

**IN THE INCOME TAX APPELLATE TRIBUNAL
SURAT BENCH, SURAT**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
MS SUCHITRA RAGHUNATH KAMBLE, JUDICIAL MEMBER**

I.T.A. No. 252/SRT/2025
(Assessment Year: 2017-18)

Shree Vegam Urban Co-op. Credit Society Limited, 104, 1 st Floor, Magnnus, Opp - Atlanta Shopping Mall, Althan, Surat- 395007 [PAN: AAJAS3198M]	Vs.	ACIT, Circle - 1(2), Surat
(Appellant)	..	(Respondent)

Appellant by :	Shri Shaunak K. Zaveri, CA
Respondent by:	Ms Namita Patel, Sr. DR
Date of Hearing	19.01.2026
Date of Pronouncement	22.01.2026

ORDER

PER DR. B.R.R. KUMAR, VICE-PRESIDENT:

This appeal has been filed by the assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi, [hereinafter referred to as "Ld. CIT(A)"] dated 21.11.2024, under section 250 of the Income-tax Act, 1961 [in short "the Act"] for the Assessment Year 2013-14.

2. The solitary issue required to be adjudicated by this Tribunal is that whether the assessee is eligible for deduction u/s 80P(2)(d) of the Act, for the interest received from the Co-operative Banks. In this case, an addition has been made by the Assessing Officer on account of interest received from Co-operative Bank of Rs.2,44,149/- and dividend income of Rs.3,210/-. It was submitted before us that the interest has been earned by the assessee out of Fixed Deposits in the Co-operative Banks which are exempt u/s 80P(2)(d) of the Act.

3. The issue before us is to determine whether the co-operative bank is also treated as co-operative society for the purpose of allowing deduction u/s 80P(2)(d) of the Act. This issue stands settled by the order of the jurisdictional High Court in case of PCIT vs. Ashwinkumar Arban Co-operative Society Ltd., (2024) 168 taxmann.com 314 (Gujarat). For the sake of ready reference, snippets of the said order is reproduced below:

“Section 80P, read with section 263 of the Income-tax Act, 1961 Deductions Income of co-operative societies (Interest from co- operative bank) Assessment year 2018-19- Principal Commissioner invoked revisional powers under section 263 on ground that Assessing Officer had allowed deduction on interest earned by assessee, a cooperative society, from investment made with a cooperative bank under section 80P(2)(d) which was erroneous and prejudicial to Interest of revenue Tribunal reversed Principal Commissioner's order holding that cooperative bank was a cooperative society registered under Gujarat State Cooperative Societies Act and, therefore, interest earned by assessee from said bank was eligible for deduction under section 80P(2)(d) - Whether deduction under section 80P(2)(d) is available to cooperative societies on income earned as interest on investment made with cooperative bank which in turn, is a cooperative society itself - Held, yes - Whether exclusion of applicability of section 80P to cooperative banks by section 80P(4) would not disentitle assessee from claiming deduction under section 80P(2)(d) in absence of any amendment in said section - Held, yes - Whether thus, provisions of section 80P(2)(d) would be applicable to instant case and Principal Commissioner was not justified in invoking revisional powers under section 263 which was rightly reversed by Tribunal - Held, yes [In favour of assessee]

The controversy sought to be canvassed with regard to deduction under section 80P(2)(d) is no more res integra in view of the decision of this Court in case of Katlary Kariyana Merchant Sahkari Sarafi Mandali Ltd. v Asstt. Commissioner of Income Tax [2022] 140 taxmann.com 602 (Guj.) as well as in case of State Bank

of India v Commissioner of Income Tax (2018) 389 ITR 578 (Guj.) wherein it was held that the deduction under section 80P(2)(d) is available to the cooperative societies on the income earned as interest on the investment made with the cooperative bank which in turn, is a cooperative society itself. [Para 28]

Reliance placed by the revenue on decisions of the Karnataka High Court in Totgars' Cooperative Sale Society (2017) 395 ITR 611 and Supreme Court in case of Totgars Cooperative Sale Society Ltd v. Income Tax Officer 322 ITR 283 (S.C), the Karnataka High Court appears to have taken into consideration the amendment in section 194A(3)(v) wherein the cooperative bank is excluded from the applicability of tax to be deducted at source. However, it appears that the interpretation made by the Karnataka High Court to the effect that the cooperative banks have been excluded from the definition of the cooperative societies by Finance Act, 2015 by amending section 194A(3)(v) is concerned, on perusal of section 194A (3), it appears that it provides for exemption from deducting Tax Deducted at Source from the income on interest other than interest on securities as the cooperative societies other than cooperative banks meaning thereby that the cooperative banks are liable to deduct TDS from the interest other than interest on securities. Therefore it cannot be said that cooperative banks are excluded from the definition of cooperative societies by such an amendment. [Para 29]

Moreover, as reliance placed on the aforesaid decision for applicability of section 80P(4) in the facts of the case is also not possible to accept as section 80P(4) would be applicable to the cooperative bank when the cooperative bank is liable to pay tax under the provisions of the Act and in such eventuality, the provision of section 80P would not be applicable as per the amendment of sub-section (4) of section 80P. Therefore, the exclusion of applicability of section 80P to cooperative banks by section 80P (4) would not disentitle the respondent-assessee from claiming deduction under section 80P(2)(d) in absence of any amendment in the said

section and that would not be sufficient to deny the claim of the respondent- assessee for deduction of interest earned from investment made in a cooperative bank which is also a cooperative society from the total income. [Para 30]

The Apex Court in case of Kerala State Co-operative Agricultural & Rural Development Bank Ltd. v. Assessing Officer in 458 ITR 184 while considering various provisions of the Banking Regulation Act read with provisions of the Income Tax Act has held that the provision of section 80P(4) would not be applicable to a cooperative bank which is not a bank as per the provisions of the Banking Regulation Act, 1949.[Para 31]

In view of the above the provisions of section 80P(2)(d) would be applicable in the facts of the case and the Principal Commissioner was not justified in invoking revisional powers under section 263 which is rightly reversed by the Tribunal holding that the cooperative bank is a cooperative society registered under the Gujarat State Cooperative Societies Act and in view of the various decisions of the Court, the Tribunal after following the same has come to the conclusion that the assessment was not erroneous allowing deduction of section 80P(2)(d) which is in consonance with the various decisions of the Court as a twin condition invoking section 263 as to the assessment being erroneous and prejudicial to the interest of the revenue are not being fulfilled. [Para 33]

In view of the foregoing reasons the question is answered in favour of the assessee and against the revenue. Tax Appeals being devoid of any merit are dismissed [Para 34].”

5. In the absence of any change in the legal preposition and the factual matrix the appeals of the assessee are hereby allowed.

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

The order is pronounced in the open Court on 22.01.2026.

**Sd/-
(SUCHITRA R. KAMBLE)
JUDICIAL MEMBER**

**Sd/-
(DR. B.R.R. KUMAR)
VICE-PRESIDENT**

Surat; Dated: 22.01.2026

**SAMANTA

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण,/ DR, ITAT, Surat
6. गार्ड फाईल / Guard file.

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BY ORDER,

Asstt. Registrar, Surat