

IN THE INCOME TAX APPELLATE TRIBUNAL
"SMC" BENCH PANAJI

BEFORE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER
I T A. Nos.272 & 273/PAN/2025
(A.Y. 2018-19 & 2020-21)

The Shiroda Progressive Urban Multipurpose Cooperative society Limited, Shop.No.4, Opp: Police station, Shiroda Bhat, Ponda-403103.Goa	Vs .	I T O, National e Assessment Centre, Delhi.
PAN .No. AABAT7206P		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

Assessee by	Shri.Shyam J Kamat.AR
Revenue by	Shri.Sanket Deshmukh.Sr.DR

सुनवाई की तारीख/Date of Hearing	22.12.2025
घोषणा की तारीख/Date of Pronouncement	23.12.2025

ORDER

PER PAVAN KUMAR GADALE, JM:

These two appeals are filed by the assessee against the separate orders of the National Faceless Appeal Centre (NFAC), Delhi / (CIT(A) passed u/se 143(3) and u/sec250 of the Act.

2. At the time of hearing, the Ld.AR brought to the knowledge of the bench, that there is a delay of 1 day in filing these appeals before the Hon'ble Tribunal and the assessee has filed the application and affidavit for condonation of delay. Whereas, the facts mentioned in the

affidavit are reasonable and the Ld. DR has no specific objections. Accordingly, condone the delay and admit the appeals. The assessee has raised the grounds of appeal challenging the order of the CIT(A) sustaining (i) denial of deduction u/sec80P(2)(a)(i) of the Act in respect of interest from other banks and(ii) no deduction u/sec80P(2)(c) of the Act was allowed.

3. Since the issues involved in these appeals are common and identical, hence they are clubbed, heard and a consolidated order is passed. For the sake of convenience, shall take up ITA No.272/PAN/2025 for A.Y.2018-19 as a lead case and facts narrated.

4. The brief facts of the case are that, the assessee is a cooperative credit society engaged in providing credit facilities to its members. The assessee has filed the return of income for the A.Y 2018-19 on 31.10.2018 disclosing a total income of Rs.3,55,050/- after claiming deduction u/sec80P(2)(b)/u/sec80P(2)(d) of the Act of Rs.37,40,896/- and the case was selected for complete scrutiny under the E-assessment Scheme 2019 on the following two issues i.e (i) Investments/Advances/Loans and (ii) Deduction from Total income under chapter V-A. Subsequently the Assessing Officer (A.O) has issued notice u/sec143 (2) and u/sec 142(1) of the Act calling for details in respect of claims and the information supporting the return of income filed. The assessee has filed the details/clarifications and the Assessing Officer (A.O) has dealt on

the submissions/details and observed that the assessee has received interest income on fixed deposits with the Goa State Co-op Bank Limited during the F.Y.2017-18 and has claimed deduction u/sec80P of the Act. Whereas the A.O was not satisfied with the explanations and dealt on the provisions and judicial decisions and denied the claim of deduction u/sec 80P2(d)/sec80P2(b) of the Act and assessed the total income of Rs.41,35,940/- and passed the order u/sec143(3) r.w.s143(3A)&143(3B) of the Act dated 05.4.2021.

5. Aggrieved by the order u/sec 143(3) of the Act, the assessee has filed an appeal before the CIT(A), whereas the CIT(A) has considered the grounds of appeal, submissions of the assessee and findings of the A.O. The CIT(A) relied on the facts and judicial decisions and directed the A.O. to allow deduction u/sec80P(2)(d) of the Act on interest income received from other cooperative societies including cooperative Banks but sustained the denial of claim of deduction of interest income received from the scheduled/commercial bank u/sec80P(2)(d) of the Act and partly allowed the assessee appeal. Aggrieved by the order of the CIT(A), the assessee has filed an appeal with the Hon'ble Tribunal.

6. At the time of hearing, the Ld.AR submitted that the CIT(A) has erred in confirming the action of the A.O in treating the interest income received from the scheduled/commercial bank is not eligible for deduction

u/sec80P(2)(d) of the Act. The Ld.AR made alternative claim that the interest income from other banks on the concept of attributable to activities of the society be allowed as deduction u/sec80P(2)(a)(i) of the Act. Further the Ld.AR submitted that the assessee be granted deduction u/sec80P(2)(c) of the Act. The Ld.AR supported the submissions with the paper book and judicial decisions. Per Contra, the Ld.DR relied on the order of the CIT(A).

7. Heard the rival submissions and perused the material on record. The matrix of the disputed issue envisaged by the Ld.AR of granting deduction u/s 80P(2)(a)(i) of the Act to the Cooperative Society in respect of interest income received from the scheduled/commercial bank. The Ld. AR submitted that the interest income is attributable to activities of the society and treated as income from business. The Ld.DR submitted that the assessee is a multipurpose cooperative society and is also engaged in other activities u/sec80P(2)(b) of the Act. The Ld.AR demonstrated the documents showing amendment in name of the society to include "Multipurpose" w.e.f 21-11-2022 placed at page 3 to 6 of the paper book. The Ld.AR has highlighted the order giving effect(OGE) dated 4.08.2025 to the order of the CIT(A) with the bifurcation of interest earned from cooperative banks and commercial banks placed at page1& 2 of the paper book. Whereas The Honble Income Tax Tribunal Panaji Bench in ITA.No.158,159 &

other 27 numbers/PAN/20223/24&25 dated 28-11-2025 – Akshaya Co-Op Credit society & others Vs ITO dealt at Para 11 of the order on the subject matter of interest income from scheduled banks/nationalized banks as under:

“ 11.---The seventh disputed issue, where the AO and CIT(A) has not allowed the claim of deduction under section 80P(2)(a)(i) of the Act. As the cooperative society earns / receives interest on deposits maintained with the nationalized banks / scheduled banks/ non cooperative banks.

The Ld.AR's submitted that the assessee has claimed deduction u/s 80P(2) (a) (i) of the Act relating to interest income from scheduled banks as the same constitutes income attributable to carrying of business of providing credit facilities to its members.. Further such investments are made as per specific clause 58 of The Karnataka Cooperative Societies Act 1959. The amount invested for short term is out of working capital available in the process of carrying out providing credit facilities which is the business of the assessee. As per specific clause of the governing law and bye laws the amounts are invested in Co-operative Credit societies, Co-operative Banks and Scheduled Banks. Investments in scheduled banks are made on account of commercial expediency of quick liquidity whenever the need arises. Whereas the provisions of section 80P(2) (a) (i) of the Act are dealt in cases where the whole of the amount of profits and gains of a business which are attributable to any of the activities referred to in clauses (i) to (vii) of that section shall qualify for deduction. The impugned interest income falls under profits and gains attributable to carrying on business of providing credit facilities to its members. Further the assessee-society is entitled to deduction under section 80P in respect of interest income from fixed deposits with nationalized bank when source of such investment was income derived from activities listed in sub-clauses (i) to(vii) of clause (a) of section 80P(2) of the Act. The Ld.AR's relied on the judicial decisions 1. Bihar State Co-operative Bank Ltd v CIT 39 ITR 114 (SC) 2. Cambay Electric Supply Industrial Co. Ltd v CIT 113 ITR 84 (SC). 2.1 Tumkur Merchants Souharda Credit Cooperative Ltd v ITO Ward – V, Tumkur 55 taxmann.com 447 (Kar). 3. Guttigedarara Credit Co-operative Society Ltd v ITO Ward 2(2), Mysore 377 ITR 464 (Kar) . 4. Vavveru Co-operative Rural Bank Ltd v Chief Commissioner of Income Tax 396 ITR 371 (A.P and Telangana). 5. Pr.CIT v Sahyadri Co-operative Credit Society Ltd 166 taxmann.com 445 (Ker). 6. Pr.CIT v Gunja Samabay Krishi Unnayan Samiti Ltd 147 taxmann.com 518(Cal) 7. Chennai Central Co-operative Bank Ltd 148 taxmann.com 17 (Mad). 8. Athani Credit Co-operative Society Ltd ITA No.121/PAN/2023. 9. Shree Adinath Minority Credit Souhard Sahakari Ltd ITA No.42/PAN/2023 Further Interest income earned

The Shiroda Progressive Urban Multipurpose Cooperative Society Limited.

by cooperative credit society from its funds parked with nationalized and commercial banks would be construed as profits and gains of business, thus eligible for deduction under section 80P(2)(a)(i) of the Act. The CBDT CIRCULAR No.18/2015 F.No.279/Misc./140/2015/ITJ dated 02.11.2015 on the issue of interest SLR securities of banks states that – 1.“It has been brought to the notice of the Board that in the case of Banks, field officers are taking a view that, "expenses relating to investment in non-SLR securities need to be disallowed u/s 57(i) of the Act as interest on non-SLR securities is income from other sources." 2. Clause (id) of sub-section (1) of Section 56 of the Act provides that income by way of interest on securities shall be chargeable to income tax under the head "Income from Other Sources", if, the income is not chargeable to income-tax under the head "Profits and Gains of Business and Profession". 3. The matter has been examined in light of the judicial decisions on this issue. In the case of CIT v.Nawanshahar Central Cooperative Bank Ltd. [2007] 160TAXMAN 48(SC), the Apex Court held that the investments made by a banking concern are part of the business of banking. Therefore, the income arising from such investments is attributable to the business of banking falling under the head "Profits and Gains of Business and Profession" The authorized representatives of the assessee's substantiated the submissions with the judicial decisions and the Ld.DR relied on the order of the CIT(A) and submissions. The Ld. AR's submitted that the assessee functions as a co-operative society & interest from scheduled banks is attributable to banking business which also utilized for the purpose of providing credit facilities. The interest income partakes the character of business income for the co-operative society. On the issue for the attributable to the banking business, the assessee being a credit co-operative society is engaged in providing credit facilities to its members and the claim was in respect of the money available for business that in the nature of credit facilities provided & there is no surplus funds and applying the theory of attributable to the objects and also there are no surplus funds except the operational money which is available for providing credit facilities. Further the surplus funds generating the interest income were part of the working/operational funds of the society's core business of providing credit facilities to its members. The assessee has deposited the funds in the scheduled banks to obtain higher rate of interest therefore the concept of availability of surplus funds does not arise in the case of credit co-operative societies. Accordingly, the Ld. Assessing Officer to consider the facts of earning of interest income by the assessee from its core business of providing credit facilities to its members and allow the deduction.

On the second category of multipurpose Co-operative societies which deal in providing the credit facilities & also other business activities with its members and outsiders in such cases where the funds are invested with the scheduled banks by way of short term deposits cannot be said to be

The Shiroda Progressive Urban Multipurpose Cooperative Society Limited.

providing credit facilities to its members and the income is taxed as "other income" under the Income from other Sources u/sec 57 of the Act subject to allowing the deduction of direct and indirect cost incurred on such investments/deposits by the assessee from such interest income earned. Accordingly, this disputed issue is restored to the file of the assessing officer to verify and examine the earning of interest income and allow the deductions as discussed above and adjudicate on merits. Further the deduction u/sec80P(2)(a)(i) of the Act in respect of scheduled bank interest in both the categories of societies should be restricted to the income forming part of gross total income. And these grounds of appeal are partly allowed for statistical purpose."

8. Hence considering the facts, circumstances, submissions and the ratio of the judicial decisions dealt in the above issues and also follow the judicial precedence. Accordingly, set aside the order of the CIT(A) on the disputed issue of interest income on deposits with scheduled bank and for limited purpose restore this issue to the file of the Assessing Officer to verify the activities of society are multipurpose and to adjudicate on similar directions discussed in the above paragraph and allow deduction u/sec80P(2)(a)(i) and u/sec80P2(c) of the Act. Further the assessee should be provided adequate opportunity of hearing and shall cooperate in submitting the information. And the grounds of appeal of the assessee are allowed for statistical purposes.

ITA No.273/PAN/2025 (A.Y.2020-21)

9. As the facts and circumstances in this appeal is identical to ITA No 272/PAN/2025 (except variance in figures) and the decision rendered in above paragraph 7 & 8 would apply mutatis mutandis for this appeal also.

The Shiroda Progressive Urban Multipurpose Cooperative Society Limited.

Accordingly the grounds of appeal of the assessee are allowed for statistical purposes.

10. In the result, the two appeals filed by the assessee are allowed for statistical purposes.

Order pronounced on 23/12/2025 as per rule 34(5) of the ITAT Rules 1963.

Sd/-
(PAVAN KUMAR GADALE)
JUDICIAL MEMBER

Panaji Dated: 23/12/2025

Copy of the Order forwarded to:

1. The Appellant,
2. The Respondent
3. The CIT(A)-
4. CIT
5. DR, ITAT,
6. Guard file.

//True Copy//

BY ORDER,
(Asstt. Registrar)ITAT,
Panaji

		Date	<u>Initial</u>	
1.	Draft dictated on			PS
2.	Draft placed before author			PS
3.	Draft proposed & placed before the second member			PS
4.	Draft discussed/approved by Second Member.			PS
5.	Approved Draft comes to the Sr.PS/PS			PS
6.	Kept for pronouncement on			
7.	File sent to the Bench Clerk			
8.	Date on which file goes to the AR			
9.	Date on which file goes to the Head Clerk.			
10.	Date of dispatch of Order.			
11.	Dictation Pad is enclosed			