

आयकर अपीलिय अधिकरण, 'बी' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं
श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.2883/Chny/2025
निर्धारण वर्ष/Assessment Year: 2017-18

The DCIT, NCC-8(1), Chennai.	v.	M/. Larsen & Toubro Group Employees Co-op. Thrift & Credit Society Ltd., Tc 1 First Floor, L & T Construction Campus, Mount Poonamallee Road, Manapakkam, Chennai-600 089. [PAN: AAAAL 7231 K]
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
Department by	:	Mr.K. Ilaiyaraja, Addl.CIT
Assessee by	:	Mr.N. Arjun Raj, Advocate
सुनवाईकीतारीख/Date of Hearing	:	18.12.2025
घोषणाकीतारीख /Date of Pronouncement	:	04.02.2026

आदेश / ORDER

PER ABY T. VARKEY, JM:

This is an appeal preferred by the Revenue against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as "the Ld.CIT(A)"), Delhi, dated 06.08.2025 for the Assessment Year (hereinafter referred to as "AY") 2017-18.



:: 2 ::

2. The main grievance of the Revenue is against the action of the Ld.CIT(A) deleting the disallowance of ₹2,00,18,337/- made by the AO refusing claim made u/s.80P(2)(d) of the Income Tax Act, 1961 (hereinafter referred to as 'the Act').

3. The brief facts are that the assessee is a Cooperative Society of Larsen & Toubro Employees, which filed its return of income (RoI/ITR) on 30.10.2017 for AY 2017-18 declaring taxable income of ₹27,24,330/- and later revised it on 23.05.2018 declaring taxable income of ₹27,44,030/-. The ITR of the assessee was selected for scrutiny through CASS and the AO noted, inter-alia, that the assessee claimed exemption u/s.80P(2)(d) of the Act in respect of the interest income accrued to it (i) on the fixed deposit in Chennai Central Cooperative Bank to the tune of ₹1,21,18,059/- and (ii) from George Town Cooperative Bank an amount of ₹79,00,278/- [totaling ₹2,00,18,337/-] which claim the AO disallowed mainly relying on the decision of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. v. ITO reported in [2010] 322 ITR 283 (SC).

4. Aggrieved, the assessee preferred an appeal before the Ld.CIT(A) who after considering the AO's reliance placed on the decision of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. (supra), held the AO's action to be erroneous and instead held in



:: 3 ::

favour of the assessee by observing that the said decision of the Hon'ble Supreme Court was rendered in the context of Section 80P(2)(a)(i) of the Act and therefore not applicable to the claim made by the assessee in the present case. Thereafter, the Ld.CIT(A) is noted to have relied on the decision of the Hon'ble Madras High Court in the case of Thorapadi Urban Co-op. Credit Society Ltd. v. ITO in W.P.No.11172/2023 dated 10.10.2023 and also the decision of the Hon'ble Gujarat High Court in the case of CIT v. Sabarmathi Mill Unit Ltd., and plethora of other cases held that assessee was entitled for deduction u/s.80P(2)(d) of the Act in respect of interest income earned from both the Co-operative Banks and directed the AO to allow deduction u/s.80P(2)(d) of the Act on the interest income derived from the aforesaid two Co-operative Banks. Aggrieved, the Revenue is before us.

5. We have heard both the parties and perused the material available on record. We note from the grounds of appeal raised by the Revenue that their main grievance is that the Ld.CIT(A) while granting the relief to the assessee on this issue didn't appreciate the decision of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. (supra). However, we note that the issue raised by the Revenue is no longer res-integra, since the very same decision in Totgars Co-operative Sale Society Ltd.supra, later on, came up before the Hon'ble Karnataka



:: 4 ::

High Court and the Hon'ble High Court vide order dated 05.01.2017, held as under:

The Revenue has challenged the order dated 22.01.2016 passed by the ITAT 'C' Bench, Bangalore, whereby the learned Tribunal has dismissed six appeals filed by the Revenue against the respondent-assessee.

2. Briefly the facts of the case are that the respondent assessee is a Co-operative Credit Society providing credit facilities to its members, and marketing the agricultural produce of its members; it runs a kirana section, rice mills, van section, medical shop, Arecanut trading section, lodging in the name of Samrat Hotels in Sirsi, and is also involved in plying and hiring of goods carriage. After claiming a deduction of Rs. 4,09,34,404/- under Section 80P of the Income Tax Act, ('the Act' for short), along with deduction under Section 10(34) of the Act, the assessee filed its returns. While assessing the income tax returns, the Assessing Officer disallowed the claim of deduction under Section 80P(2)(d) of the Act, to the extent of Rs. 3,34,970/-. The said deduction was disallowed ostensibly on the ground that the said amount of income was earned by the assessee in the form of interest from deposits in the Co-operative Banks. Thus, it should be brought to tax under the head "other sources". Therefore, the assessee was not eligible for deduction under Section 80P(2)(d) of the Act, on this count. Therefore, the Assessing Officer made an addition of the interest earned by the assessee from the Co-operative Banks by denying deduction under Section 80P(2)(d) of the Act.

3. Since the assessee was aggrieved by the assessment order passed by the Assessing Officer, it filed an appeal before the Commissioner of Income Tax (Appeals). Before the CIT(A) the assessee argued that it is entitled to claim deduction u/S 80P(2)(d) of the Act. By order dated 30.03.2015 the CIT(A) allowed the appeal filed by the assessee, and deleted the additions made by the Assessing Officer.

4. Since the Revenue was aggrieved by order dated 31.03.2015, it further filed an appeal before the ITAT. However, by order dated 22.01.2016, the learned Tribunal has dismissed the appeal filed by the Revenue. Hence, the present appeal before this Court.

5. The learned counsel for the Revenue has pleaded that two substantial questions of law are raised in the present appeal, namely,

'1. Whether the learned Tribunal was justified in deleting the additions made by the Assessing Authority being the disallowed deduction claimed u/S. 80P(2)(d) of the Income Tax Act and in the light of the decision of the Supreme Court with regard to the same exact assessee as the present one, namely, The



:: 5 ::

Totgars Co-operative Sale Society Ltd. v. Income Tax Officer in Civil Appeal Nos.1622 to 1629/2010 decided by the Apex Court on 08.02.2010 or not?

2. Whether, in the facts and circumstances of the case, the Tribunal is justified in not following the decision rendered by the Hon'ble Supreme Court in Civil Appeal No. 1622 of 2010, wherein the Apex Court has to be held that the words used in Section 80P "the whole of the amount of profits and gains of business" emphasise that the income in respect of which deduction is sought must constitute the operational income and not the other income which accrues to the society and as such interest earned on funds which are not required for business purposes falls under the category of "other income" taxable under the Income Tax Act?'

6. According to the learned counsel, the present appeal should be admitted on these two substantial questions of law.

7. However, the contention being taken by the learned counsel is untenable. For the issue that was before the ITAT, was a limited one, namely whether for the purpose of Section 80P(2)(d) of the Act, a Co-operative Bank should be considered as a Co-operative Society or not? For, if a Co-operative Bank is considered to be a Co-operative Society, then any interest earned by the Co-operative Society from a Co-operative Bank would necessarily be deductible under Section 80P(1) of the Act.

8. The issue whether a Co-operative Bank is considered to be a Co-operative Society is no longer res integra. For the said issue has been decided by the ITAT itself in different cases. Moreover the word "Co-operative Society" are the words of a large extent, and denotes a genus, whereas the word "Co-operative Bank" is a word of limited extent, which merely demarcates and identifies a particular species of the genus Co-operative Societies. Co-Operative Society can be of different nature, and can be involved in different activities; the Co-operative Society Bank is merely a variety of the Co-operative Societies. Thus the Co-operative Bank which is a species of the genus would necessarily be covered by the word "Co-operative Society".

9. Furthermore, even according to Section 56(i)(ccv) of the Banking Regulations Act, 1949, defines a primary Co-Operative Society bank as the meaning of Co-Operative Society. Therefore, a Co-operative Society Bank would be included in the words 'Co-operative Society'.

10. Admittedly, the interest which the assessee respondent had earned was from a Co-operative Society Bank. Therefore, according to Sec. 80P(2)(d) of the I.T. Act, the said amount of interest earned from a Co-operative Society Bank would be deductible from the gross income of the Co-operative Society in order to assess its total income.



:: 6 ::

Therefore, the Assessing Officer was not justified in denying the said deduction to the assessee respondent.

11. The learned counsel has relied on the case of Totgars Co-operative Sale Society Ltd. v. ITO [2010] 322 ITR 283/188 Taxman 282 (SC). However, the said case dealt with the interpretation, and the deduction, which would be applicable under Section 80P(2)(a)(i) of the I.T. Act. For, in the present case the interpretation that is required is of Section 80P(2)(d) of the I.T. Act and not Section 80P(2)(a)(i) of the I.T. Act. Therefore, the said judgment is inapplicable to the present case. Thus, neither of the two substantial questions of law canvassed by the learned counsel for the Revenue even arise in the present case.

12. For the reasons stated above, this Court does not find any merit in the present appeal. Hence, the appeal is dismissed.

6. From a reading of the above order, it is clear that the Hon'ble Karnataka High Court has taken note of the Hon'ble Supreme Court decision in the case of Totgars Co-operative Sale Society Ltd. (supra) [relied upon by the AO in the present case] and clarified that the Hon'ble Supreme Court decision was in the context while deciding the applicability of Section 80P2(a)(i) of the Act and **not** Section 80P(2)(d) of the Act. Thus, we find that the Ld.CIT(A) while passing the impugned order has correctly understood the position of Law and thereafter has rightly taken note that the assessee in the present case had earned interest income (i) on fixed deposit in Chennai Central Cooperative Bank to the tune of ₹1,21,18,059/- & (ii) George Town Cooperative Bank ₹79,00,278/- [refer Paper Book (Volume-II) at Page Nos.1-4], which banks were basically Co-operative Societies and therefore the interest income earned from deposit in such banks are eligible for deduction u/s.80P(2)(d) of the Act and thus,



ITA No.2883/Chny/2025 (AY 2017-18)
M/. Larsen & Toubro Group Employees Co-op.
Thrift & Credit Society Ltd.

:: 7 ::

find no infirmity in the impugned action of the Ld.CIT(A) which we confirm and dismiss the Revenue appeal.

7. In the result, appeal filed by the Revenue is dismissed.

Order pronounced on the 04th day of February, 2026, in Chennai.

Sd/-

(एस. आर. रघुनाथा)
(S.R.RAGHUNATHA)

लेखा सदस्य/**ACCOUNTANT MEMBER**

Sd/-

(एबी टी. वर्की)
(ABY T. VARKEY)

न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 04th February, 2026.

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आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF