the facts of the assessee's case.*

9. *At this stage it is relevant to note that in the case of Pr.CIT v. Totgar Cooperative Sales Society Limited [392 ITR 74] the Hon'ble Karnataka High Court considered the meaning of the word "cooperative society" within the provisions of section 80P(2)(d) and held that cooperative society includes cooperative bank for the purpose of deduction u/s.80P(2)(d) of the Act. Therefore, it has been held that interest received by the cooperative society from the cooperative bank is eligible for deduction u/s. 80P(2)(d) of the Act. While holding so, the Hon'ble High Court also considered the decision of the Hon'ble Supreme Court in the case of the very same assessee reported in 322 ITR 283 as The Totgar Cooperative Sales Society Limited v. ITO. The Hon'ble High Court held as under: -*

"5. The learned counsel for the Revenue has pleaded that two substantial questions of law are raised in the present appeal, namely,

1. *Whether the learned Tribunal was justified in deleting the additions made by the Assessing Authority being the disallowed deduction claimed u/S 80P(2)(d) of the Income Tax Act and in the light of the decision of the Supreme Court with regard to the same exact assessee as the present one, namely, The Totgars Co-operative Sale*

Society Ltd., Vs. Income Tax Officer in Civil Appeal Nos.1622 to 1629/2010 decided by the Apex Court on 08.02.2010 or not?

2. *Whether, in the facts and circumstances of the case, the Tribunal is justified in not following the decision rendered by the Hon'ble Supreme Court in Civil Appeal No. 1622 of 2010, wherein the Apex Court has to be held that the words used in Section 80P "the whole of the amount of profits and gains of business" emphasise that the income in respect of which deduction is sought must constitute the operational income and not the other income which accrues to the society and as such interest earned on funds which are not required for business purposes falls under the category of "other income" taxable under the Income Tax Act?*

6. *According to the learned counsel, the present appeal should be admitted on these two substantial questions of law.*

7. *However, the contention being taken by the learned counsel is untenable. For the issue that was before the ITAT, was a limited one, namely whether for the purpose of Section 80P(2)(d) of the Act, a Cooperative Bank should be considered as a Co-operative Society or not? For, if a Co-operative Bank is considered to be a Co-operative Society, then any interest earned by the Co-operative Society from a Cooperative Bank would necessarily be deductible under Section 80P(1) of the Act.*

8. *The issue whether a Co-operative Bank is considered to be a Co-operative Society is no longer res integra. For the said issue has been decided by the ITAT itself in different cases. Moreover, the word "Cooperative Society" are the words of a large extent, and denotes a genus, whereas the word "Co-operative Bank" is a word of limited extent, which merely demarcates and identifies a particular species of the genus Cooperative Societies. Co-Operative Society can be of different nature, and can be involved in different activities; the Co-operative Society Bank is merely a variety of the Co-operative Societies. Thus the Cooperative Bank which is a species of the genus would necessarily be covered by the word "Co-operative Society".*

9. *Furthermore, even according to Section 56(i)(ccv) of the Banking Regulations Act, 1949, defines a primary Co-Operative Society bank as the meaning of Cooperative Society. Therefore, a Co-operative Society Bank would be included in the words 'Co-operative Society'.*

10. *Admittedly, the interest which the assessee respondent had earned was from a Co-operative Society Bank. Therefore, according to Sec. 80P(2)(d) of the I.T. Act, the said amount of interest earned from a Cooperative Society Bank would be deductible from the gross income of the Co-operative Society in order to assess its total income. Therefore, the Assessing Officer was not justified in denying the said deduction to the assessee respondent.*

11. *The learned counsel has relied on the case of The Totgars Co-operative Sale Society Ltd. Vs. Income Tax Officer, (supra). However, the said case dealt with the interpretation, and the deduction, which would be applicable under Section 80P(2)(a)(i) of the I.T. Act. For, in the present case the interpretation that is required is of Section 80P(2)(d) of the I.T. Act and not Section 80P(2)(a)(i) of the I.T. Act. Therefore, the said judgment is inapplicable to the present case. Thus, neither of the two substantial questions of law canvassed by the learned counsel for the Revenue even arise in the present case."*

10. *Following the above said decision, similar view has been taken by the Coordinate Bench in the cases of ITO v. Abhyalaxmi Co-op Credit Society Ltd in*

ITA.No. 1525/Mum/2017 dated 31.07.2017 and Kalindas Udyog Bhavan Premises
Co-op Society Ltd., v. ITO in ITA.No. 6547/Mum/2017 dated 25.04.2018."

15. In the case of Kaliandas Udyog Bhavan Premises Co-op Hsg Society
v. ITO in ITA.No. 6547/Mum/2017 dated 25.04.2018 the Coordinate
Bench held 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 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 following, namely:

(a).....

(b).....

(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 cooperative 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 cooperative societies;”

We are of the considered view, that though the co-operative bank pursuant to the insertion of Sub-section (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 co-operative 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 cooperative 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. Vs. ITO (2017) 46 CCH 52 (Mum)*
- (ii) M/s C. Green Cooperative Housing and Society Ltd. Vs. ITO21(3)(2), Mumbai (ITA No. 1343/Mum/2017, dated 31.03.2017*
- (iii) Marwanjee Cama Park Cooperative Housing Society Ltd. Vs. ITO Range-20(2)(2), Mumbai (ITA No. 6139/Mum/2014, dated 27.09.2017.*

We further find that the Hon'ble High Court of Karnataka in the case of Pr. Commissioner of Income Tax and Anr. Vs. Totgars 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 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 cooperative 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 Cooperative Sale Society Ltd. vs. ITO (2010) 322 ITR 283(S.C) 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 M/s Vaibhav Cooperative Credit Society Vs. ITO-15(3)(4) (ITA No. 5819/Mum/2014, dated 17.03.2017 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 co-operative 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 Co-operative Credit Society Ltd. Vs. ITO (ITA No. 2379/Mum/2015, dated 15.01.2016, 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 Pr. CIT Vs. Totagars co-operative Sale Society (2017) 395 ITR 611 (Karn), the High Court had concluded that a co-operative 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 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. 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 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), wherein it was observed that the interest income earned by a co-operative society on its investments held with a cooperative bank would be eligible for claim of deduction under Sec.80P(2)(d) of the Act.”

16. Facts being identical, respectfully following the above said decisions, we hold that the assessee a cooperative society is eligible for deduction u/s.80P(2)(d) of the Act in respect of the interest income earned by the

assessee from either any other cooperative society or from a cooperative bank.

17. With regard to dividend received from MDCC Bank, which is not directly linked to operation of the cooperative society and this will fall within the provisions of section 56 of the Act. Therefore, this line of income is taxable under section 56 of the Act. Grounds raised by the assessee are partly allowed.

18. With regard to Ground No. 4 which is relating to election expenses, since no submissions were made before us at the time of hearing, accordingly the same was dismissed as such.

19. In the result, appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 13th December, 2023

Sd/-
(ABY T VARKEY)
JUDICIAL MEMBER
Mumbai / Dated 13/12/2023
Giridhar, Sr.PS

Sd/-
(S. RIFAUH RAHMAN)
ACCOUNTANT MEMBER

Copy of the Order forwarded to:

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER

(Asstt. Registrar)
ITAT, Mum