

आयकर अपीलिय अधिकरण, विशाखापटणम पीठ में
IN THE INCOME TAX APPELLATE TRIBUNAL
Visakhapatnam Bench

श्री रवीश सूद, माननीय न्यायिक सदस्य एवं श्री एस. बालकृष्णन, माननीय लेखा सदस्य
SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER
AND
SHRI BALAKRISHNAN. S, HON'BLE ACCOUNTANT MEMBER,

आयकर अपीलसं./I.T.A.No.313/Viz/2025
(निर्धारण वर्ष/ Assessment Year: 2022-23)

The Gundugolanu Large Size Cooperative Society Ltd., Gundugolanu, Eluru District, A.P. PAN : AACAT2635H	Vs.	The Addl/Joint/DCIT/ Income Tax Officer, Eluru.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri GVN Hari, Advocate.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr. Aparna Villuri, Sr.DR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	26.08.2025
घोषणा की तारीख/ Date of Pronouncement	:	29.08.2025

ORDER

प्रति रवीश सूद, जे.एम./PER RAVISH SOOD, J.M.

The present appeal filed by the assessee Co-operative Society is directed against the order passed by the Commissioner of Income-Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi, dated 18.03.2025, which in turn arises from the order passed by the

Assessing Officer (for short "A.O.") under Section 143(3) of the Income Tax Act, 1961 (for short, "the Act") dated 15.03.2024 for A.Y. 2022-23.

The assessee society has assailed the impugned order on the following grounds of appeal before us:

"1. The order of the learned Commissioner of Income Tax (Appeals) for the AY 2022.23 dt. 18.03.2025 in DIN & Order No: ITBA/NFAC/S/250/2024-25/1074630885(1) is contrary to the facts and also the law applicable to the facts of the case.

2. The learned Commissioner of Income Tax (Appeals) is not justified in holding that the deduction u/s 80P(2)(d) would not be available to interest received from deposits/savings account kept with other cooperative societies/banks which are governed by RBI Banking Regulation Act and schedule commercial banks.

3. Any other ground that may be urged at the time of appeal hearing."

2. Succinctly stated, the assessee which is a Co-operative Society, had filed its return of income for A.Y. 2022-23 on 08.10.2022, declaring an income of Rs.Nil.

3. During the course of the assessment proceedings, the A.O. observed that the assessee society was collecting deposits from its members, supply of fertilizers to members, and advancing loans to the members. Also, the A.O. observed that, as per the details provided by the assessee society, it was on daily basis depositing the amounts with DCCB Bank A/c.No.707001672151 and with Union Bank A/c.No.01481004555. It was stated by the assessee society that it was collecting amounts from its members and depositing the same in its saving and current bank

accounts with DCCB Bank, Eluru. The A.O. observed that the assessee society, during the year, had earned interest on its investments/deposits amounting to Rs. 16,88,240/-.

4. Although the A.O. had in the course of the assessment proceedings specifically called upon the assessee society to substantiate its claim for deduction of the multi-facet interest incomes under Section 80P Act, viz. (i) interest on loans advanced; (ii) interest on investments; (iii). bank interest etc., but the assessee society failed to come forth with any reply. Accordingly, the A.O., in the absence of any explanation of the assessee society, held the entire interest income received by it as its income from other sources.

5. Aggrieved, the assessee society carried the matter in appeal before the CIT(A).

6. As the assessee society failed to participate in the proceedings before the CIT(A), therefore, the latter, taking cognizance of the facts involved in the case before him, observed that the interest income received by a cooperative society was eligible for deduction under Section 80P only if it was received out of the deposits kept with the cooperative society/cooperative banks. The CIT(A) further observed that the interest income received by the cooperative society from a scheduled commercial

bank was not eligible for claim of deduction under Section 80P of the Act. Accordingly, the CIT(A), based on his aforesaid observations, dismissed the appeal.

7. The assessee society, being aggrieved with the order of the CIT(A), has carried the matter in appeal before us.

8. We have heard the learned Authorized Representatives of both parties, perused the orders of the lower authorities and the material available on record, as well as considered the judicial pronouncements that were pressed into service by the Ld. AR to drive home his contentions.

