

आयकरअपीलीयअधिकरण, 'बी'न्यायपीठ,चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH: CHENNAI

श्री मनुकुमारगिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा लेखासदस्य
BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRIS.R.RAGHUNATHA, ACCOUNTANT MEMBER

आयकरअपीलसं. (ITA No.1790/Chny/2025)

निर्धारणवर्ष/**Assessment Years: 2020-21**

Irula Snake Catchers Industrial Co-
Operative Society Ltd,
Mahabalipuram Road,
Vadanemmlli Village, Perur Post,
Chennai-603 104

[PAN:AAAAI 7894 M]

(अपीलार्थी/**Assessee**)

v. Income Tax Officer,
Non-Coporate Ward 22(1),
Tambaram

(प्रत्यर्थी/**Respondent**)

अपीलार्थीकीओरसे/ Assessee by

: Mr. G Baskar, Advocate &
Mr. G Akash, Advocate

प्रत्यर्थीकीओरसे /Respondent by

: Mr. Gouthami Manivasagam
JCIT

सुनवाईकीतारीख/Date of Hearing

: 27.11.2025

घोषणाकीतारीख /Date of Pronouncement

: 11.02.2026

आदेश / O R D E R

PER MANU KUMAR GIRI, Judicial Member:

The captioned appeal by the assessee is arising out of the order of the Ld. Commissioner of Income Tax (Appeals)/NFAC, Delhi dated 31.01.2025 for AY 2017-18.

2. Brief facts of the case are that the Assessee is a co-operative society registered under the Tamil Nadu Co-operative Societies Act, 1983. It was established by the Government of Tamil Nadu in 1978 with the objective of promoting the livelihood of the Irula tribal



community, who are traditionally engaged in snake catching and venom extraction. All activities of the society, including snake catching, venom extraction, and supply of venom to government and research institutions, are carried out collectively by its members. The entire income of the society is derived from the collective disposal of the members' labour and is therefore eligible for deduction u/s. 80P(2)(a)(vi) of the Income-tax Act, 1961. For the Assessment Year 2020-21, the Assessee filed its Return of Income on 28.12.2020 declaring "NIL" income after claiming deduction u/s. 80P(2)(a)(vi) of the Act. During the scrutiny assessment, the Assessing Officer disallowed Rs.1,21,269/- out of the total interest income of Rs.1,74,067/- earned from the savings bank account, treating it as income from other sources and holding it to be ineligible for deduction u/s. 80P. In doing so, the Assessing Officer relied on the judgment of the Hon'ble Supreme Court in *Totgars Co-operative Sale Society Ltd. v. ITO* (322 ITR 283), wherein it was held that interest earned from bank deposits does not constitute business income.

3. Being aggrieved by the assessment order, the Assessee preferred an appeal before the Commissioner of Income-tax (Appeals). The CIT(A), however, dismissed the appeal vide order dated



05.05.2025. Consequently, the present appeal has been filed by the assessee.

4. Before us, it is submitted by the Id.AR that the decision of the Hon'ble Supreme Court in Totgars Co-operative Sale Society Ltd. v. ITO (Supra) is factually distinguishable as the Hon'ble Supreme Court was dealing with the case where the assessee therein, apart from providing credit facility to the members, was also in the business of marketing of agricultural produce grown by its members and the sale consideration received from marketing agricultural produce of its members was retained in many cases and retained amount which was payable to its members from whom produce was bought, was invested in a short term deposit/security. However, in the present case as the amount which was deposited in the bank was not an amount due to the members and it was not the liability of the society to the members and, therefore, the interest earned from such deposits in the bank should be held to be eligible for deduction u/s. 80P(2)(a)(vi) of the Act. He furthermore submitted that the interest in question arises not from any surplus or idle funds, but from operational receipts in savings accounts with Indian Bank. These funds are part of the society's working capital generated from members' collective labour and are held for the



society's day-to-day activities and welfare. The interest earned thereon is therefore incidental to, and attributable to, the main business activity of the assessee. The legislature has consciously used the expression "profits and gains attributable to" in Section 80P(2)(a)(vi), which is of wider import than "derived from."

