

**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH : BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

ITA No. 2164/Bang/2024
Assessment Year : 2017-18

M/s. Sree Maruthi Co-operative Housing Society Ltd., #590, 4 th Cross, 4 th Main Road, Sri Maruthi Layout, Vasanthapura, Subramanyapura S.O., Vasanthapura, Bangalore – 560 061. PAN: AAEAS9208H	Vs.	The Income Tax Officer, Ward – 7(2)(2), Bengaluru.
APPELLANT		RESPONDENT

Assessee by	:	Shri P.R. Suresh, CA
Revenue by	:	Shri Subramanian .S, JCIT-DR

Date of Hearing	:	02-02-2026
Date of Pronouncement	:	03-02-2026

ORDER

PER SOUNDARARAJAN K., JUDICIAL MEMBER

This is an appeal filed by the assessee challenging the order of the NFAC, Delhi dated 13/09/2024 in respect of the A.Y. 2017-18 and raised the following grounds:

“1. The assessment order passed u/s 143(3) of the Act dated 16/12/2019 is opposed to law, facts and circumstances of the case.

2. *The Learned CIT (Appeals) — NFAC has erred in confirming the disallowance U/s 80P(2)(d) of Rs.26,91,423/- made by the Assessing Officer vide his order dated 13.09.2024.*

3. *The Ld. AO has erred in computing income at Rs 26,91,423 made in the return of Income, without appreciating the fact that the Total Income subject to deduction u/s 80P(2)(d) r.w.s 80P(2)(a)(i) ought to have been Nil.*

4. *The Ld. AO has erred in holding that the interest income of Rs. 38,66,610/-(the correct amount is Rs.26,91,423 was derived as income from other source without appreciating the fact that the said income was attributable to the profits and gains of the business activities of the Appellant Society.*

5. *The Ld. AO has relied upon the decision of the Honorable Supreme Court in the case of Totgers Co-operative Sales Society Ltd., v/s ITO, which was applicable in respect of the investment made out of the surplus and idle funds in the Short Term Deposits as chargeable to tax without appreciating the facts of the above decision are distinguishable in as much as the Appellant has not made any deposits of the funds said to be surplus and idle.*

6. *The Ld. AO ought to have obliged to follow the Appellate Orders passed by the Honorable CIT(A)-10 and Honorable CIT(A)-7 for the A.Yrs 2014-15 and 2015-16 respectively since the facts and circumstances of the A.Y 2017-18 are similar and identical to that of the A.Yrs 2014-15 and 2015- 16 in the Appellants own case.*

7. *The Appellant craves leave to add, alter, amend and delete any of the grounds at the time of hearing.”*

2. The brief facts of the case are that the assessee is a co-operative housing society registered under the provisions of the Karnataka Co-operative Societies Act. The assessee filed Nil return and the said return was processed u/s. 143(1) of the Act. Thereafter the case was selected for scrutiny under CASS and notice u/s. 143(2) was issued and subsequently, notice u/s. 142(1) was issued. The assessee appeared and submitted the details and documents as sought for by the AO. The AO had alleged that the assessee had claimed deduction on the interest income earned from the

co-operative bank viz., Textile Co-operative Bank Ltd. The AO had disallowed the said claim of deduction on the ground that the section 80P(4) would be attracted in the present case and therefore claim u/s. 80P(2)(a)(i) or 80P(2)(d) would not be an allowable one. As against the said order, the assessee filed an appeal before the Ld.CIT(A). The assessee also contended that the interest income earned from the co-operative bank which is a co-operative society registered under the provisions of the Karnataka Co-operative Societies Act could also be entitled to deduction u/s. 80P(2)(a)(i) of the Act if the same is a business income or u/s. 80P(2)(d) of the Act if the same is an income from other sources. The Ld.CIT(A) had partly allowed the appeal by directing the AO to reduce the interest income claimed from the business income and confirmed the disallowance made u/s. 80P on the ground that the interest income was earned from co-operative banks and therefore would not be entitled for claim of deduction u/s. 80P of the Act.

3. As against the said order, the present appeal has been filed by the assessee before this Tribunal.

4. At the time of hearing, the assessee submitted that the assessee is a co-operative society and deposited its corpus funds collected from the members with the co-operative banks and earned interest out of the said deposits and therefore the co-operative banks being the co-operative societies, the said interest income is entitled for deduction u/s. 80P of the Act. The Ld.AR also submitted an alternate argument that since the corpus fund was deposited into the co-operative bank the interest accrued from the said deposits could be treated as capital in nature and therefore the same would not be subjected to tax as an income under the Act. The Ld.AR also relied on the order of this Tribunal in assessee's own case for the A.Y. 2016-17 in ITA No. 1895/Bang/2024 dated 09/12/2025 and prayed to allow the appeal.

5. The Ld.DR relied on the orders of the lower authorities and prayed to dismiss the appeal.

6. We have heard the arguments of both sides and perused the materials available on record.

7. We have perused the earlier order of this Tribunal in assessee's own case in which the following finding has been given.

“7. Insofar as the first finding that the assessee is a co-operative housing society and therefore they are not entitled for deduction u/s. 80P of the Act is concerned, we do not find any merit in the said submission since the section 80P(1) says about the co-operative societies and the manner of computing the income of the said co-operative societies. Therefore the said finding of the AO is not correct.

8. The second argument made by the assessee is that the assessee society has invested the corpus funds in the co-operative bank viz., Textile Co-operative Bank Ltd. and therefore they are entitled for deduction u/s. 80P(2)(d) of the Act. We have considered the facts that the assessee is a co-operative society and the Textile Co-operative Bank Ltd. is also registered as a society under the Karnataka Co-operative Societies Act and therefore the claim made by the assessee that they are entitled for deduction u/s. 80P(2)(d) of the Act seems to be a valid one. The above said view is supported by the judgment of the Hon'ble Supreme Court reported in 431 ITR 1 in the case of Mavilayi Service Co-operative Bank Ltd. v. CIT and in the case of Kerala State Co-operative Agricultural and Rural Development Bank Ltd. KSCARDB v. the Assessing Officer, Trivandrum and Ors. reported in (2023) 458 ITR 384 wherein the Hon'ble Supreme Court has held that the co-operative banks are necessarily a species of the co-operative society. Therefore the interest income earned from the said investments with the other co-operative societies are eligible for deduction u/s. 80P(2)(d) of the Act.

9. Even though this issue was considered by the Single Member Bench of this Tribunal in ITA No. 6/Bang/2025 dated 25/07/2025 in the case of Shri Mahaveer Co-operative Credit Society Ltd. vs. ITO, we concurred with the said finding given by the Single Member Bench, since the said decision was taken by relying on the judgments of the Hon'ble Supreme Courts cited supra. Even though, the order of the Single Member Bench is available and the said order is not binding on the Division Bench, we are taking the principles laid down by the Single Member Bench since the said findings are given

based on the judgments of the Hon'ble Supreme Court cited supra.

10. *We, therefore of the view that the interest income earned by the assessee from the co-operative bank which is also a co-operative society registered under the Karnataka Co-operative Societies Act, are eligible for deduction u/s. 80P(2)(d) of the Act. We, therefore set aside the orders of the lower authorities and grant the benefit provided u/s. 80P(2)(d) of the Act."*

8. In view of the above said decision taken by this Tribunal and the facts are similar to the earlier assessment year, we are following the above said order and allow the appeal filed by the assessee.

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

Order pronounced in the open court on 03rd February, 2026.

Sd/-
(PRASHANT MAHARISHI)
Vice – President

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 03rd February, 2026.
/MS /

Copy to:

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

By order

Assistant Registrar,
ITAT, Bangalore