



आयकर अपीलीय अधिकरण "एस एम सी" न्यायपीठ पुणेमें।
IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCHES "SMC" :: PUNE

BEFORE DR.DIPAK P. RIPOTE, ACCOUNTANT MEMBER
AND
SHRI VINAY BHAMORE, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.3064/PUN/2025

निर्धारण वर्ष / Assessment Year: 2021-22

Walwa Panchayat Samittee Salarayearners Sahakari Patsanstha Ltd., Urun Islampur, Sangli – 415409.	V s	The Income Tax Officer, Ward-5, Sangli.
PAN: AAAAW0459L		
Appellant/ Assessee		Respondent / Revenue

Assessee by	None
Revenue by	Shri Ajitesh Kumar Meena – Addl.CIT
Date of hearing	27/01/2026
Date of pronouncement	28/01/2026

आदेश/ ORDER

PER DR. DIPAK P. RIPOTE, AM:

This is an appeal filed by the Assessee against the order of Id.Commissioner of Income Tax(Appeal)[NFAC] passed under section 250 of the Income Tax Act, 1961 for the A.Y.2021-22 dated 19.08.2025 emanating from the Assessment Order passed under section 143(3) read with section 144B of the Act, dated 09.12.2022.



Delay :

1.1 There was a delay of 40 days in filing appeal before this Tribunal. Assessee filed an Affidavit for condonation of delay. We have perused the Affidavit and are convinced that there is reasonable and sufficient cause for delay. Hence, delay is condoned.

Findings & Analysis :

2. We have heard Id.DR and perused the records. In this case, Assessing Officer has disallowed assessee's claim for deduction u/s.80P of Rs.30,82,722/-, on the ground that Assessee failed to file details. Aggrieved by the assessment order, Assessee filed appeal before Id.CIT(A) who has confirmed the assessment order.

3. In this case, Assessing Officer in the assessment order has stated that assessee did not furnish details and hence, Assessing Officer(AO) disallowed assessee's claim for deduction u/s.80P of the Act. Ironically, the said statement made by Assessing Officer in para 4.6 of the Assessment Order is factually incorrect and contradictory to the facts mentioned in para 4.3 and para 4.2 of the assessment order.



3.1 In this case, Assessee is a Co-operative Credit Society. It is specifically mentioned in the assessment order that assessee filed copy of balance sheet, profit and loss account, copy of by-laws, copy of registration certificate, copy of interest certificate. Assessee has received interest from Sangli District Central Co-operative Bank Limited. It was submitted before Assessing Officer that Assessee is eligible for deduction u/s.80P(2)(a)(i) as the interest earned is business income. However, it is observed that Assessing Officer without going into the documents filed by the assessee, disallowed assessee's claim. The Id.CIT(A) has dismissed the appeal of the assessee, because there was a delay of 09 days in filing appeal.

4. We have perused the assessment order, Id.CIT(A)'s order, it is an admitted fact that assessee has received interest from Sangli District Central Co-operative Bank Limited. Assessee had filed interest certificate before the Assessing Officer. It is also an admitted fact that Assessee is a Co-operative Credit Society registered under Maharashtra Co-operative Societies Act. Assessee had filed registration certificate before the Assessing Officer.

5. Now, the issue before us is whether assessee is eligible for deduction under section 80P(2)(a) of the Act or not!



5.1 The Hon'ble High Court of Andhra Pradesh and Telangana in the case of Vavveru Co-operative Rural Bank Ltd. [2017] 396 ITR 371 analysed the provisions of Section 80P, succinctly distinguished the decision of Hon'ble Supreme Court in the case of Totagars Cooperative Sale Society, and held as under :

Quote, "8. Therefore, the real controversy arising in these writ petitions is as to whether the income derived by the petitioners by way of interest on the fixed deposits made by them with the banks, is to be treated as profits and gains of business attributable to any one of the activities indicated in sub-clauses (i) to (vii) of clause (a) of sub-section (2) of section 80P or not.

9. While the petitioners place strong reliance upon a decision of the Division Bench of this court in CIT v. Andhra Pradesh State Co-operative Bank Ltd. [2011] 12 taxmann.com 66/200 Taxman 200/336 ITR 516, the Revenue places strong reliance upon the decision of the Supreme Court in Totgar's Co-operative Sale Society Ltd. v. ITO [2010] 188 Taxman 282/322 ITR 283.

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34. The case before the Supreme Court in Totgar's Co-operative Sale Society Ltd.'s case (supra) was in respect of a co-operative credit society, which was also marketing the agricultural produce of its members. As seen from the facts disclosed in the decision of the Karnataka High Court in Totgars, from out of which the decision of the Supreme Court arose, the assessee was carrying on the business of marketing agricultural produce of the members of the society. It is also found from paragraph-3 of the decision of the Karnataka High Court in



Totgar's Co-operative Sale Society Ltd.'s case (supra) that the business activity other than marketing of the agricultural produce actually resulted in net loss to the society. Therefore, it appears that the assessee in Totgars was carrying on some of the activities listed in clause (a) along with other activities. This is perhaps the reason that the assessee did not pay to its members the proceeds of the sale of their produce, but invested the same in banks. As a consequence, the investments were shown as liabilities, as they represented the money belonging to the members. The income derived from the investments made by retaining the monies belonging to the members cannot certainly be termed as profits and gains of business. This is why Totgar's struck a different note.

