

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

BEFORE SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.1550/PUN/2024

निर्धारण वर्ष / Assessment Year : 2020-21

Malharimartand Machimar Vividh Karyakari Sahakari Society Limited, At Rewas-Bodni, Saral-Alibag-402209, Maharashtra PAN : AAEFM3716H	Vs.	ITO, Ward-3, Panvel
Appellant		Respondent

Assessee by : None  
Revenue by : Shri B.S. Rajpurohit  
Date of hearing : 19.09.2024  
Date of pronouncement : 19.09.2024

**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 27.05.2024 for the assessment year 2020-21.

2. Brief facts of the case are that the appellant is Cooperative Society engaged in the business of supply of Diesel, materials required for fishing boats and allied activities of its members. The Return of Income for the assessment year 2020-21 was filed on 15.01.2021 disclosing total income of Rs.10,600/- after claiming deduction of Rs.34,80,648/- u/s. 80P(2)(a)(i) of the Income Tax Act, 1961 ('the Act'). The case was selected for Limited Scrutiny for verification of (i) deduction from Total Income under Chapter VI-A. Against the said return of income, the assessment was completed by the Assessing

Officer vide order dated 05.09.2022 passed u/s 143(3) r.w.s.144B of the Act at a total income at Rs.4,14,882/-. While doing so, the Assessing Officer had brought to tax the interest income of Rs.4,64,682/- earned on FDs with Cooperative banks/Nationalised Banks holding that the said interest does not qualify for deduction u/s 80P(2)(a)(i) of the Act.

3. Being aggrieved, an appeal was filed before the NFAC, who vide impugned order confirmed the action of the Assessing Officer.

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

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

6. The Id. Sr. DR placing reliance on the orders of the lower authorities submits that no interference by this Tribunal is called for.

7. I heard the Id. Sr. DR and perused the material on record. The issue in the present appeal relates to the eligibility of the assessee for exemption u/s. 80P(2)(a)(i) of the Act in respect of interest income earned from Cooperative Banks/Nationalised Banks.

8. As regards, the issue as to the allowability of exemption under the provisions of section 80P(2)(a)(i) in respect of interest income earned by a cooperative society from the Cooperative/Nationalised banks, 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.com 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 371 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. Similar view has been taken by the Hon'ble Calcutta High Court in the case of PCIT vs. Gunja Samabay Krishi Unnayan Samity Ltd., 147 taxmann.com 518 (Calcutta) and the Hon'ble Madras High Court in the case of Chennai Central Co-operative Bank Ltd. vs. ITO, 148 taxmann.com 17 (Madras). 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) 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). Following the decision of the Coordinate Bench of the Tribunal, I am of the considered opinion that the interest income earned on Fixed Deposits with Cooperative/Nationalised banks partakes character of the business income, which is eligible for deduction u/s

80P(2)(a)(i) of the Act. Therefore, I direct the Assessing Officer to allow the exemption u/s.80P(2)(a)(i) of the Act. Thus, the grounds of appeal filed by the appellant stand allowed.

9. In the result, the appeal filed by the appellant society stands allowed.

Order pronounced on this 19<sup>th</sup> day of September, 2024.

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

पुणे / Pune; दिनांक / Dated : 19<sup>th</sup> September, 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.