

IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCH "A", PUNE

BEFORE SHRI SATBEER SINGH GODARA, JUDICIAL MEMBER
AND
SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.2484/PUN/2017

निर्धारण वर्ष /Assessment Year : 2014-15

ITO, Ward-3, Satara	Vs.	M/s. Shri Bhairavnath Multistate Cooperative Credit Society Ltd., 48, Laxminagar, Deccan Chowk, Phaltan, Tal. Phaltan, Dist. Satara-415523 Maharashtra PAN : AAEAS8344J
Appellant		Respondent

Assessee by : Dr. Prayag Jha & Shri Prateek Jha
Revenue by : Shri Ramnath P. Murkude

Date of hearing : 27.06.2024
Date of pronouncement : 27.06.2024

आदेश / ORDER

PER INTURI RAMA RAO, AM:

This is a recalled matter vide order dated 30.05.2024 in M.A. No.285/PUN/2022 for the assessment year 2014-15 filed against the appeal of the Revenue in ITA No.2484/PUN/2017 dated 01.08.2018.

2. Briefly, the facts of the case are that the appellant is a Co-operative Credit Society registered under Multi State Co.op Societies Act, 2002. It is engaged in the business of providing credit facilities to its members, accepting deposits and giving loans to the members as per the cooperative laws. The appellant society filed the Return of Income for the assessment year 2014-15 on 25.09.2014 declaring total income at Nil. During the year under consideration, the assessee received interest income

of Rs.3,39,44,265/- from the deposits made with commercial banks, cooperative banks and cooperative societies. Against the said return of income, the assessment was completed by the Assessing Officer (AO) vide order dated 23.11.2016 passed u/s 143(3) of the Act at a total income of Rs.33,69,640/-. While doing so, the Assessing Officer denied the claim of exemption of Rs.2,65,15,064/- made u/s.80P(2)(a)(i)/80P(2)(d) in respect of interest and dividend income earned out of the deposits made with various Cooperative banks/societies as well as Nationalised banks.

3. Aggrieved by the above assessment order, an appeal was filed before the CIT(A) who vide impugned order allowed the claim of deduction made by the assessee u/s.80P(2)(a)(i)/80P(2)(d) placing reliance on the decisions of various Benches of the Tribunal and CBDT Circular No.18/2015, dt. 02.11.2015.

4. Being aggrieved, the Revenue is in appeal before the Tribunal appeal.

5. We heard the rival submissions and perused the material on record. We find this issue is no more *res integra* by virtue of catena of decisions passed by the Coordinate Benches of this Tribunal. In the present case, we find that admittedly the interest income was earned from the investments out of surplus funds made with cooperative banks/societies, the cooperative bank is also a specie of cooperative society, therefore, the interest income earned by the cooperative society from the cooperative banks qualifies for deduction u/s.80(P)(2)(d) of the Act. Such interest also qualifies for exemption u/s.80P(2)(a)(i) as held by the Co-ordinate Bench of Pune Tribunal in the case of Nashik Road Nagari Sahkari Patsanstha Limited Vs. ITO in ITA No.1700/PUN/2017 wherein the Tribunal held as under :-

“9. We heard the rival submissions and perused the material on record. Admittedly, the appellant is a Cooperative society formed under the provisions of Maharashtra Cooperative Societies Act, 1960 with the objective of accepting deposits and lending money to its members. The money which is not immediately required for the purpose of lending to the members is deposited with Bank of Baroda in the form of Fixed Deposit. The question is whether the interest so earned qualifies for exemption u/s. 80P(2)(a)(i) of the Act. The AO as well as the CIT(A) were of the opinion that the interest earned from third parties or non-members does not qualify for exemption u/s.80P. It is an admitted position that the interest so earned should be taxed as ‘income from other sources’ There is a cleavage of judicial opinion among several High Courts on the issue of eligibility of this kind of income for exemption u/s. 80P(2)(a)(i) of the Act. The Hon’ble Punjab & Haryana High Court in the case of CIT vs. Punjab State Cooperative Federation of Housing Building Societies Ltd. 11 taxmann.com 448, the Hon’ble Gujarat High Court in the case of State Bank of India Vs. CIT 389 ITR 578 (Guj.), the Hon’ble Delhi High Court in the case of Mantola Co-operative Thrift & Credit Society Ltd. Vs. CIT 50 taxmann.com 278, the Hon’ble Punjab & Haryana High Court in the case of CIT Vs. Punjab State Cooperative Agricultural Development Bank Ltd. 389 ITR 68 and the Hon’ble Kolkata High Court in the case of CIT Vs. Southern Eastern Employees Cooperative Credit Society Ltd. 390 ITR 524 took a view that the income arising on the surplus invested in short term deposits and securities cannot be attributed to the activities of the society and, therefore, not eligible for exemption u/s.80P(2)(a)(i) of the Act. However, the Hon’ble Karnataka High Court in the case of Tumkur Merchants Souharda Credit Cooperative Ltd. Vs. ITO (2015) 230 taxmann 309 (Kar.) and the Hon’ble Telangana and Hon’ble Andhra Pradesh High Court in the case of Vaveru Co-operative Rural Bank Ltd. v CIT [(2017) 396 ITR took a view that such interest income is attributable to the activities of the society and, therefore, eligible for exemption u/s.80P(2)(a)(i) of the Act. The Coordinate Bench of Pune Benches in the case of M/s. Ratnatray Gramin Bigar Sheti Sah. Pat Sanstha Maryadit Vs. ITO (ITA Nos.559/560/PUN/2018, dated 11-12-2018) has taken view in favour of the assessee following the judgment of Hon’ble Karnataka High Court in the case of Tumkur Merchants Souharda Credit Cooperative Ltd. (supra). Respectfully following the decision of the Coordinate Bench, we hold that the interest income earned on the investment of surplus money with banks is also eligible for exemption u/s.80P(2)(a)(i) of the Act. Thus, the grounds of appeal No. 1 & 2 stands allowed.”

6. Thus, the order passed by the Id.CIT(A) is in conformity with the settled position of law by virtue of the above discussion. Therefore, we

affirm the impugned order directing the Assessing Officer to allow the claim of exemption u/s.80P(2)(a)(i)/80P(2)(d) on the interest income earned on investments made out of surplus funds made with Cooperative banks, Cooperative Societies and Nationalised banks.

7. In the result, the appeal filed by the Revenue is dismissed.

Order pronounced on this 27th day of June, 2024.

Sd/-
(SATBEER SINGH GODARA)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 27th June, 2024

Satish

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

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The Pr.CIT concerned
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "A" बेंच,
पुणे / DR, ITAT, A" Bench, Pune.
5. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune