

IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI BENCH "F", MUMBAI

**BEFORE SHRI ANIKESH BANERJEE, JUDICIAL MEMBER AND  
SHRI GIRISH AGRAWAL, ACCOUNTANT MEMBER**

**ITA No.7872/Mum/2025  
(Assessment year: 2022-23)**

<b>ITO 19(3)(1), Mumbai</b> Room No.405 4 <sup>th</sup> floor, Piramal Chambers, Lower Parel, Mumbai-400012	<b>vs</b>	<b>The Jackson Co Op Credit Society Of The Employee of Western Railway Ltd.</b> 1, Noushir Bharucha Marg, Grant Road Mumbai-400007  <b>PAN: AAATT2985P</b>
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by : Shri Pragnesh Jaggasheth,  
Revenue by : Ms. Kavitha Kaushik (SR DR)

Date of hearing : 03/02/2026  
Date of pronouncement : 13 02/2026

**ORDER**

**Per: Anikesh Banerjee (JM):**

The instant appeal of the revenue filed against the order of the NFAC, Delhi [for brevity 'the Id. CIT(A)], order passed under section 250 of the Income Tax Act 1961 (for brevity 'the Act') for assessment year 2022-23, date of order 19.09.2025. The impugned order emanated from the order of the Assessment

Unit Income-tax Department (for brevity the 'Ld. AO'), order passed under section 143(3) r.w.s. 144B of the Act, date of order 21.03.2024.

2. The brief facts of the case are that the assessee is a cooperative society engaged in the business of providing credit facilities to its members. For the impugned assessment year, the assessee filed its return of income and total income declared as nil by claiming deduction amount of rupees 5,27,25,755/- under section 80P of the Act. The assessee's case was selected for scrutiny. The assessee was asked to furnish the details & to explain the interest received from investment from District Cooperative Bank and other banks and treasuries etc which should not be treated as income from other sources. In response to the notice the assessee submitted that the assessee is society is engaged in business of banking/providing credit facility to their members and interest income on investment of funds in bank as per statutory provision of section 62 of Multi-State Cooperative Societies Act, 2002. The society is eligible to be claimed deduction under section 80P(2)(a)(i). But the assessee's submission was duly rejected by the Ld. AO and the interest received by the assessee from State Cooperative Bank of Maharashtra amount of rupees 5,27,25,755/- was added back with the total income of the assessee. The aggrieved assessee filed an appeal before the Ld. CIT(A). The Ld. CIT(A) allowed the appeal of the assessee. Being aggrieved, the revenue filed an appeal before us.

3. The Ld. DR strongly relied upon the order of the Ld. AO. He contended that the interest income earned by the assessee is in the nature of "Income from Other Sources" and does not constitute business income derived from the

activities of the co-operative society. Accordingly, he submitted that such income is not eligible for deduction under Section 80P(2)(a)(i) of the Act. He, therefore, prayed that the order of the Ld. Assessing Officer be upheld.

4. The Ld. AR argued filed a paper book containing **page 1 to 196**, which has been placed on record. The Ld. AR invited our attention in the bylaws of the assessee where mentioned that the assessee is registered by the Central Register of Cooperative on 29.11.2004. He further contended that for Assessment Years 2014-15 and 2017-18, the Ld. AO had accepted the assessee's claim had not made any addition against the claim of deduction under section 80P(2)(a)(i) of the Act. The Ld. AR invited our attention in the impugned appellate order para 5.7 and 5.8, which are reproduced as below.

*"5.7 In the context of admissibility of such interest income u/s 80P, it would be pertinent to make reference here the observation made by the jurisdictional ITAT, Mumbai Bench, in a similar situation, in the case of New Satara Zilla Nagrik Sahakari Patsanstha Maryadit vs. National Faceless Appeal Centre, Vide: [2024] 164 taxmann.com 413 (Mumbai - Trib.). The hon'ble jurisdictional tribunal, Mumbai. by their order, dated: 27-04-2023, has held as under.*

*"17. Aforesaid factual position as to deposit of funds by the assessee society with the nationalized/commercial banks, earning interest thereon with total cost of investment shows that the investment made by the assessee society was in compliance to the mandatory provisions of Maharashtra Co-operative Society Act thus integral part of its business and profession. Furthermore, when the assessee is wholly and exclusively doing its business for its members, the earning of interest on FDs with the banks is incidental to the assessee society's business of accepting the deposit and provision of credit facilities from/to its members. Hence, the interest income has rightly been treated as business income by the assessee society and assessed to tax under the head "profit and gains of business". We are of the further view that in the present scenario parking of funds with nationalized and commercial*

*banks is safe and easy for ease of business of the assessee society because many of co-operative banks have crumbled during the last many years.*

*18. In view of what has been discussed above, we are of the considered view that the Ld. CIT(A) has erred in disallowing the deduction claimed by the assessee society under section 80P(2)(a)(i) of the Act and consequently we direct the AO to allow the deduction claimed by the assessee society.*