5. He also placed reliance on the decision of the Hon'ble Calcutta High Court in the case of West Bengal State Co-Operative Agriculture & Rural Development Bank Ltd. v. DCIT [2025] 177 taxmann.com 469 (Calcutta), wherein it is held as below,

"13.the original source of investment made by the petitioner-Society in nationalised banks is admittedly the income of the petitioner derived from the activities listed in sub-clauses (i) to (vii) of clause [a] and the character of such income may not be lost, especially when the statue uses the expression 'attributable to' and not any one of the two expressions, namely 'derived from' or 'directly attributable to. In Pr. CIT v. GunjaSamabay Krishi Unnayan Samity Ltd [2023] 147 taxmann.com 518/292 Taxman 46 (Cal) it was held that where the assessee/Co-operative Society earned interest income on surplus fund invested in deposits with banks and Government securities, since neither the said amount of deposit was due to its members nor was it a liability to its members, same would qualify for deduction u/s. 80P(2)(a)(i)."

6. Also, this Hon'ble Tribunal in the case of Potheri Village Weaning Food Manufacturing Womens Development Industrial Coop V. ITO in ITA No.1055/Chny/2024, held as below:

"8....it is observed that the interest income earned by the society is in its regular course of its operations and does forms part of the revenue 'attributable' to the operations of the society as a cottage industry and in our considered view the assessee is eligible for deduction 80P(2)(a)(ii) itself. On



perusal of the decision of the Hon'ble High court of Kamataka in the case Tumkur Merchants Souharda credit Co-Op. Ltd Vs. ITO, Ward V, Tumkur (supra), the said interest income is attributable to the profits and gains of the business only. Therefore, respectfully following the decision of the court, we are of the view that the lower authorities have grossly erred in disallowing the said deduction U/s.80P(2)(d), without appreciating the fact that, the claim of the assessee as a cottage industry and the entire Income was claimed as deduction u/s. 80P(2)(a)(ii). Therefore, considering the facts and circumstances of the present case, we are of the view that, the assessee is a cottage industry and the entire income is attributable to business of the society and hence eligible to claim Interest earned on deposit also as deduction U/s.80P(2)(a)(ii) of the Act and allow the appeal of the assessee."

7. Thus, from the above submissions, Id.AR submitted that it is clear that any income which is attributable to the business of the co-operative society, including interest income, is eligible for deduction u/s.80P(2)(a)(vi) of the Act. It is prayed by Id.AR that the disallowance of interest earned from the commercial bank of Rs.1,21,269/- be allowed in full.

8. We have carefully considered the rival submissions, perused the material available on record, and examined the judicial precedents relied upon. Undisputed facts are that the assessee is a co-operative society registered under the Tamil Nadu Co-operative Societies Act, 1983, established by the Government of Tamil Nadu with the object of promoting the livelihood of the Irula tribal community. The activities of the society comprise snake catching, venom extraction,



and supply of venom to Government departments and research institutions, all of which are carried out collectively by its members. It is also not in dispute that the entire income of the assessee is derived from the collective disposal of the labour of its members. For the Assessment Year 2020-21, the assessee claimed deduction under section 80P(2)(a)(vi) of the Income-tax Act, 1961, in respect of its entire income, including interest earned from its savings bank account maintained with Indian Bank. The Assessing Officer disallowed a sum of Rs.1,21,269/- out of the total interest income of Rs.1,74,067/-, treating the same as "income from other sources" and holding that such interest was not eligible for deduction under section 80P, relying upon the judgment of the Hon'ble Supreme Court in Totgars Co-operative Sale Society Ltd. v. ITO (322 ITR 283). The said disallowance was confirmed by the learned CIT(A).

09. The short issue for adjudication before us is whether the interest income earned by the assessee from its savings bank account is eligible for deduction under section 80P(2)(a)(vi) of the Act.

