

**आयकर अपीलीय अधिकरण, कोलकाता पीठ, कोलकाता**

**IN THE INCOME TAX APPELLATE TRIBUNAL "C" BENCH KOLKATA**

**Before Shri Manunatha G, Accountant Member and  
Shri Sonjoy Sarma, Judicial Member**

**I.T.A. No.2106/Kol/2024**

Assessment Year: 2020-21

**Sridharpur Co-operative Bank .....Appellant**

Vill & PO. Hat Sridharpur,  
Memari-I, Dist- Bardhaman,  
W.B. – 713146.

**[PAN: AACAS8623A]**

**vs.**

**ITO, Ward-2(1), Burdwan.....Respondent**

**Appearances by:**

Shri M. Goenka, And S. Goenka, CA, appeared on behalf of the assessee.

Shri Sallong Yaden, Addl. CIT-DR, appeared on behalf of the revenue.

Date of concluding the hearing : September 17, 2025

Date of pronouncing the order : December 08, 2025

**ORDER**

**Per Sonjoy Sarma, Judicial Member:**

This appeal filed by the assessee is directed against the order of the Ld. Commissioner of Income Tax (Appeals), NFAC, Delhi, for the Assessment Year 2020-21, whereby the Ld. CIT(A) sustained the disallowance made by the Assessing Officer in respect of deduction claimed by the assessee under Section 80P of the Income-tax Act, 1961.

2. Brief facts of the case are that the assessee is a Primary Agricultural Cooperative Credit Society registered under the West Bengal Cooperative Societies Act. For the relevant assessment year, the assessee filed its return of income declaring nil taxable income after claiming deduction of ₹1,99,10,459 under Section 80P of the Act. The case of the assessee was selected for

scrutiny under CASS for verification of the claim of deduction under Section 80P of the Act. Accordingly statutory notices under Sections 143(2) and 142(1) were issued, and the assessee furnished the details as required.

3. During the assessment proceedings, it was noticed that the assessee had earned interest income of ₹107270716/- from investments/deposits placed with Burdwan Central Cooperative Bank and West Bengal State Cooperative Bank and also earned dividend income of ₹2,02,000/-, claimed as exempt under Section 80P(2)(d). The Assessing Officer held that Cooperative Banks fall within the exclusionary clause of Section 80P(4) of the Act and therefore interest earned from them does not qualify for deduction under Section 80P(2)(d) of the Act. He further held that dividend earned from Cooperative Banks is also not eligible for deduction. Consequently, the AO disallowed the entire deduction to the extent of Rs.19910459/- which was claimed by the assessee.

4. The assessee preferred an appeal before the Ld. CIT(A). However, the Ld. CIT(A) confirmed the assessment order by holding that interest/dividend income from Cooperative Banks is not eligible for deduction under Section 80P of the Act.

5. Aggrieved thereby, the assessee is before this Tribunal. The ld. AR submitted that the assessee is a Cooperative Society and not a Cooperative Bank, which fact has not been disputed. It was argued that the AO erred in treating the assessee as akin to a Cooperative Bank without any factual or legal basis. It was further submitted that Cooperative Banks are also Cooperative Societies as defined under the Act and therefore any interest or dividend earned from investments made with such Cooperative Societies is squarely covered under Section 80P(2)(d), which

allows deduction of any income by way of interest or dividends derived from investments with any other Cooperative Society. The exclusion under Section 80P(4) applies only to Cooperative Banks claiming deduction for themselves, and not to other Cooperative Societies earning income from them. Reliance was placed on the following decisions of Kerala State Cooperative Agricultural and Rural Development Bank Ltd. v. CIT (2023) 154 taxmann.com 305 (SC), Mavilayi Service Cooperative Bank Ltd. v. CIT (2021) 123 taxmann.com 161 / 279 ITR 75 (SC). It was argued that both decisions clearly hold that interest/dividend received by a Cooperative Society from Cooperative Banks is fully deductible under Section 80P(2)(d) of the Act.

6. On the other hand the Ld. DR relied on the orders of the lower authorities and submitted that Cooperative Banks are excluded from the provisions of Section 80P of the Act by virtue of subsection (4). He contended that the AO was justified in denying deduction.

7. We have heard the rival submissions and examined the material available on record. The core issue to be adjudicated is whether the assessee, a Primary Agricultural Cooperative Credit Society, is entitled to deduction under Section 80P(2)(d) for interest and dividend income earned from Cooperative Banks. Section 80P(2)(d) of the Act allows deduction in respect of any income by way of interest or dividends derived by a Cooperative Society from investments with any other Cooperative Society. The Hon'ble Supreme Court in Kerala State Cooperative Agricultural and Rural Development Bank Ltd. (2023) has categorically held that Cooperative Banks are also Cooperative Societies for the purpose of Section 80P(2)(d) of the Act and

therefore interest/dividend income earned from them qualifies for deduction. Further, the landmark judgment in Mavilayi Service Cooperative Bank Ltd. (2021) reiterates that the AO must examine the nature of the assessee-society and not merely apply Section 80P(4) of the Act mechanically. In the present case, the assessee is not a Cooperative Bank. It is a Primary Agricultural Cooperative Credit Society engaged in providing credit to its members. The AO erred in treating the assessee as if it were a Cooperative Bank without any basis. The interest/dividend income earned from Burdwan Central Cooperative Bank and West Bengal State Cooperative Bank is income earned from investments with other Cooperative Societies, thereby fully eligible for deduction under Section 80P(2)(d) of the Act. The disallowance made by the AO and sustained by the Ld. CIT(A) is therefore contrary to binding Supreme Court law and cannot be upheld. Applying the ratio laid down by the Hon'ble Supreme Court, we hold that the assessee is fully entitled to deduction under Section 80P(2)(d) of the Act in respect of total deduction claimed of Rs.19910459/-; and the AO is accordingly directed to delete the same.

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

***Kolkata, the 8<sup>th</sup> December, 2025.***

Sd/-  
**[Manjunatha G]**  
**Accountant Member**

Sd/-  
**[Sonjoy Sarma]**  
**Judicial Member**

Dated: 08.11.2025.

RS

*Copy of the order forwarded to:*

1. Appellant -
2. Respondent -
3. CIT(A)-
4. CIT- ,
5. CIT(DR),

//True copy//

By order

Assistant Registrar, Kolkata Benches