

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

BEFORE SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.1139/PUN/2024

निर्धारण वर्ष / Assessment Year : 2017-18

Shri Amardevi Nagari Sahakari Patsanstha, Shelarwadi, Post Dehu Road, Taluka Haveli, Pune 412 101 Maharashtra PAN : AABAS5274L	Vs.	Income Tax Officer, Ward-9(3), Pune
Appellant		Respondent

Assessee by : None  
Revenue by : Shri Rajesh Gawali  
Date of hearing : 13.08.2024  
Date of pronouncement : 13.08.2024

**आदेश / ORDER**

**PER INTURI RAMA RAO, AM:**

This is an appeal filed by the assessee directed against the order of National Faceless Appeal Centre, Delhi dated 23.03.2024 for the assessment year 2017-18.

2. Brief facts of the case are as under :

The appellant is a Cooperative Society registered under the Maharashtra Cooperative Societies Act, 1960. It is engaged in the business of accepting deposits and providing credit facilities to its Members. The Return of Income for the A.Y. 2017-18 was filed on 19.08.2017 disclosing Nil income and claimed deduction of Rs.28,10,447/- u/s.80P of the Income-tax Act, 1961 (hereinafter also

called 'the Act'). The case was selected for Limited Scrutiny for the reason Large Deduction under Chapter VIA and Low income in comparison to High loans/advances/investment in shares appearing in Balance Sheet". Notice u/s.142(1) was issued to the appellant on 15.07.2019 along with questionnaire to which the appellant uploaded the details. On perusal of the profit & loss account furnished by the appellant, the Assessing Officer (AO) noticed that an amount of Rs.87,74,075/- is credited towards the interest received from various Cooperative Banks. The AO was of the opinion that the interest income of Rs.87,74,075/- earned is clearly not attributable to the activity of the appellant society of providing credit facilities to its Members or its operational income, thus the income does not qualify for deduction u/s.80P(2)(d) of the Act. Accordingly, he brought to tax the sum of Rs.87,74,075/- treating the same as 'Other Income" u/s.56 of the Act.

3. Being aggrieved, an appeal was filed before the CIT(A)/NFAC who vide impugned order confirmed the action of the AO.

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

5. When the matter was called on, none appeared on behalf of the appellant despite due service of notice of hearing. I therefore proceed to dispose of the appeal after hearing the ld. Departmental Representative.

6. The ld. DR submits that the appellant society is not eligible for deduction u/s.80P of the Act. The ld. CIT(A)/NFAC was right in denying the claim made by the appellant society. Therefore, no interference by this Tribunal is called for.

7. I heard the Id. Departmental Representative and carefully perused the material on record. The issue in the present appeal relates to the allowability of deduction u/s.80P(2)(a)(i)/80P(2)(d) in respect of interest income earned by a Cooperative Society formed with the object of accepting deposits from Members and lending money to its Members, which is no more *res integra* in view of catena of decisions passed by this Bench on this very issue.

8. In the present case, I find that admittedly the interest income was earned from various cooperative banks. On perusal of provisions of section 80P(2)(d), it is clear that the income derived by a cooperative society from its investment held with other cooperative societies shall be exempt from the total income of a cooperative society. Therefore, what is relevant for claiming of deduction u/s 80P(2)(d) is that interest income should have been derived from the investment made by the assessee cooperative society with any other cooperative society. This issue was considered by the Hon'ble Karnataka High Court in the case of *CIT vs. Totagars Cooperative Sale Society*, 392 ITR 74 (Karn) wherein the Hon'ble High Court after referring to the decision of the Hon'ble Supreme Court in the case of *Totgar's Co-operative Sale Society Ltd.Vs. ITO (2010) 322 ITR 283(SC)* held that the ratio of decision of the Hon'ble Supreme Court is not to be applicable in respect of interest income on investment as same falls under the provisions of section 80P(2)(d) and not u/s 80P(2)(a)(i) of the Act. In the light of this discussion, I am of the considered opinion that the interest income earned by cooperative society on deposits made out of surplus funds with cooperative banks qualifies for deduction under the provisions of section 80P(2)(d) of the Act. Therefore, the solitary ground raised by the appellant stands allowed.

9. In the result, the appeal filed by the appellant is allowed.

Order pronounced on this 13<sup>th</sup> day of August, 2024.

**Sd/-**  
**(INTURI RAMA RAO)**  
**ACCOUNTANT MEMBER**

पुणे / Pune; दिनांक / Dated : 13<sup>th</sup> August, 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, "SMC" बेंच,  
पुणे / DR, ITAT, "SMC" Bench, Pune.
5. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

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