10. Section 80P(2)(a)(vi) grants deduction in respect of profits and gains attributable to the collective disposal of the labour of the members of a co-operative society. The expression "attributable to"



used by the legislature is of wider amplitude than the expression "derived from" and covers not only direct income but also income having a proximate nexus with the eligible activity.

11. In the present case, it is an admitted position that:

- the funds deposited in the savings bank account are generated out of the operational receipts arising from the collective labour of the members;
- such funds are part of the working capital of the society and are utilized for its day-to-day activities and welfare of members; and
- the deposits are neither amounts retained on behalf of members nor liabilities payable to members.

The reliance placed by the Assessing Officer and the CIT(A) on the judgment of the Hon'ble Supreme Court in Totgars Co-operative Sale Society Ltd. v. ITO (supra) is, in our considered view, misplaced. In Totgars, the Hon'ble Supreme Court was dealing with a case where the assessee had retained sale proceeds payable to its members and invested such retained amounts in short-term deposits, and it was in that factual context that the interest income was held to be assessable as income from other sources.

In contrast, in the case before us, the deposits made by the assessee are not out of amounts due to members nor do they represent any liability of the society. The funds represent the society's own working capital arising from its core activity of



collective disposal of labour. Therefore, the factual matrix is clearly distinguishable from that in Totgars.

12. We find support for this view from the decision of the Hon'ble Calcutta High Court in West Bengal State Co-Operative Agriculture & Rural Development Bank Ltd. v. DCIT [2025] 177 taxmann.com 469 (Cal), wherein it has been held that where the original source of investment in bank deposits is income derived from activities eligible under section 80P(2)(a), the character of such income is not lost merely because it is temporarily invested, particularly when the statute uses the expression "attributable to". The Hon'ble High Court further relied upon its earlier decision in Pr. CIT v. GunjaSamabay Krishi Unnayan Samity Ltd. [2023] 147 taxmann.com 518 (Cal), holding that interest earned on deposits not representing amounts due to members or liabilities to members qualifies for deduction under section 80P.

13. Further, the coordinate bench of this Tribunal in Potheri Village Weaning Food Manufacturing Women's Development Industrial Co-operative v. ITO in ITA No.1055/Chny/2024 has held that interest income earned in the regular course of operations forms part of the revenue "attributable" to the business of the co-operative society



and is eligible for deduction under section 80P(2)(a). The Tribunal, following the decision of the Hon'ble Karnataka High Court in TumkurMerchants Souharda Credit Co-op. Ltd. v. ITO, observed that such interest income cannot be treated as income from other sources when it has a direct nexus with the business activity of the society.

14. Applying the above legal principles to the facts of the present case, we are of the considered view that the interest income earned by the assessee from its savings bank account is incidental to and attributable to its main activity of collective disposal of the labour of its members. Merely because such income arises by way of interest does not disentitle the assessee from claiming deduction under section 80P(2)(a)(vi), so long as the nexus with the eligible activity is established, which stands proved in the present case.

15. In view of the foregoing discussion and respectfully following the judicial precedents cited above, we hold that the disallowance of Rs.1,21,269/- made by the Assessing Officer and sustained by the learned CIT(A) is unsustainable in law.



ITA 1790 Chny 2025 (A Y 2020-21)
Irula Snake Catchers Ind Co-Op Soct Ltd Vs ITO Ward 22 (1)
:: 10 ::

16. In the result, the appeal filed by the assessee is allowed, and the Assessing Officer is directed to grant deduction under section 80P(2)(a)(vi) of the Income-tax Act, 1961, in respect of the interest income of Rs.1,21,269/-.

Order pronounced on the 11th day of February, 2026, in Chennai.

Sd/-
(एस. आर. रघुनाथा)
(S.R.RAGHUNATHA)
लेखा सदस्य/**ACCOUNTANT MEMBER**

Sd/-
(मनु कुमार गिरि)
(MANU KUMAR GIRI)
न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 11th February, 2026.

SNDP, Sr. PS

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