

**IN THE INCOME TAX APPELLATE TRIBUNAL
“F” BENCH, MUMBAI**

**BEFORE SHRI SANDEEP GOSAIN, JUDICIAL MEMBER &
SHRI ARUN KHODPIA, ACCOUNTANT MEMBER**

**I.T.A. No. 7449/Mum/2025
A.Y: 2016-17**

Jagannath Co-operative Credit Society, Shop No. 7/8, Shree Ganesh CHS, Bldg No. 50 Nehrunagar Kurla (E) Mumbai - 400024 PAN – AAAAJ2215M	Vs	ITO, Ward -41(1)(2) Kautaliya Bhavan, BKC, Mumbai - 400051
(Appellant)		(Respondent)

Assessee by	Shri Shushant Alme
Revenue by	Shri Vivek Permpurna, CIT DR

Date of Hearing	13.01.2026
Date of Pronouncement	20.01.2026

ORDER

Per: SHRI. SANDEEP GOSAIN, J.M.:

The present appeal has been filed by the assessee challenging the impugned order dt. 08.09.2025 passed under section 250 of the Income Tax Act, 1961 (‘the Act’), by the National Faceless Appeal Centre (NFAC) / CIT(A) for the assessment year 2016-17. The assessee has raised the following rolls of appeal.

1 On the facts and in the circumstances of the case and in law, the Ld. Assessing Officer has failed to appreciate that the appellant is a Co-operative Credit Society exclusively engaged in providing credit facilities to the members and therefore, he was not justified denying the bonafide claim of deduction u/s 80P(2)(a)(i) of the Income Tax Act, 1961 and Ld. CIT(A) also

erred in sustaining the disallowance made by the Assessing Officer.

2. On the facts and in the circumstances of the case and in law, the Ld. Assessing Officer has wrongly interpreted the definition of "Primary Co-operative Bank" as laid down u/s 56(ccv) of the Banking Regulation Act, 1949 and thereby treating the appellant Society as Co-operative Bank and denying the deduction u/s 80P(2)(a)(i) of the Act.

3. On the facts and in the circumstances of the case and in law, the Ld. Assessing Officer as well as CIT(A) has failed to appreciate that the appellant is a Co-operative Credit Society and transactions of the said Society are confined to members only and therefore, the judgement of Hon'ble Bombay High Court in case of Quepem Urban Co-operative Credit Society vs ACIT (2015)120DTR(Bom.) 153 is applicable to the appellant Society.

4. On the facts and in the circumstances of the case and in law, the Ld. Assessing Officer as well as NFAC has failed to appreciate that the appellant Society exclusively engaged in the business of providing credit facilities to the members and in order to comply the statutory requirements, it has made fixed deposits in Co-operative Bank and therefore entire income of the appellant Society is eligible for deduction u/s 80P(2)(a)(i) of the Act. However, NFAC has wrongly observed that interest on fixed deposit is taxable under the head "Income from Other Sources" u/s 56 of the Act.

5. The appellant craves leave to add, amend, alter, modify, substitute, vary, delete, and rescind all or any of the above ground(s) of appeal before or at the time hearing.

2. All the grounds raised by the assessee are interrelated and interconnected and relates to challenging the order of Ld. CIT(A) in sustaining the disallowance made by the AO u/s 80P(2)(a)(i) of the Act. Therefore we have decided to adjudicate these grounds through the present consolidated order.

3. We have heard the counsels for both the parties, perused the material placed on record, judgments cited before us and also the orders passed by the revenue authorities. From the records, we noticed that assessee being a Co-operative Credit Society deriving income from providing credit facilities to the members and hence claimed its entire income as exempt u/s. 80P(2)(a)(i) of the Income Tax Act, 1961. Thus filed return of income u/s 139(1) of the Act declaring income of Rs. 1,99,130/- after claiming deduction u/s-80(2)(a)(i) of the Act of 1,14,21,040/- in respect of income on providing credit facilities to the member. As per provisions of section 80P(2)(a)(i) of the Act, the income attributable to providing credit facilities to the members is fully deductible. Therefore, interest received on providing credit facilities to the members and interest income earned on mandatory investment in fixed deposits in Co-operative Banks is a attributable income to providing credit facilities and therefore entire income of Rs. 1,14,21,040/- was claimed as deduction u/s 80P(2)(a)(i) of the Act.

4. In this regard, Ld. AR made detailed submissions as to how the interest income received on investment in fixed deposit with co-operative bank was not out of idle funds but investments were made as per statutory requirements and therefore, the said interest income attributes to providing credit facilities to members and eligible for deduction u/s 80P(2)(a)(i) of the Act.

