आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH, CHENNAI

श्री मनु कुमार गिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER

आयकर अपील सं./**ITA Nos.:2095 & 2096/Chny/2025**
निर्धारण वर्ष / **Assessment Years: 2017-18 & 2018-19**

ITO, Non-Corporate Ward – 6(1), Chennai.	vs.	**Railway Employees Co-operative Credit Society Limited,** PB No.259/LB, Ashok Vihar Complex, Park Town, Parrys, Chennai.
(अपीलार्थी/Appellant)		**[PAN:AADAT-7303-F]** (प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Ms. R. Anitha, Addl. CIT
प्रत्यर्थी की ओर से/Respondent by : Shri. Vignesh Kumarasamy, Advocate

सुनवाई की तारीख/Date of Hearing : 20.11.2025
घोषणा की तारीख/Date of Pronouncement : 09.02.2026

आदेश /O R D E R

PER S. R. RAGHUNATHA, AM:

Both these appeals in ITA No.2096/Chny/2025 and 2095/Chny/2025 are filed by the Revenue are directed against orders of the Learned Commissioner of Income Tax, National Faceless Appeal Centre, Delhi [herein after "ld.CIT(A)] dated 30.09.2024 for the assessment years 2018-19 and 2017-18 against the order of the Assessing officer (NFAC) passed u/s.143(3) of the Act dated 10.02.2021 and 26.12.2019 respectively.

1.1 Since facts of the cases and the grounds taken up in the appeals are similar except variation in the amount, these appeals were heard together and a common order is passed for the sake of convenience

2. First, we shall take up the appeal in ITA No. 2096/Chny/2025 relevant to the assessment year 2018-19 for adjudication.

3. At the outset, we find that there is a delay of 241 days in appeals filed by the Revenue for which a petition for condonation of delay, setting out the reasons for such delay, has been filed. After considering the petition filed by the Revenue and also hearing both the parties, we find that there is a reasonable cause for the Revenue in not filing appeal on or before the due date prescribed under the law and thus, in the interests of justice, we condone delay in filing of appeal and admit appeal filed by the Revenue for adjudication.

4. The main grievance of the Revenue is against the action of the Ld.CIT(A) in allowing the deduction u/s.80P(2)(a)(i) of the Act on interest income earned from deposits maintained with Co-operative Banks of Rs.6,72,00,055/-.

5. Brief facts of the case are that the assessee is a society registered under the Multi-State Co-operative Societies Act, 2002. The assessee filed its return of income on 13.08.2018 declaring a total income of Rs.14,92,260/-. Subsequently, the assessee revised its return of income on 26.03.2019 declaring the same total income of Rs.14,92,260/-, after claiming deduction of Rs.6,72,00,055/- under Chapter VI-A of the Act. The AO has stated that the assessee had claimed its entire income as exempt u/s.80P(2)(a)(i) of the Act in the return of income and the entire income is shown as derived from credit and banking facility. Further, the AO observed that the interest income earned on deposits maintained with REPCO Bank, Karur Vysya Bank, Canara Bank, Union Bank of India, State Bank of India (Siruthozhil), State Bank of India (L&I), Chennai Central Co-operative Bank and other commercial banks does not fall

within the ambit of section 80P(2)(a)(i) of the Act. According to the AO, the claim of deduction to that extent made in the return of income was not admissible. Consequently, the interest income received from the aforesaid banks, including interest earned on savings bank accounts with commercial banks, was assessed under the head 'Income from Other Sources' and added to the total income of the assessee by denying deduction u/s. 80P(2)(a)(i) of the Act amounting to Rs.6,72,00,055/-

6. Being aggrieved, the assessee preferred an appeal before the ld.CIT(A) against the assessment order, dated 10.02.2021, passed u/s.143(3) r.w.s 143(3A) & 143(3B) of the Act wherein the AO had denied deduction u/s.80P(2) of the Act. After considering the submissions of the assessee and following the various judicial precedents in the assessee's own case as noted in para 8 in page No.5 of the order, the ld.CIT(A) deleted the disallowance made by the AO and allowed the claim of deduction u/s. 80P(2)(a)(i) of the Act.

7. Aggrieved, the Revenue is in appeal before us, by relying on the various decisions and the Ld. DR has prayed that the deletion made by the Ld.CIT(A) should be reversed.

8. On the other hand, the Ld.AR strongly supported the order of the Ld.CIT(A).

9. We have heard the rival submissions, perused the material available on record and carefully gone through the orders of the lower authorities. The solitary issue arising for our consideration is whether the assessee is entitled for deduction u/s.80P(2)(a)(i) of the Act in respect of interest income amounting to Rs.6,72,00,055/- earned from deposits maintained with co-operative banks. The Revenue has placed reliance on the judgment of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. reported - 322 ITR 283 (SC). However, it is an undisputed fact that the very same issue has already

been adjudicated by this Tribunal in the assessee's own case for earlier assessment years, wherein the reliance placed on the very same decision of the Hon'ble Supreme Court was duly considered and distinguished.

10. We note that in the similar set of facts, the very same issue had been adjudicated by the coordinate bench decision held in the case of M/s.Southern Railway Employees co-op. Credit Society ltd. V. The DCIT, vide ITA No.2426/Chny/2024 for the A.Y.2017-18 dated 05.02.2025, wherein the Tribunal by following the decision of the Hon'ble Karnataka High court in the case of Guttigedarara Credit Co-op. Society ltd. V. ITO reported in 377 ITR 464, held in favour of the assessee that the deduction u/s. 80P(2)(a)(i) of the Act is eligible even for the interest earned from the banks other than the cooperative banks and institutions.

> **"6.** We have heard both the parties and perused the material available on record. The sole controversy in this case is whether the assessee is eligible to claim deduction u/s.80P(2)(a)(i) of the Act on the income derived from investments made in the banks which is not a Co-operative Bank. At the outset, the Ld.AR of the assessee brought to our notice that the issue is no longer res integra since in the assessee's own case for AYs 2015-16 & 2016-17 [ITA Nos.2237 & 2238/Chny/2019 by order dated 30.09.2020], this Tribunal while deciding similar issue on identical facts has relied upon the decision in the case of the Hon'ble Karnataka High Court in the case of **Guttigedarara Credit Co-operative Society Ltd. v. ITO reported in 377 ITR 464**, (which was in favour of assessee) and didn't follow the view expressed by the Hon'ble Gujarat High Court in **SBI v. CIT reported in [2016] 72 taxmann.com 64 (Gujarat),** by citing the decision of the Hon'ble Supreme Court in the case of **CIT v. Vegetable Products ltd., reported in 88 ITR 192 (SC)**, took a view in favour of the assessee since there were divergent views expressed by the Hon'ble High Courts. Therefore, a view in favour of assessee was taken by this Tribunal by holding as under:
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> > 6. We have heard both the sides through video conferencing, perused the materials available on record and gone through the orders of authorities below including case law relied upon by both sides. The point at issue in these appeals is that whether the assessee is eligible to claim deduction under section 80P(2) of the Act on the income derived from the investments made in the banks and other institutions. The assessee is a multi-state cooperative society engaged in the activities of extending credit facilities to the railway employees who were enrolled as members of the society and also it has extended credit facilities to the staff working in Co-operative society, who are not members, but are deemed to be members of the society. The assessee gets interest income for the loans advanced to its members and reinvests the interest in banks and other cooperative societies, for which it receives interest income. The main objection of the Assessing Officer is that the assessee derived interest income from investments made in banks and other institutions other than cooperative societies and therefore, the assessee is not eligible to claim deduction under section 80P of the Act in view of

the decision in the case of SBI v. CIT (supra). While confirming the disallowance, the ld. CIT(A) has heavily relied on the decision of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Limited vs. ITO [2010] 322 ITR 283 (SC).

6.1 In the case of The Railway Employees' Co-op. Credit Society Ltd. v. ITO (supra), the Coordinate Benches of the Tribunal, besides referring to the decision of the Ahmedabad Benches of the Tribunal vide order dated 31.10.2012 in the case of Jafari Momin Vikas Co-op Credit Society Ltd. v. ITO in I.T.A. No. 1491/Ahd/2012 for assessment year 2009-10, deciding the Cross Objection filed along with appeal [C.O. No. 138/Ahd/2012] in favour of the assessee and by following the decision of the Kolkata Benches of the Tribunal, wherein, the decision of Hon'ble Calcutta High Court was followed, distinguished the decision of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Limited vs. ITO (supra) that the said judgement was rendered on the context that the interest income arising on the surplus invested in short term deposits and securities which surplus was not required for business purposes since, admittedly, the assessee is a sales society, markets the produce of its members whose sale proceeds at times were retained by it, as such, the surplus funds arose out of the amount retained from marketing the agricultural produce of the members and invested in short-term deposits/securities. Therefore, the case law relied on by the ld. CIT(A) has no application to the facts of the present case and moreover, the Hon'ble Supreme Court made it very clear that the said decision is confined to the facts of the case and therefore, the Hon'ble Supreme Court was not laying down any law.