35. But, as rightly contended by the learned senior counsel for the petitioners, the investment made by the petitioners in fixed deposits in nationalised banks, were of their own monies. If the petitioners had invested those amounts in fixed deposits in other co-operative societies or in the construction of godowns and warehouses, the respondents would have granted the benefit of deduction under clause (d) or (e), as the case may be.

36. The original source of the investments made by the petitioners in nationalised banks is admittedly the income that the petitioners derived from the activities listed in sub-clauses (i) to (vii) of clause (a). The character of such income may not be lost, especially when the statute uses the expression "attributable to" and not any one of the two expressions, namely, "derived from" or "directly attributable to".

37. Therefore, we are of the considered view that the petitioners are entitled to succeed. Hence, the writ petitions are allowed, and the order of the Assessing Officer, in so far as it relates to treating the interest income as something not allowable as a deduction under section 80P(2)(a), is set aside."Unquote.



5.2 Thus, the Hon'ble High Court of AP &TS held that Interest Income earned by investing Income derived from Business of providing credit facilities, Loans by a Co-Operative Society was eligible for deduction u/sec.80P(2)(a) of the Act.

6. In the case of Sahyadri Co-operative Credit Society Limited, the Sahyadri Co-operative Credit Society had deposited excess funds in the Banks or Institutions permitted by the Co-operative Societies Act. In that context, the Hon'ble Kerala High Court in the case of Pr.CIT Vs. Sahyadri Co-operative Credit Society Ltd., [2024] 301 Taxman 36 (Kerala) vide order dated 04.09.2024 has held as under :

Quote “7. On a consideration of the rival submissions, we are of the view that for the reasons stated hereinafter, the question of law that arises for consideration before us must be answered against the Revenue and in favour of the assessee. The permissible deduction that is envisaged under Section 80P(2) of the I.T. Act for a Co-operative Society that is assessed to tax under the head of 'Profits and Gains of Business or Profession' is of the whole of the amount of profits and gains of business attributable to any one or more of its activities. Thus, all amounts as can be attributable to the conduct of the specified businesses by a Co-operative Society will be eligible for the deduction envisaged under the statutory provision. The question that arises therefore is whether, merely because the assessee chooses to deposit its surplus profit in a permitted bank or financial institution, and earns interest on such deposits, such interest would cease to form part of its profits and gains attributable to its business of providing credit facilities to its members? In our view that question must be answered in the negative, since we cannot accept the contention of the Revenue that



the interest earned on those deposits loses its character as profits/gains attributable to the main business of the assessee. It is not as though the assessee in the instant case had used the surplus amount [the profit earned by it] for an investment or activity that was unrelated to its main business, and earned additional income by way of interest or gain through such activity. The assessee had only deposited the profit earned by it in the manner mandated under Section 63 of the Multi-State Co-operative Societies Act, or permitted by Section 64 of the said Act. In other words, it dealt with the surplus profit in a manner envisaged under the regulatory Statute that regulated, and thereby legitimized, its business of providing credit facilities to its members. Under those circumstances, if the assessee managed to earn some additional income by way of interest on the deposits made, it could only be seen as an enhancement of the profits and gains that it made from its principal activity of providing credit facilities to its members. The nature and character of the principal income [profits earned by the assessee from its lending activity] does not change merely because the assessee acted in a prudent manner by depositing that income in a bank, instead of keeping it in hand. The provisions of the I.T. Act cannot be seen as intended to discourage prudent financial conduct on the part of an assessee.” Unquote

6.1 Thus, Hon’ble Kerala High Court has held that the character of income does not change. The Hon’ble Kerala High Court held that interest earned from deposits in banks will be eligible for deduction u/s.80P of the Act.

6.2 Thus, whether a Co-operative Credit Society is eligible for deduction u/s.80P(2)(a)(i) on the interest income earned from Co-operative Banks and other banks is decided in favour of assessee. Therefore, respectfully following Hon’ble AP & TS High Court and



Hon'ble Kerala High Court, we hold that Assessee is eligible for deduction u/s.80P(2)(a)(i) of the Act, on the interest earned on Co-operative Banks and Other Banks. Therefore, for all the reasons discussed, we direct the Assessing Officer to allow the deduction u/s 80P(2)(a) on Interest Income of Rs.30,82,722/-. No contrary decision of Hon'ble Jurisdictional High Court was brought to our notice. Accordingly, Grounds of appeal raised by the Assessee are allowed.

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

Order pronounced in the open Court on 28 January, 2026.

Sd/-
VINAY BHAMORE
JUDICIAL MEMBER

Sd/-
Dr.DIPAK P. RIPOTE
ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 28 Jan, 2026/ SGR

आदेशकीप्रतिलिपिअग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A), concerned.
4. The Pr. CIT, concerned.
5. विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, "एस एम सी" बेंच, पुणे / DR, ITAT, "SMC" Bench, Pune.
6. गार्डफ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

/ / TRUE COPY / /

Senior Private Secretary
आयकर अपीलीय अधिकरण, पुणे/ITAT, Pune.