



**IN THE INCOME TAX APPELLATE TRIBUNAL, PANAJI BENCH, GOA  
BEFORE HON'BLE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER  
AND  
SHRI G. D. PADMAHSHALI, ACCOUNTANT MEMBER**

**ITA Nos. 164/PAN/2025  
Assessment Year : 2020-21**

Shri Kalmeshwar Co-op  
Credit Society Limited.  
396/4 Main Road, LBS Nagar,  
Kangralli, Belagavi-590010.  
PAN : AAAJS2317N

..... Appellant

V/s

National Faceless e-Asstt. Centre,  
Delhi

..... Respondent

**Appearances**

Assessee by : Mr Santosh Kumar Latthe ['Ld. AR']

Revenue by : Ms Rijjula Uniyal ['Ld. DR']

Date of conclusive Hearing: 01/09/2025

Date of Pronouncement : 02/09/2025

**ORDER**

**PER G. D. PADMAHSHALI:**

This appeal is filed by the assessee u/s 253(1) of the Income-tax Act, 1961 ['the Act'] challenges the DIN & orders ITBA/NFAC/S/250/2025-26/1076032876(1) dt. 05/05/2025 passed by National Faceless Appeal Centre, Delhi ['Ld. CIT(A)'] u/s 250 of which in turn arose out of order of assessment passed u/s 143(3) of the Act by National Faceless e-Asstt. Centre, Delhi ['Ld. AO'] for the assessment year 2020-21 ['AY'].



2. **The long and short of the case is that;** the assessee is Co-Operative Credit Society and filed its return ['ITR' hereafter] declaring total income of ₹NIL/- on 26/12/2020 after claiming therein ₹80,41,786/- as deduction u/s 80P(2) of u/c VI-A of the Act. The said return vide notice u/s 143(2) of the Act dt. 29/06/2021 was selected for scrutiny wherein deductions claimed in the return were denied and the consequential assessment u/s 143(3) of the Act was framed determining income at ₹80,41,786/- under the head 'income from other source' owing to denial of deduction u/s 80P(2)(d) r.w.s. 80P(4) of the Act in relation to interest income earned by the assessee on its term deposits held with Certain Co-operative Banks. Aggrieved by the disallowance matter travelled up in first appeal, wherein the Ld. NFAC dismissed the appeal by confirming the denial in line with the notings of the Ld. AO. While confirming the said denial the Ld. NFAC reiterated that, the payer of interest income to the assessee was a bank hence claim is not deductible as transaction with bank dampens the spirit of beneficial support to co-operative movement.



3. Aggrieved assessee is in appeal with sole & substantive ground for full 80P(2)(d) deduction in relation to interest earned by it on investment held with co-operative banks.

4. We have heard rival party's submission and subject to rule 18 of ITAT-Rules, 1963 perused the material placed on records and considered the facts in the light of settled position of law, which were forewarned to the parties present for their rebuttal. Thus the present adjudication deals with an issue and answers the question as to; *'whether earning of interest income on investment in the form of term deposit made/held with State and other co-operative Bank' qualifies for deduction u/s 80P(2)(d) of the Act?*

5. From the facts solidified by the rival party's submission we note that, there is no dispute that the assessee is a co-operative society and is entitled to claim deduction u/s 80P(2)(a)(i)/(d) of the Act. Further there is much less dispute over the nature of income received/earned by the assessee in the form of interest on deposits & balances held with co-operative Banks. The Revenue in the present case first on



hand denied 80P(2)(a)(i) deduction to the appellant assessee for a rocket reason that interest income was earned by the appellant was out of idle funds' investments and then solidified 80P(2)(d) deduction the disentitlement on the premise that BDCC & other Co-operative Banks (the payer of the interest) is not a co-operative society within the meaning of section 2(19) of the Act. It the claim of the Revenue that, the character of such interest in view of the decision of Hon'ble Jurisdictional High Court in '*PCIT Vs Totgar's Co-operative Sale Society Ltd.*' [2017, 292 ITR 74 (Kar)] falls out of business operation hence not neither deductible u/c (a) nor u/c (d) of section 80P(2) of the Act.

6. At the outset we note that, a similar issue of deduction of 80P(2)(d) deduction in relation to interest/dividend received by the co-operative society from BDCC came for consideration before the Co-ordinate bench in '*Hind Co-operative Housing Society Ltd. Vs ITO*' [ITA No. 038/PAN/2023 dt.01/09/2023] whereby the appeal of assessee was allowed observing the followings;



5. *The solitary issue in the present appeal hinges around allowability of deduction u/s 80P(2)(d) of the Act. On perusal of provisions of section 80P(2)(d), it is clear that income derived by a cooperative society from its investment held with other cooperative societies shall be deductible u/s 80P(2)(d) of the Act from the total income of a cooperative society. Therefore, by application of stricter interpretation, the chief determinant factor entitling a claim of deduction u/s 80P(2)(d) in the hand of assessee society is that, interest income should have been earned by it from any cooperative society registered under the provisions of law, irrespective of nomenclature with which such payer society is known for.*

6. *In the present case, the reasoning given by the lower tax authorities in denying the claim for deduction u/s 80P(2)(d) of the Act is that interest was received from cooperative bank, however this reasoning has no legs to stand as a cooperative bank is principally a cooperative society and holds a banking license to operate on a larger scale under the guidelines of RBI. This issue was came to consider by Hon'ble Karnataka High Court in 'CIT Vs Totagars Cooperative Sale Society', finds reported in 392 ITR 74 wherein their lordships referring to the decision of Hon'ble Apex Court in the case of Totgars Co-operative Sales Society Ltd. (supra) held that the ratio of decision of the Hon'ble Supreme Court in the aforesaid case (supra) not to be applied in respect of interest income on investment as same falls u/s 80P(2)(d) and not u/s 80P(2)(a)(i) of the Act. We further note that, the co-ordinate bench in 'Sant Motiram Maharaj Sahakari Pat Sanstha Ltd. vs. ITO', reported in 120 taxmann.com 10, after making reference to the decisions of the Hon'ble Supreme Court in the case of Totgars Cooperative Sales Society Ltd. (supra) and having noticed the divergent views of the Hon'ble Karnataka High Court in the case of 'Tumkur Merchants Souharda Credit Co-op. Ltd. Vs ITO', 55 taxmann.com 447*



***and decision of Hon'ble Delhi High Court in 'Mantola Cooperative Thrift Credit Society Ltd. Vs CIT', reported at 50 taxmann.com 278, the decision rendered in 'Mantola Cooperative Thrift Credit Society Ltd. (supra) had not been preferred to ratio laid in 'Tumkur Merchants Souharda Credit Co-op. Ltd. (supra), the relevant observation of the co-ordinate bench are placed as under;***

*"9. The Pune Benches of the Tribunal in Sureshdada Jain Nagari Sahakari Patsanstha Maryadit Vs. The Pr.CIT (ITA No.713/PUN/2016, dated 9-4-2019) decided the question of availability of deduction u/s 80P on interest income by noticing that the Pune Bench in an earlier case of Shri Laxmi Narayan Nagari Sahakari Pat Sanstha Maryadit Vs. ITO (ITA No.604/PN/2014, dated 19-8-2015) has allowed similar deduction. In the said case, the Tribunal discussed the contrary views expressed by the Hon'ble Karnataka High Court in Tumkur Merchants Souharda Credit Cooperative Ltd. Vs. ITO (2015) 230 Taxman 309 (Kar.) allowing deduction u/s. 80P on interest income and that of the Hon'ble Delhi High Court in Mantola Cooperative Thrift Credit Society Ltd. Vs. CIT (2014) 110 DTR 89 (Delhi) not allowing deduction u/s.80P on interest income earned from banks. Both the Hon'ble High Courts took into consideration the ratio laid down in the case of Totgar's Cooperative Sale Society Ltd. (2010) 322 ITR 283 (SC). There being no direct judgment from the Hon'ble jurisdictional High Court on the point, the Tribunal in Shri Laxmi Narayan Nagari Sahakari Pat Sanstha Maryadit (supra) preferred to go with the view in favour of the assessee by the Hon'ble Karnataka High Court in the case of Tumkur Merchants Souharda Credit Cooperative Ltd. (supra). 10. Insofar as the reliance of the ld. DR on the case of Pr. CIT and Another Vs. Totagars Cooperative Sales Society (2017) 395 ITR 611 (Kar.) is concerned, **we find that the issue in that case was the eligibility of deduction u/s.80P(2)(d) of the Act on interest earned by the assessee cooperative society on investments made in co-operative banks.** In that case, the assessee was engaged in the activity of marketing agricultural produce by its members; accepting deposits from its members and providing credit facility to its members; running stores, rice mills, live stocks, van section, medical shops, lodging, plying and hiring of goods and carriage etc. It was in that background of the facts that the Hon'ble High Court held that the assessee could not claim deduction u/s.80P(2)(d) of the Act. When we consider the impact of this decision, it turns out that the same is not germane to case under*



*consideration in view of the position that the claim of the instant assessee is directly about the eligibility of deduction u/s.80P(2)(a)(i) of the Act and not u/s.80P(2)(d). Moreover, so many decisions relied on by the ld. AR amply go to prove that the view taken by the AO, cannot by any standard, be construed as not a possible view. We, therefore, hold that the ld. Pr. CIT was not justified in exercising the revisional power anent to interest income of Rs.22,34,270/- earned on investments made with co-operative banks.” (Emphasis supplied)*

**7. Maintaining same parity, we adopt equi-reasoning and hold that, the interest earned by the appellant society is from co-operative banks namely BDCC, Saraswat Co-op. Bank, Tukaram Co-op. Bank and Cosmos Co-op. Bank, and as these being registered as co-operative society under respective state laws, the entire interest qualifies for deductions u/s 80P(2)(d) of the Act. Consequently, the views adopted by the tax authorities below are not in conformity with legal position and binding judicial precedents, hence deserves to be vacated. Resultantly, we set-aside the impugned order and reverse the disallowance.’**

7. In view of judicial precedents (supra) adopting equi-reasoning, the impugned order deserves to be set-aside as the interest on fixed deposits earned by the appellant assessee from BDCC Bank, Cosmos Co-op. Bank, KAIJ Co-op. Bank etc., which are by their very establishment are co-operative societies registered under the Co-operative Laws qualifies for full deductions u/s 80P(2)(d) of the Act.



8. In the absence of anything contrary brought to our notice by the respondent Revenue or convincing us effectively with sufficient reasons for diverting from former judicial precedents, as a matter of consistency, adopting equi-reasoning, we set-aside the impugned order and reverse the disallowance holding that, the interest on investment made with former Co-operative Banks qualifies for deductions u/s 80P(2)(d) of the Act as it satisfies twofold conditions laid therein for the year under consideration. The substantive & solitary ground raised in the present appeal thus stands allowed.

**9. The appeal in result is ALLOWED.**

In terms of rule 34 of ITAT Rules, 1963 the order pronounced in the open court on date mentioned herein before.

**-S/d-**  
**PAVAN KUMAR GADALE**  
**JUDICIAL MEMBER**

Panaji/Dt: 02nd September, 2025

**Copy of the Order forwarded to:**

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|-------------------|--------------------------------|-------------------------|
| 1. The Appellant. | 2. The Respondent.             | 3. The CIT(A) Concerned |
| 4. PCIT Concerned | 5. DR, ITAT, Panaji Bench, Goa | 6. Guard File           |

**-S/d-**  
**G. D. PADMAHSHALI**  
**ACCOUNTANT MEMBER**

By Order,  
Sr. Private Secretary / AR ITAT, Panaji.