



आयकर अपीलीय अधिकरण "एस एम सी" न्यायपीठ पुणेमें।
IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCHES "SMC" :: PUNE

BEFORE DR.DIPAK P. RIPOTE, ACCOUNTANT MEMBER
AND
SHRI VINAY BHAMORE, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.2272/PUN/2025

निर्धारण वर्ष / Assessment Year: 2020-21

The Income Tax Officer, Ward-2, Ahmednagar.	V s	Kanifnath Gramin Bigar Sheti Sahakari Patsanstha Maryadit, At Post Maldad, Taluka Sangamner, Ahmednagar – 422608.
		PAN: AABAK1395E
Appellant / Revenue		Respondent / Assessee

Assessee by	Shri Pramod S Shingte
Revenue by	Shri Arvind Renge –Addl.CIT(Virtual Hearing)
Date of hearing	04/11/2025
Date of pronouncement	28/11/2025

आदेश/ ORDER

PER DR. DIPAK P. RIPOTE, AM:

This is an appeal filed by Revenue against the order of Id.Commissioner of Income Tax(Appeal)[NFAC], passed under section 250 of the Income Tax Act, 1961 for the A.Y.2020-21 dated 01.07.2025, emanating from order u/s.143(3) r.w.s144B of the Income Tax Act, 1961, dated 22.09.2022. The Revenue has raised the following concise grounds of appeal :



“On the facts and in the circumstances of the case and in law, the Ld. CIT Appeal erred in allowing the deduction of us 80P(2)(d) of the assessee claimed deduction us 80P(2)(d) in respect of the interest income received from its investments with other than co-operative societies.

On the facts and the circumstances of the case and in law, the Ld. CIT Appeal erred in deduction us 80P(2)(d) of the Income Tax Act of Rs.2,19,34,691 without considering the decision of Honble High Court of Karnataka in the case of Principal commissioner of Income Tax, Huballi vs. Totgars co-operative Sale society 395 ITR 611, dated 16.06.2017.

On the facts and the circumstances of the case and in law, the Ld. CIT Appeal erred in allowing the deduction us 80P2d of the LT.Act without proper verification of the facts as to how the investments made by the assessee with other co operative banks generated the operational income of the assessee, considering the facts that the business operations of the assessee is to provide credit facilities to its members and accepts deposits from them.

The appellatant craves to add alter amend and modify any of the above or all grounds raised at time of proceedings before the Honble Tribunal which may please be granted.”

2. We have heard both the parties and perused the records. In this case, Assessee is a Co-operative Credit Society registered under Maharashtra Co-operative Societies Act, engaged in the business of providing credit facilities to its members. The Assessee’s case was selected for scrutiny. Assessment Order was passed after considering the assessee’s submission on 22.09.2022 for A.Y.2020-21. The Assessing Officer in para 4.6.22 held that Assessee is not eligible for deduction u/s.80P(2)(d) of the Act, and made an addition of Rs.2,19,34,691/- as income from other sources. The relevant paragraph of the assessment order are reproduced here as under :



Therefore, the decision of the Hon'ble Supreme court is paramount, and the issue whether a Cooperative Bank is considered to be a Cooperative Society is no longer *res integra* and thus the interest earned from deposits with Co-operative Bank should remain ineligible for deduction u/s 80P (2)(d) of the Income Tax Act.

4.6.23 In view of the detailed discussion as above, the income earned on bank deposits amounting to Rs. 2,19 34,691/- is treated as income from other sources and brought to tax. ADDITION: Income from Other Sources: Rs. 2,19 34,691/-

3. Aggrieved by the Assessment Order, Assessee filed appeal before Id.CIT(A). Ld.CIT(A) allowed assessee's appeal. The relevant paragraph of 5.13 of the Id.CIT(A)'s order is reproduced here as under :

“5.13 Hence, disallowance of claim of deduction u/s 80P(2)(d) at Rs.2,19,34,691/-, resulting into working of assessed income of Rs.26,55,510/- as per the AO's computation, is liable to be deleted, subject to the AO's verification to rule out and exclude components of interest income, if any, received from any nationalized schedule banks as stated above. Accordingly, grounds of appeal raised by the appellant are allowed.”