5. It was also submitted that in its own case under the same provisions the deductions were allowed for A.Y 2013-14, 2014-15 and 2018-19, however AO without examining the merits of the submissions and without considering the case laws relied upon summarily rejected the claim of the assessee for this year even the first appellate authority i.e NFAC observed that interest earned from investment in nationalized bank by the cooperative society engaged in providing credit facilities to the members was not eligible for deduction u/s 80P of the Act.

6. After having gone through the facts of the present case and the submissions of the parties, we noticed from the records that assessee is a cooperative credit society and is distinct from the cooperative bank as has already been held by the Hon'ble Supreme Court in the case of **PCIT VS. M/S ANNASAHEB PATIL MATHADI KAMGAR SAHAKARI PATHPEDI LIMITED CIVIL APPEAL NO. 8719/2022**, wherein the court analyzed the issue *whether, Co-operative Credit Societies are bank or not. While dismissing the Appeal filed by the revenue, the Hon'ble Supreme Court has observed the assessee Society cannot be termed as bank/Co-operative bank and that being a credit Society they are entitled to exemption u/s 80P(2)(a)(i) of the Act. Even otherwise on merit also and taking into CDBT circulars and even definition under the banking regulation act the respondent/Assessee Society cannot to be said to be a Co-operative Bank and therefore section 80P (4) shall not be applicable and that the respondent/assessee Society shall be entitled to exemption/benefit under section*

80(P)(2) of the Income Tax Act in respect of entire income received by providing credit facilities including attributable income.

7. Moreover, issue raised in the present case is also squarely covered by multiple decisions of Coordinate Benches of ITAT, wherein it was consistently held that interest on investments made by the cooperative society as per the statutory mandate is income from business and thus eligible for deduction u/s 80P(2)(a)(i) of the Act and therefore reliance in this regard is being placed upon the following case laws.

i. In the case of **Vithhal Rukhmini Sahakari, Mumbai Vs. DCIT, Circle-3, Kalyan, ITA no. 1571 & 1572/Mum/2025, (A.Y.2018- 19 & 2015-16)**, It was held that *interest income received on investment is a income attributable to providing facilities to members and same is Income from business unlike Co-operatives Banks and the same is eligible for deduction on u/s 80P(2)(a) (i) of the Income Tax Act, 1961.*

ii. In the case of **Shree Kulswami Co-op Credit Society Limited, ITA no.730/M/2022. AY 2017-18 & AY 2018-19**, It was held that *'Assessee being a Co-operative Society under the registered Maharashtra Co-operative Society Act, 1960 is entitled for deduction qua its interest Income derived from investment with Co-operative bank would eligible for deduction u/s 80P(2)(d) of the Act'*

iii. In the case of ***NPC Employees Cooperative Credit Society Limited ITA no. 89/M/2024, AY 2020-21.*** It was held that *assessee Society is exclusively engaged in providing credit facilities to the members, is entitled to deduction under section 80 P (2 (a)(i) of the act on interest income received by the assessee from State Bank of India o funds which are immediately required for its utilization in case of assessee being a member's credit cooperative society.*

iv. In the case of ***Indraprastha Nagari Patsanstha Ltd Vs. ITO, Sangli, ITA no.184/Pune/2022,*** it was held that *Assessee a Co- operative Society is eligible for deduction u/s 80P(2) of the Act in respect interest income earn by Assessee Society from either any other Co-operative Society or Co-operative Bank.*

v. In the case of ***Mumbai Sales Tax Staff Co-op Credit Soc Ltd. ITA No. 1820/MUM/2017, Income Tax Appellate Tribunal, Mumbai,*** it was held that *Interest received on investment with Fixed Deposit with The Mumbai District Central Co- operative Bank Ltd is eligible for deduction u/s 80P(2)(a)(i) of the Act.*

8. Therefore considering the entire facts and circumstances and also the legal prepositions as discussed by us above, we are also of the view that the interest and dividend income attributes providing credit facilities to members is eligible for deduction u/s 80P(2)(A)(i) of the Act. Thus the impugned orders passed by the

AO and sustained by Ld. CIT(A) / NFAC are not in accordance with law and judicial pronouncements as discussed by us above, therefore they are set aside and AO is directed to delete the additions as the assessee is found eligible for deduction u/s 80P(2)(A)(i) of the Act. Thus the grounds raised by the assessee stands allowed.

9. In the result, the appeal filed by the assessee stands allowed.

Order pronounced in the open court on 20/01/2026

Sd/-
ARUN KHODPIA
(ACCOUNTANT MEMBER)

Sd/-
(SANDEEP GOSAIN)
(JUDICIAL MEMBER)

Mumbai:

Dated: 20/01/2026

KRK, Sr. PS.

Copy of the order forwarded to:

- (1) The Appellant
- (2) The Respondent
- (3) The CIT
- (4) The CIT (Appeals)
- (5) The DR, I.T.A.T.

True Copy

By order

(Asstt. Registrar)
ITAT, Mumbai