6.2 In the present case, the assessee is not carrying on any separate business for earning such interest income. The interest income earned from Banks is attributable to the business of providing credit facilities to its members and the said interest income is attributable to carrying on the business of banking. The income so derived is the amount of profits and gains of business attributable to the activity of carrying on the business of banking or providing credit facilities to its members. Thus, the assessee society is entitled to special deduction under section 80P(2)(a)(i) of the Act. Our view is duly fortified by the decision of the Hon'ble Karnataka High Court in the case of Guttigedarara Credit Cooperative Society Ltd. v. ITO 377 ITR 464, wherein, the Hon'ble Karnataka High Court has observed and held as under:

> *"7. From the aforesaid facts and rival contentions, the undisputed facts which emerge are, certain sums of interest were earned from short-term deposits and from savings bank account. The assessee is a Co-operative Society providing credit facilities to its members. It is not carrying on any other business. The interest income earned by the assessee by providing credit facilities to its members is deposited in the banks for a short duration which has earned interest. Therefore, whether this interest is attributable to the business of providing credit facilities to its members, is the question.*
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> *8. In this regard, it is necessary to notice the relevant provision of law i.e., Section 80P(2)(a)(i):—*
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> *"80P Deduction in respect of income of co- operative societies:— (1) Where, in the case of an assessee being a co-operative society, the gross total income includes any income referred to in sub-section (2), there shall be deducted, in accordance with and subject to the provisions of this section, the sums specified in sub-section (2), in computing the total income of the assessee.*
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> *(2) The sums referred to in sub-section (1) shall be the following, namely:*
>
> *(a) in the case of co-operative society engaged in—*
>
> *(i) carrying on the business of banking or providing credit facilities to its members, or …….*

the whole of the amount of profits and gains of business attributable to any one or more of such activities."

9. The word "attributable" used in the said Section is of great importance. The Apex Court had an occasion to consider the meaning of the word 'attributable' as supposed to derive from its use in various other provisions of the statute in the case of Cambay Electric Supply Industrial Co. Ltd. v. CIT [1978] 113 ITR 84 (at page 93) as under:—

"As regards the aspect emerging from the expression "attributable to" occurring in the phrase "profits and gains attributable to the business of" the specified industry (here generation and distribution of electricity) on which the learned Solicitor-General relied, it will be pertinent to observe that the legislature has deliberately used the expression "attributable to" and not the expression "derived from". It cannot be disputed that the expression "attributable to" is certainly wider in import than the expression "derived from". Had the expression "derived from" been used, it could have with some force been contended that a balancing charge arising from the sale of old machinery and buildings cannot be regarded as profits and gains derived from the conduct of the business of generation and distribution of electricity. In this connection, it may be pointed out that whenever the legislature wanted to give a restricted meaning in the manner suggested by the learned Solicitor-General, it has used the expression "derived from", as, for instance, in section 80J. In our view, since the expression of wider import, namely, "attributable to", has been used, the legislature intended to cover receipts from sources other than the actual conduct of the business of generation and distribution of electricity."

10. Therefore, the word "attributable to" is certainly wider in import than the expression "derived from". Whenever the legislature wanted to give a restricted meaning, they have used the expression "derived from". The expression "attributable to" being of wider import, the said expression is used by the legislature whenever they intended to gather receipts from sources other than the actual conduct of the business. A Co-operative Society which is carrying on the business of providing credit facilities to its members, earns profits and gains of business by providing credit facilities to its members. The interest income so derived or the capital, if not immediately required to be lent to the members, the society cannot keep the said amount idle. If they deposit this amount in bank so as to earn interest, the said interest income is attributable to the profits and gains of the business of providing credit facilities to its members only. The society is not carrying on any separate business for earning such interest income. The income so derived is the amount of profits and gains of business attributable to the activity of carrying on the business of banking or providing credit facilities to its members by a co-operative society and is liable to be deducted from the gross total income under Section 80P of the Act.

11. In this context when we look at the judgment of the Apex Court in Totgars Co-operative Sale Society's case (supra), on which reliance is placed, the Supreme Court was dealing with a case where the assessee/Co-operative Society, apart from providing credit facilities to the members, was also in the business of marketing of agricultural produce grown by its members. The sale consideration received from marketing agricultural produce of its members was retained in many cases. The said retained amount which was payable to its members from whom produce was bought, was invested in a short-term deposit/security. Such an amount which was retained by the assessee-Society was a liability and it was shown in the balance sheet on the liability side. Therefore, to that extent, such interest income cannot be said to be attributable either to the activity mentioned in Section 80P(2)(a)(i) of the Act or under Section 80P(2)(a)(iii) of the Act. Therefore in the facts of the said case, the Apex Court held the assessing officer was right in taxing the interest income indicated above under Section 56 of the Act. Further they

made it clear that they are confining the said judgment to the facts of that case. Therefore it is clear, Supreme Court was not laying down any law.

12. In the instant case, the amount which was invested in banks to earn interest was not an amount due to any members. It was not the liability. It was not shown as liability in their account. In fact this amount which is in the nature of profits and gains, was not immediately required by the assessee for lending money to its members, as there were no takers. Therefore they had deposited the money in a bank so as to earn interest. The said interest income is attributable to carrying on the business of banking and therefore it is liable to be deducted in terms of Section 80P(1) of the Act. In fact similar view is taken by the Andhra Pradesh High Court in the case of CIT v. Andhra Pradesh State Co-operative Bank Ltd. [2011] 336 ITR 516/200 Taxman 220 (AP).

13. In that view of the matter, the order passed by the appellate authorities denying the benefit of deduction of the aforesaid amount is unsustainable in law. Accordingly, it is hereby set aside. The substantial questions of law are answered in favour of the assessee and against the Revenue. Hence, we pass the following order:

14. Appeal is allowed. The impugned order dated September 19, 2014, is set aside, Parties to bear their own costs."

6.2 In the case law relied on by the ld. DR in the case of State Bank of India v. CIT (supra), the Hon'ble Gujarat High Court has held that in case of a society engaged in providing credit facilities to its members, it is only interest derived from credit provided to its members which is deductible under section 80P(2)(a)(i) and interest derived by depositing surplus funds with bank not being attributable to business carried on by society, cannot be deducted under section 80P(2)(a)(i) and decided the appeal in favour of the Revenue. However, in the case of Guttigedarara Credit Cooperative Society Ltd. v. ITO (supra), the Hon'ble Karnataka High Court has decided similar issue on an identical facts and circumstances in favour of the assessee by referring the decision of the Andhra Pradesh High Court in the case of CIT v. Andhra Pradesh State Co-operative Bank Ltd. [2011] 336 ITR 516 on similar facts. Thus, when two High Courts' decisions are in favour of the assessee and one High Court decision is in favour of the Revenue, the law laid down by the Hon'ble Supreme Court in the case of CIT v. Vegetable Products Ltd. 88 ITR 192 stands applied to take a view in favour of the assessee.

6.3 In view of the decision of the Hon'ble Karnataka High Court in the case of Guttigedarara Credit Cooperative Society Ltd. v. ITO (supra), we set aside the orders of authorities below and direct the Assessing Officer to allow the claim of deduction under section 80P of the Act for both the assessment years. Once the assessee is allowed to claim deduction under section 80P(2)(a)(i) of the Act, the question of proportionate expenses on the interest earned does not arise.

7. Respectfully following the Tribunal order in the assessee's own case for earlier years, we find that the issue is no longer res integra and since, the Revenue couldn't point out any change of facts or law, we allow the appeal of the assessee and direct the AO to allow deduction of Rs.76,17,761/- u/s.80P(2)(a)(i) of the Act."

11. Respectfully following the coordinate bench decision held in the case of M/s.Southern Railway Employees co-op. Credit Society ltd. V. The DCIT, vide ITA No.2426/Chny/2024 for the A.Y.2017-18 dated 05.02.2025 and in the

absence of any contrary material brought on record by the Revenue to demonstrate any change in facts or in law, we hold that the issue is no longer res integra. Accordingly, we find no infirmity in the order of the ld.CIT(A) in allowing the deduction u/s.80P(2)(a)(i) of the Act by following the assessee's own case held by the Tribunal in favour of the assessee for the earlier assessment years. In view of the above, we uphold the findings of the ld.CIT(A) and dismiss the grounds raised by the Revenue and direct the AO to allow deduction of Rs.6,72,00,055/- u/s. 80P(2)(a)(i) of the Act.

12. Since the facts and grounds of appeal filed in ITA No.2095/Chny/2025 for A.Y. 2017-18 are identical, the reasoning and decision given herein above for the A.Y. 2018-19, shall apply mutatis mutandis in Revenue's appeal vide ITA No.2095/Chny/2025 for A.Y.2017-18.

13. In the result, the both the appeals filed by the Revenue are dismissed.

Order pronounced in the open court on 09th February, 2026 at Chennai.

Sd/-	**Sd/-**
(मनु कुमार गिरि)	**(एस. आर. रघुनाथा)**
(MANU KUMAR GIRI)	**(S. R. RAGHUNATHA)**
न्यायिक सदस्य/**Judicial Member**	लेखा सदस्य/**Accountant Member**

चेन्नई/Chennai,
दिनांक/Dated, the 09th February, 2026
SP
आदेश की प्रतिलिपि अग्रेषित/Copy to:
1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3.आयकर आयुक्त/CIT– Chennai/Coimbatore/Madurai/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF