

IN THE INCOME TAX APPELLATE TRIBUNAL PANAJI BENCH
PANAJI

BEFORE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER &
SHRI G D PADMAHSHALI ACCOUNTANT MEMBER

I T A. No.116/PAN/2024
(A.Y. 2017-18)

Shree Mahila Credit Souhard Sahakari Sangh Niyamit, Shop.no.3, Maruti Complex, 2 nd Railway gate, Tilakwadi, Belgaum-500006, Karnataka.	Vs	ITO-Ward-2, Feroj khimjibhai cpx, Civil Hospital Road Belagavi-590001. Karnataka.
PAN .No. AABAS9244A		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

Assessee by	Shri.Pramod Y Vaidya.AR
Revenue by	Smt.Rijula Uniyal.Sr.DR

सुनवाई की तारीख/Date of Hearing	09.02.2026
घोषणा की तारीख/Date of Pronouncement	13.02.2026

ORDER

PER PAVAN KUMAR GADALE, JM:

The appeal is filed by the assessee against the order of the NFAC/CIT(A) passed u/sec 143(3) and u/sec 250 of the Act. The assessee has raised the grounds of appeal challenging the order of the CIT(A) partially sustaining the denial of claim of deduction u/sec80P(2)(a)(i) of the Act made by the Assessing Officer and without prejudice alternate relief u/sec80P(2)(d) of the Act and sustaining denial of deduction of interest on income tax refund under section 80P(2)(a)(i) of the Act.

2. The brief facts of the case are that, the assessee is a cooperative credit society registered under Karnataka Souharda Sahakari Act 1997 and is engaged in activities of providing credit facilities to its members. The assessee has filed the return of income for the A.Y 2017-18 on 03.11.2017 disclosing a total income of Rs.Nil after claiming deduction of Rs.4,58,29,779/- u/sec 80P(2)(a)(i) of the Act. Subsequently the case was selected for scrutiny under CASS and notice u/sec143 (2) and u/sec 142(1) of the Act are issued calling for details in support of return of income filed. The assessee has filed the information of members of the society along with interest income on deposits with the cooperative banks, cooperative society and scheduled bank. The Assessing Officer (A.O) has dealt on the submissions filed on various dates/details of regular members and associate/nominal members and find that the assessee is not eligible for claim of deduction under section 80P(2)(a)(i) of the Act and has not made separate disallowance of interest income on deposits with the cooperative banks, cooperative society and scheduled bank aggregating to Rs.3,83,79,589/-. Finally the A.O. was not satisfied with the explanations on the members information and dealt on the provisions and judicial decisions and denied the claim of deduction u/sec80P2(a)(i) of the act of Rs.4,58,29,779/-and similarly denied the claim u/sec80P2(a)(i) of the Act being interest on income tax refund of Rs.13,335/- and finally assessed

the total income of Rs.4,58,43,114/- and passed the order u/sec 143(3) of the Act dated 24.12.2019.

3. Aggrieved by the order u/sec 143(3) of the Act, the assessee has filed an appeal before the CIT(A), whereas the CIT(A) has considered the grounds of appeal, submissions and findings of the A.O. The CIT(A) relied on the facts and judicial decision and allowed deduction u/sec80P(2)(d) of the Act on interest income received from cooperative society but sustained the denial of claim of deduction of interest income received from the cooperative banks and scheduled/commercial bank u/sec80P(2)(d) of the Act and has denied the deduction of interest on income tax refund under section 80P(2)(a)(i) of the Act and partly allowed the assessee appeal. Aggrieved by the order of the CIT(A), the assessee has filed an appeal with the Hon'ble Tribunal.

4. At the time of hearing, the Ld.AR submitted that the CIT(A) has erred in confirming the action of the A.O in treating the interest income received from the cooperative banks and scheduled/commercial banks is not eligible for deduction u/sec80P(2)(d) of the Act. The Ld.AR made alternative claim that the interest income from other banks on the concept of attributable to activities of the society and interest on income tax refund be allowed as deduction u/sec80P(2)(a)(i) of the Act. The Ld.AR supported the submissions with the judicial decisions. Per Contra, the Ld.DR relied on the order of the CIT(A).

5. We heard the rival submissions and perused the material on record. The matrix of the disputed issues envisaged by the Ld.AR of granting deduction u/s 80P(2)(a)(i) of the Act to the Cooperative Society in respect of interest income received from the Cooperative banks and scheduled/commercial banks. The Ld. AR submitted that the interest income is attributable to activities of the society and treated as income from business. On the alternate ground of appeal, the Ld.AR submitted that the CIT(A) has erred in giving findings that the interest income from cooperative bank is ineligible for deduction u/s 80P(2)(d) of the Act and also interest income from scheduled bank is ineligible for the deduction u/sec80P2(a)(i) of the Act. Whereas The Honble Income Tax Tribunal Panaji Bench in ITA.No.158,159& other 27 numbers/PAN/20223/24&25 dated 28-11-2025 –Akshaya Co-Op Credit society & others Vs ITO dealt at Para 7 of the order on the subject matter of interest income from cooperative banks is eligible for deduction u/s 80P(2)(d) of the Act as under:

“7.-----“The Third disputed issue, where the AO and CIT(A) has not allowed the claim of deduction under section 80P(2)(d)of the Act, in the case of the cooperative society earns / receives interest on deposits maintained with the cooperative banks.

The assessee’s is co-operative society registered under the Karnataka Souharda Sahakari Act 1997 and similarly under the Karnataka Co-operative Societies Act 1959 and is engaged in providing the credit facilities to its members. Whereas the Assessing officer found that the assessee earns/receives interest on deposits maintained with the cooperative banks and was not satisfied with the explanations of the assessee and dealt on the provisions and judicial decisions and denied the claim

of deduction u/sec 80P2(d) of the Act and the CIT(A) has sustained the disallowance. On further appeal to Tribunal, the Ld.AR submitted that the CIT(A) has erred in confirming the action of the A.O in treating the interest income from cooperative banks is ineligible for deduction u/s 80P(2)(d) of the Act. Whereas, the CIT(A) has considered the facts on claim of deduction u/s 80P(2)(d) but took a different view. The Ld.AR emphasized that the claim has to be allowed as the cooperative bank is treated as a cooperative society for eligibility of deduction u/s 80P(2)(d) of the Act and substantiated the submissions with the judicial decisions. Per Contra, the Ld.DR relied on the order of the CIT(A) and submissions.

We heard the rival submissions and perused the material on record. The sole matrix of the disputed issue envisaged by the Assessee Representatives is in respect of granting of deduction u/s 80P(2)(d) of the Act to the Cooperative Society. The Ld. AR submitted that the interest income derived by a co-operative society from its deposits with the co-operative bank would be entitled for deduction u/s 80P(2)(d) of the Act. Whereas on the similar disputed issue, the Hon'ble Tribunal Panaji bench in the case ITA.No74/PAN/2024 of The Bardez Urban Co-Operative Credit Society Limited, Vs ITO Panaji dated 11-2-2025 has dealt at Para 6 to 8 of the order as under:

“6. We heard the rival submissions and perused the material on record. The sole matrix of the disputed issue envisaged by the Ld.AR is in respect of granting of deduction u/s 80P(2)(d) of the Act to the Cooperative Society. The Ld. AR submitted that the interest income derived by a co-operative society from its deposits with the co-operative bank would be entitled for deduction U/sec 80P(2)(d) of the Act. The Ld.AR highlighted that the assessee has received interest on fixed deposits with the Goa State Co-op Bank Limited and further the co-operative bank is treated as a cooperative society for eligibility of deduction u/s 80P(2)(d) of the Act. We find the Hon'ble Tribunal in Amore Commercial Premises Co-op Society Ltd vs. CPC Karnataka in ITA No. 2873 & 2874/Mum/2022 dated 17-01-2023 has dealt on the taxability of interest earned on the deposits with the Cooperative Banks at page 2 Para 3 of the order, which is read as under:

3. Briefly stated facts necessary for consideration an adjudication of the issues at hand are :- Assessee being a CoOperative Society has claimed disallowance/deduction u/s. 80P (2)(d) in respect of the interest of Rs. 6,96,725/- for parking its funds with Saraswat Co-Operative Bank, Sham Vithal Rao CoOperative Bank and district central CoOperative Bank. However, centralized processing centre (CPC)/ Assessing Officer has disallowed the deduction Claimed by the Assessee u/s 143(1).

4. Assessee carried the matter before the Ld.CIT(A) by way of filing Appeals who has confirmed the addition by dismissing Appeals. Filing aggrieved Assessee has come up before the Tribunal by way of filing present Appeal.