9. Shri GVN Hari, Advocate, the learned Authorized Representative (for short "ld.AR") for the assessee society, at the threshold of hearing of the appeal, submitted that the interest income received by a cooperative society from fixed deposits with nationalized banks out of its own funds from the activities contemplated in clause (i) to (vii) of Section 80P(2)(a) of the Act, would duly be eligible for deduction under the said statutory provision. The Ld. AR submitted that the issue in the present appeal is squarely covered by the order passed by the Tribunal in the case of *The Chebrole Large Sized Co-operative Society Limited Vs. ITO, Ward-1, Eluru* in ITA No.36/Viz/2024, dated 04.03.2025. The Ld. AR to buttress

his claim, has drawn our attention to the order passed by the Tribunal in the case of *The Chebrole Large Sized Co-operative Society Limited Vs. ITO, Ward-1, Eluru (supra)*.

10. Per contra, Dr. Aparna Villuri, learned Departmental Representative (for short, "DR"), relied upon the orders of the lower authorities.

11. We have given a thoughtful consideration to the facts involved in the case before us, in the backdrop of the contentions advanced by the learned Authorized Representatives of both parties.

12. We find that the issue involved in the present appeal boils down to the solitary aspect, i.e., as to whether or not the interest income of Rs. 16,88,240/- received by the assessee society on its investments with the nationalized banks would be eligible for claim of deduction under Section 80P(2)(a) of the Act?

13. We find that the issue involved in the present appeal is squarely covered by the order passed by the Tribunal in the case of **The Chebrole Large Sized Co-operative Society Limited Vs. ITO, Ward-1, Eluru in ITA No.36/Viz/2024, dated 04.03.2025**. The Tribunal in its aforesaid order, after necessary deliberations, had observed as under :

6. We have gone through the record in the light of the submissions made on either side. It could be seen from the record that the assessee offers credit services and also sale of fertilizers and pesticides with its members. Coming to the objection of the learned PCIT that any interest accrued from investment with the state cooperative central bank not attributable to the activities specified in section 80P(2)(a) of the Act, and cannot be allowed as a deduction is concerned, this issue is no longer res integra. Hon'ble jurisdictional High Court considered the same in extenso in The Vavveru Co-operative Rural Bank Ltd. (supra). On a threadbare analysis of the provisions under section 80P of the Act in the light of various decisions including the decision of the Hon'ble Apex Court in the case of Totgars Co-operative Sale Society Ltd. (supra) and jurisdictional High Court in the case of CIT vs. Andhra Pradesh State Co-operative Bank Ltd [2011] 12 taxmann.com 66 (Andhra Pradesh), the Hon'ble High Court reached a conclusion that if the investment is made in fixed deposits in nationalised banks from out of the own funds of the assessee, the interest derived from such investment would be from the activities listed in clause (i) to (vii) of section 80P(2)(a) of the Act and would be eligible for deduction. For the sake of completeness, we deem it necessary to extract the relevant observations of the Hon'ble High Court hereunder,-

"28. Before considering the effect of the various decisions cited on both sides, we think it would be ideal to look at the statutory prescription in pure and simple form. As we have indicated earlier, section 80P(2) is actually divided into six parts, categorised under clauses (a), (b), (c), (d), (e) and (f). Each one of these clauses deal with different types of co-operative societies engaged in different types of activities. The benefit made available to each one of them is also different from the other. Therefore, it may be useful to present a tabular form, the six categories of co-operative societies covered by clauses (a) to (f) and the nature and extent of the benefit available to each one of them, as follows :

...
...

30. Therefore, what follows is that when a co-operative society engaged in any one of the activities stipulated in sub-clauses (i) to (vii) of clause (a) makes profits and gains out of business attributable to anyone of those activities, the case would fall under clause (a). The moment the income derived from one of those activities is invested in another co-operative society and an interest or dividend is derived therefrom, the case would be covered by clause (e). In case the profits and gains of business arising out of the activities listed in sub-clauses (i) to (vii) of clause (a) is invested in immovable properties, such as, godowns or warehouses and an income is derived therefrom, the case would be covered by clause (e) of section 80P(2).

31. The only area of distinction between clause (a) on the one hand and clauses (d) and (e) on the other hand is that the benefit under clause (a) is restricted only to those activities of a co-operative society enlisted in sub-clauses (i) to (vii) of clause (a). On the other hand, the benefit under clauses (d) and (e) are available to all co-operative societies, without any restriction as to the nature of the activities carried on by them.

32. In simple terms, the position can be summarised like this. If there is a co-operative society, which is carrying on several activities including those activities listed in sub-clauses (i) to (vii) of clause (a), the benefit under clause (a) will be limited only to the profits and gains of business attributable to any one or more of such activities. But, in case the same cooperative society has an income not attributable to any one or more of the activities listed in sub-clauses (i) to (vii) of clause (a), the same may go out of the purview of clause (a), but still, the co-operative society may claim the benefit of clause (d) or (e) either by investing the income in another cooperative society or investing the income in the construction of a godown or warehouse and letting out the same.

33. In other words, the benefit conferred by clause (d) upon all types of co-operative societies is restricted only to the investments made in other co-operative societies. Such a restriction cannot be read into clause (a), as the temporary parking of the profits and gains of business in nationalised banks and the earning of interest income therefrom is only one of the methods of multiplying the same income. To accept the stand of the Department would mean that co-operative societies carrying on the activities listed in clauses (i) to (vii), which invest their profits and gains of business either in other co-operative societies or in the construction of godowns and

warehouses, may benefit in terms of clause (d) or (e), but the very same societies will not be entitled to any benefit, if they invest the very same funds in banks. Such an understanding of section 80P(2) is impermissible for one simple reason. The benefits under clauses (d) and (e) are available in general to all co-operative societies, including societies engaged in the activities listed in clause (a). Section 80P(2) is not intended to place all types of co-operative societies on the same pedestal. The section confers different types of benefits to different types of societies. Special types of societies are conferred a special benefit.

34. The case before the Supreme Court in Totgar's Co-operative Sale Society Ltd.'s case (supra) was in respect of a cooperative credit society, which was also marketing the agricultural produce of its members. As seen from the facts disclosed in the decision of the Karnataka High Court in Totgars, from out of which the decision of the Supreme Court arose, the assessee was carrying on the business of marketing agricultural produce of the members of the society. It is also found from paragraph-3 of the decision of the Karnataka High Court in Totgar's Co-operative Sale Society Ltd.'s case (supra) that the business activity other than marketing of the agricultural produce actually resulted in net loss to the society. Therefore, it appears that the assessee in Totgars was carrying on some of the activities listed in clause (a) along with other activities. This is perhaps the reason that the assessee did not pay to its members the proceeds of the sale of their produce, but invested the same in banks. As a consequence, the investments were shown as liabilities, as they represented the money belonging to the members. The income derived from the investments made by retaining the monies belonging to the members cannot certainly be termed as profits and gains of business. This is why Totgar's struck a different note.

35. But, as rightly contended by the learned senior counsel for the petitioners, the investment made by the petitioners in fixed deposits in nationalised banks, were of their own monies. If the petitioners had invested those amounts in fixed deposits in other co-operative societies or in the construction of godowns and warehouses, the respondents would have granted the benefit of deduction under clause (d) or (e), as the case may be.

36. The original source of the investments made by the petitioners in nationalised banks is admittedly the income that the petitioners derived from the activities listed in sub-clauses (i) to (vii) of clause (a).

The character of such income may not be lost, especially when the statute uses the expression "attributable to" and not any one of the two expressions, namely, "derived from" or "directly attributable to".

37. Therefore, we are of the considered view that the petitioners are entitled to succeed. Hence, the writ petitions are allowed, and the order of the Assessing Officer, in so far as it relates to treating the interest income as something not allowable as a deduction under section 80P(2)(a), is set aside".

7. It is, therefore, clear that the assessee being a primary agricultural co-operative society invested the own surplus funds with the district cooperative central bank and, therefore, the assessee is entitled to claim the deduction under section 80P(2)(a)(i) of the Act. With this view of the matter, we find that there are no merits in the impugned order and the same is liable to be quashed. Grounds are answered accordingly.

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

14. As the facts and the issue involved in the present appeal are squarely covered by the order passed by the Tribunal in the aforesaid case, therefore, we respectfully follow the same. We thus, direct the A.O. to vacate the disallowance of the claim of the assessee society for deduction under Section 80P of the Act of Rs. 16,88,240/-.

15. Resultantly, the appeal filed by the assessee society is allowed in terms of our aforesaid observations.

pronounced in the Open Court on 29th August, 2025.

<p>Sd/- (एस. बालकृष्णन) (S. BALAKRISHNAN) लेखा सदस्य/ACCOUNTANT MEMBER</p>	<p>Sd/ (रवीश सूद) (RAVISH SOOD) न्यायिक सदस्य/JUDICIAL MEMBER</p>
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Hyderabad, dated 29.08.2025.

TYNM/sps

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	The Gundugolanu Large Size Cooperative Society Ltd., Gundugolanu, Eluru District, A.P.
2.	राजस्व/ The Revenue	:	The Income Tax Officer, Eluru
3.	The Principal Commissioner of Income Tax, Visakhapatnam.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, / DR, ITAT, Visakhapatnam.		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Visakhapatnam