4. Aggrieved by the order of Id.CIT(A), Revenue has filed appeal before this Tribunal.

5. It is ironical to note that the Assessing Officer held that Assessee is not eligible for deduction u/s.80P(2)(d) of the Act, whereas the Assessee has not claimed any deduction u/s.80P(2)(d) of the Act, which is evident from the first paragraph of the



Assessment Order. The first paragraph of the assessment order is reproduced here as under :

GOVERNMENT OF INDIA MINISTRY OF FINANCE INCOME TAX DEPARTMENT		
1.	PAN	AABAK1395E
2.	Name of the assessee	KANIFNATH GRAMIN BIGAR SHETI SAHAKARI PATSANSTHA MARYADIT MALDAD
3.	Address of the assessee	A/P MALDAD, SANGAMNER DIST. AHMEDNAGAR, SANGAMNER 422608, Maharashtra, India
4.	Assessment Year	2020-21
5.	Status	AOP(ASSOCIATION OF PERSONS)
6.	Residential Status	Resident
7.	Date of filing of Return of Income	01/10/2020
8.	Acknowledgement Number of Return of Income	613160311011020
9.	Date of processing u/s 143(1)(a) of the Income-tax Act.	29/03/2021
10.	Income Computed under section 143(1) of the Act	
11.	Date of service of Notice under section 143(2) of the Income-tax Act	29/06/2021,29/06/2021,29/06/2021
12.	Date(s) of issue of Notice(s) under section 142(1) of the Income-tax Act	11/11/2021,25/11/2021,07/12/2021,23/12/2021
13.	Order passed under section	143(3) read with section 144B of the Income-tax Act
14.	Returned Income	Rs. 0
15.	Date of Order	22/09/2022
16.	DIN	ITBA/AST/S/143(3)/2022-23/1045811216(1)

ASSESSMENT ORDER

Facts of the case in Brief

The assessee is a credit co-operative society engaged in the business of providing credit facilities to its members. For the Assessment Year 2020-21, it has filed the return of income on 01.10.2020 offering a gross total income of Rs. 43,67,904/- and total income of Rs. NIL after claiming deduction of Rs. 43,31,504/- under section 80P(2)(a)(i) and RS.36,400/- u/s. 80P(2)((c)(1) of the Income Tax Act, 1961.The return of income filed by the assessee has been selected for complete scrutiny to examine the following issues,

Note:- The website address of the e-filing portal has been changed from www.incometaxindiaefiling.gov.in to www.incometax.gov.in.

6. We have also verified Return of Income filed by Assessee for A.Y.2020-21 and noted that there is no deduction claimed by



Assessee u/s.80P(2)(d) of the Act. The relevant part of the Income Tax Return filed by assessee is scanned and reproduced here as under :

11	Sec.80P(2)(d)Interest/Dividend from Investment in other co-operative society			
12	Sec.80P(2)(e)Income from Letting of godowns / warehouses for storage,			

6.1 Thus, it is a fact that Assessee has not claimed deduction u/s.80P(2)(d) of the Act. Therefore, Assessing Officer has blatantly erred in disallowing the deduction which was never claimed.

6.2 The worst irony is that Pr.CIT who has approved the appeal has also not read the facts.

7. Be it as it may be, the fact in this case is that Assessee is a Co-operative Credit Society duly registered under Maharashtra Cooperative Societies Act. Assessee had interest income of Rs.2,19,34,691/-. As we have reproduced the first paragraph of assessment order, wherein specifically it is mentioned that Assessee has claimed deduction u/s.80P(2)(a)(i) of the Act.

8. The ground wise discussion is as under :

Ground No.1 :



“On the facts and in the circumstances of the case and in law, the Ld. CIT Appeal erred in allowing the deduction of us 80P(2)(d) of the assessee claimed deduction us 80P(2)(d) in respect of the interest income received from its investments with other than co-operative societies.

8.1 The Assessee had not claimed any deduction u/s.80P(2)(d) of the Act, hence, Assessing Office has erred in disallowing deduction u/s.80P(2)(d) which was never claimed. Therefore, Ground No.1 raised by the Revenue is dismissed.

Ground No.2 & 3 :

On the facts and the circumstances of the case and in law, the Ld. CIT Appeal erred in deduction us 80P(2)(d) of the Income Tax Act of Rs.2,19,34,691 without considering the decision of Honble High Court of Karnataka in the case of Principal commissioner of Income Tax, Huballi vs. Totgars co-operative Sale society 395 ITR 611, dated 16.06.2017.

On the facts and the circumstances of the case and in law, the Ld. CIT Appeal erred in allowing the deduction us 80P2d of the LT.Act without proper verification of the facts as to how the investments made by the assessee with other co operative banks generated the operational income of the assessee, considering the facts that the business operations of the assessee is to provide credit facilities to its members and accepts deposits from them.

8.2 The Assessee had never claimed deduction u/s.80P(2)(d) of the Act. Assessee had claimed deduction mainly u/s.80P(2)(a)(i) of the



Act. The Hon'ble Andhra Pradesh High Court in the case of Vavveru Co-operative Rural Bank Ltd. [2017] 396 ITR 371 has held that co-operative credit Society is eligible for deduction u/s.80P(2)(a)(i) on the interest earned. The Hon'ble Andhra Pradesh High Court has distinguished the decision of Hon'ble Supreme Court in the case of Principal commissioner of Income Tax, Huballi vs. Totgars co-operative Sale society 395 ITR 611, dated 16.06.2017.

8.3 The Hon'ble Kerala High Court in the case of Pr.CIT Vs. Sahyadri Co-operative Credit Society Ltd., [2024] 301 Taxman 36 (Kerala) vide order dated 04.09.2024, has held as under :

Quote “7. On a consideration of the rival submissions, we are of the view that for the reasons stated hereinafter, the question of law that arises for consideration before us must be answered against the Revenue and in favour of the assessee. The permissible deduction that is envisaged under Section 80P(2) of the I.T. Act for a Co-operative Society that is assessed to tax under the head of 'Profits and Gains of Business or Profession' is of the whole of the amount of profits and gains of business attributable to any one or more of its activities. Thus, all amounts as can be attributable to the conduct of the specified businesses by a Co-operative Society will be eligible for the deduction envisaged under the statutory provision. The question that arises therefore is whether, merely because the assessee chooses to deposit its surplus profit in a permitted bank or financial institution, and earns interest on such deposits, such interest would cease to form part of its



profits and gains attributable to its business of providing credit facilities to its members? In our view that question must be answered in the negative, since we cannot accept the contention of the Revenue that the interest earned on those deposits loses its character as profits/gains attributable to the main business of the assessee. It is not as though the assessee in the instant case had used the surplus amount [the profit earned by it] for an investment or activity that was unrelated to its main business, and earned additional income by way of interest or gain through such activity. The assessee had only deposited the profit earned by it in the manner mandated under Section 63 of the Multi-State Co-operative Societies Act, or permitted by Section 64 of the said Act. In other words, it dealt with the surplus profit in a manner envisaged under the regulatory Statute that regulated, and thereby legitimized, its business of providing credit facilities to its members. Under those circumstances, if the assessee managed to earn some additional income by way of interest on the deposits made, it could only be seen as an enhancement of the profits and gains that it made from its principal activity of providing credit facilities to its members. The nature and character of the principal income [profits earned by the assessee from its lending activity] does not change merely because the assessee acted in a prudent manner by depositing that income in a bank, instead of keeping it in hand. The provisions of the I.T. Act cannot be seen as intended to discourage prudent financial conduct on the part of an assessee.” Unquote

8.4 Thus, even Hon’ble Kerala High Court has held that the character of income does not change. The Hon’ble Kerala High Court held that interest earned from deposits in permitted banks will be eligible for deduction u/s.80P of the Act. The Hon’ble Kerala High Court’s decision is dated 04.09.2024 means, after the decision



of Hon'ble Supreme Court in the case of Totagar's Co-operative Sales Society Ltd.

9. In these facts and circumstances of the case, the Grounds No.2 and 3 raised by the Revenue are dismissed.

9. Ground No.4 is general in nature, needs no adjudication, hence dismissed.

10. In the result, appeal of the Revenue is dismissed.

Order pronounced in the open Court on 28 November, 2025.

Sd/-
VINAY BHAMORE
JUDICIAL MEMBER

Sd/-
Dr.DIPAK P. RIPOTE
ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 28 Nov, 2025/ SGR

आदेशकीप्रतिलिपिअग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A), concerned.
4. The Pr. CIT, concerned.
5. विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, "एस एम सी" बेंच, पुणे / DR, ITAT, "SMC" Bench, Pune.
6. गार्डफ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// TRUE COPY //

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