*19. Resultantly, aforesaid appeals filed by the assessee society are hereby allowed."*

*5.8 In the above noted decision, the Hon'ble ITAT held that interest income earned by from fixed deposits placed with scheduled/nationalized bank is a part the assessee's regular business activity, which is to provide credit facilities to its member. The surplus funds parked in FDs are incidental and essential to maintain liquidity and comply with regulatory requirement. Therefore, this interest income qualifies for deduction under section 80P(2)(a)(i) of the Income Tax Act. Considering the above noted decision and ratio of facts in the case under consideration, I am inclined to hold that the action of the AO in denying deduction u/s 80P to the appellant in respect of the interest income of Co-operative societies from commercial banks is not sustainable. Respectfully following the order of the jurisdictional ITAT Mumbai, in the case of New Satara Zilla Nagrik Sahakari Patsanstha Maryadit vs. National Faceless Appeal Centre, Vide: [2024] 164 taxmann.com 413 (Mumbai -Trib.) dated: 27-04-2023, the AO is directed to allow deduction u/s 80P(2)(a)(i) on interest income of Rs.5,27,25,755/- only. The appeal on the ground is allowed accordingly."*

5. Ld. AR further argued that the same issue for assessment year 2018-19 in assessee's own case was duly considered by the Coordinate bench of the ITAT Mumbai 'F' bench, and the bench has examined and adjudicated the issue in assessee's own case, ITA No.2976/Mum/2025, date of announcement 19-11-2025. The relevant observation of the bench in paragraph no. 13 is reproduced as below.

*“13. In view of the above discussion, we are of the considered opinion that the impugned order of Ld. CIT(A) is legally sustainable and does not suffers from any illegality or perversity because the assessee/society being a registered Cooperative Society under the Maharashtra Cooperative Societies Act 1960 is found to be engaged in doing banking business of accepting deposits from its members which are railway employees /retired employees and out of deposits, the surplus funds were deposited in cooperative banks and commercial banks and was not engaged in accepting deposits from outsiders and as such the deposit of surplus fund and earning interest is very well covered by the main as well as ancillary activity of the business of the assessee and the income so earned is part of the business income, therefore the assessee is entitled deduction u/s 80P(2)(a)(i) of the Act. Accordingly, we upheld the order of Ld. CIT(A) and dismiss the grounds raised by the revenue.*

*14. In the result, appeal filed by the revenue is dismissed.”*

6. We have heard the rival submissions and carefully perused the material available on record. The assessee is a co-operative society duly registered under the provisions of Section 62 of the Multi-State Co-operative Societies Act, 2002. The assessee is engaged in the business of banking and in providing credit facilities exclusively to its members. It is an undisputed fact that such banking or credit facilities are not extended to any person other than its members and are not made available to the public at large. The interest income amounting to Rs.5,27,25,755/- has arisen in the course of the regular business activities of the assessee as a co-operative credit society. The Ld. AO failed to appreciate that, being registered under the Multi-State Co-operative Societies Act, 2002, the assessee is statutorily required to invest certain amounts in reserve funds in specified modes. One of the prescribed modes of investment includes deposits with other banks. Such investments are necessarily made out of the annual profits of the society and form an integral part of its banking business. Accordingly, the interest income earned from such statutory investments is attributable to the

business of providing credit facilities to its members and qualifies for deduction under Section 80P(2)(a)(i) of the Act. We further note that the identical issue has already been adjudicated by the Coordinate Bench of the ITAT, Mumbai in the **assessee's own case** for **AY 2018-19** (supra), wherein the claim of deduction was allowed. Respectfully following the decision of the Coordinate Bench, we uphold the findings of the Ld. CIT(A). In view of the above, no interference is called for in the order of the Ld. CIT(A). The addition of Rs.5,27,25,755/- made by the Ld. Assessing Officer is hereby deleted, and the assessee is held entitled to deduction under Section 80P(2)(a)(i) of the Act.

In the result, the appeal filed by the revenue is dismissed.

7. In the result, the appeal of the revenue bearing **ITA No.7872/Mum/2025** is dismissed.

Order pronounced in the open court on 13<sup>th</sup> day of February 2026.

Sd/-

(GIRISH AGRAWAL)  
ACCOUNTANT MEMBER

Mumbai, दिनांक/Dated: 13/02/2026

SAUMYASr.PS

Sd/-

(ANIKESH BANERJEE)  
JUDICIAL MEMBER

**Copy of the Order forwarded to:**

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकरआयुक्त CIT
4. विभागीयप्रतिनिधि, आय.अपी.अधि., मुंबई/DR, ITAT, Mumbai
5. गार्डफाइल/Guard file.

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BY ORDER,

(Asstt. Registrar), **ITAT, MUMBAI**