5. We have heard the Ld. Authorized Representative of the parties to the Appeals, perused the order passed by the Lower Revenue Authorities and documents available on record in the light of the law applicable thereto.

6. Undisputedly Assessee Society has invested its surplus funds with Co-Operative banks and earned the interest income to the tune of Rs. 6,96,725/- and claimed its deduction u/s. 80P (2)(d) of the Act, which has been disallowed by Assessing Officer & confirmed by the Ld.CIT(A) by relying upon decision rendered by Hon'ble Karnataka High Court in case of principle Ld.CIT Vs. Totgar's Co-Operative Sales Society Ltd.

7. Issue as to the allow-ability of the deduction claimed by the Assessee u/s. 80P (2)(d) of the Act, is no longer Res-Integra having been decided by the co-ordinate Bench of the Tribunal in case of Palm Court M Premises Co-operative Society Ltd. in ITA No.561/M/2021 order dated 09.09.2022 by settling the issue in favour of the assessee by distinguishing the judgment rendered by Hon'ble Supreme Court in case of Totgar's Cooperative Sale Society Ltd. Vs. Income Tax Officer, 188 Taxman 282(SC) and by discussing the decision rendered by Hon'ble Bombay High and Hon'ble Gujarat High Court wherein it is held that interest income earned by the Co-operative Society on its investment made with co-operative bank would be eligible for claim of deduction under section 80P(2)(d) of the Act by returning following findings:

8. We have given a thoughtful consideration to the contentions advanced by the Id. Authorized representatives for both the parties in context of the aforesaid issue under consideration. As stated by the Id. A.R, and rightly so, the issue that interest received by a co-operative society on its deposits with cooperative banks would be eligible for deduction w/s 80P(2)(d) of the Act is covered in assessee's favour by orders of the various coordinate benches of the Tribunal in the following cases: (i). M/s Solitaire CHS Ltd. Vs. Pr.CIT-26, Mumbai, ITA No.3155/Mum/2019, dated 29.11.2019 (ii). Land and Cooperative Housing Society Ltd. Vs. ITO (2017) 46 CCH 52 (Mum.) (iii). M/s C. Green Cooperative Housing and Society Ltd. Vs. ITO-21(3)(2), Mumbai (ITA No. 1343/Mum/2017, dated 31.03.2017. (iv). Marwanjee Cama Park Cooperative Housing Society Ltd. Vs. ITO-Range 20(2)(2), Mumbai (ITA NO. 6139/Mum/2014, dated 27.09.2017. (v). Kaliandas Udyog Bhavan Pemises Co-op. Society Ltd. Vs. ITO, 21(2)(1), Mumbai. In the aforesaid orders, it has been held by the Tribunal that

though the cooperative banks pursuant to the insertion of subsection (4) to Sec. 80P of the Act would no more be entitled for claim of deduction u/s 80P of the Act, but as a co-operative bank continues to be a co- operative society registered under the Co-operative Societies Act, 1912 (2 of 1912) or under any other law for the time being in force in any State for the registration of co-operative societies, therefore, the interest income derived by a cooperative society from its investments held with a co-operative bank would be entitled for claim of deduction w/s 80P(2)(d) of the Act. We find that the aforesaid issue had exhaustively been looked into by the ITAT, "G" bench, Mumbai in the case of M/s Solitaire CHS Ltd, Vs. Pr.CIT-26, Mumbai ITA No.3155/Mum/2019, dated 29.11.2019, wherein the Tribunal had observed as under: "6. We have heard the authorized representatives for both the parties, perused the orders of the lower authorities and the material available on record, as well as the judicial pronouncements relied upon by them. Our indulgence in the present appeal has been sought, for adjudicating, as to whether the claim of the assessee for deduction under section. 80P(2)(d) in respect of interest income earned from the investments/deposits made with the cooperative banks is in order, or not. In our considered view, the issue involved in the present appeal revolves around the adjudication of the scope and gamut of sub-section (4) of Sec. 80P as had been made available on the statute, vide the Finance Act 2006, with effect from 01.04.2007. On a perusal of the order passed by the Pr.CIT under Sec. 263 of the Act, we find, that he was of the view that pursuant to insertion of subsection (4) of Sec. 80P, the assessee would no more be entitled for claim of deduction under Sec. 80P(2) (d) in respect of the interest income that was earned on the amounts which were parked as investments/deposits with cooperative banks, other than a Primary Agricultural Credit Society or a Primary Cooperative Agricultural and Rural Development Bank. Observing, that the co- operative banks from where the assessee was in receipt of interest income were not co-operative societies, the Pr. CIT was of the view that the interest income earned on such investments/deposits would not be eligible for deduction under Sec. 80P(2)(d) of the Act. 7. After necessary deliberations, we are unable to persuade ourselves to be in agreement with the view taken by the Pr. CIT. Before proceeding any further, we may herein reproduce the relevant extract of the aforesaid statutory provision, viz. Sec. 80P(2) (d), as the same would have a strong bearing on the adjudication of the issue before us. "80P(2) (d) (1). Where in the case of an assessee being a cooperative 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 subsection (2), in computing the total income of the assessee. (2). The sums referred to in sub-section (1) shall be the following, namely:-

(a).....

(b).....

(c)..... (d) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;" On a perusal of Sec. 80P(2)(d), it can safely be gathered that interest income derived by an assessee cooperative society from its investments held with any other cooperative society shall be deducted in computing its total income. We may herein observe, that what is relevant for claim of deduction under Sec. 80P(2)(d) is that the interest income should have been derived from the investments made by the assessee co- operative society with any other co-operative society. We are in agreement with the view taken by the Pr. CIT, that with the insertion of sub-section (4) of Sec. 80P, vide the Finance Act, 2006, with effect from 01.04.2007, the provisions of Sec. 80P would no more be applicable in relation to any co-operative bank, other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank. However, at the same time, we are unable to subscribe to his view that the aforesaid amendment would jeopardise the claim of deduction of a co-operative society under Sec. 80P(2)(d) in respect of its interest income investments/deposits parked with a co- operative bank. In our considered view, as long as it is proved that the interest income is being derived by a cooperative society from its investments made with any other co-operative society, the claim of deduction under the aforesaid statutory provision, viz. Sec. 80P(2)(d) would be duly available. We find that the term cooperative society" had been defined under Sec. 2(19) of the Act, as under:- "(19) "Co-operative society" means a cooperative society registered under the Cooperative Societies Act, 1912 (2 of 1912), or under any other law for the time being in force in any state for the registration of cooperative societies;" We are of the considered view, that though the cooperative banks pursuant to the insertion of subsection (4) to Sec. 80P would no more be entitled for claim of deduction under Sec. 80P of the Act, but as a cooperative bank continues to be a co-operative society registered under the Co-operative Societies Act, 1912 (2 of 1912), or under any other law for the time being in force in any State for the registration of co- operative societies, therefore, the interest income derived by a cooperative society from its investments held with a cooperative bank would be entitled for claim of deduction under Sec.80P(2) (d) of the Act. 8. We shall now advert to the judicial pronouncements that have been relied upon by the Id. A.R. We find that the issue that a co-operative society would be entitled for claim of deduction under Sec. 80P(2)(d) on the interest income derived from its investments held with a cooperative bank is covered in favour of the assessee in the following cases: (i) Land and Cooperative Housing Society Ltd. Vs. ITO (2017) 46 CCH \$2 (Mum) (ii) M/s C. Green Cooperative Housing and Society Ltd. Vs. ITO-21(3)(2), Mumbai (ITA No. 1343/Mum/2017, dated 31.03.2017 (iii) Marwanjee Cama Park Cooperative Housing Society Ltd. Vs. ITO-Range-20(2)(2). Mumbai (ITA No. 6139/Mum/2014, dated 27.09.2017. (iv). Kaliandas Udyog

Bhavan Pemises Co-op. Society Ltd. Vs. ITO, 21(2)(1), Mumbai. We further find that the Hon'ble High Court of Karnataka in the case of Pr. Commissioner of Income Tax and Anr. Vs. Totagars Cooperative Sale Society (2017) 392 ITR 74 (Karn) and Hon'ble High Court of Gujarat in the case of State Bank Of India Vs. CIT (2016) 389 ITR 578 (Guj), had held, that the interest income earned by the assessee on its investments with a co-operative bank would be eligible for claim of deduction under Sec. 80P(2)(d) of the Act. Still further, we find that the CBDT Circular No. 14, dated 28.12.2006, also makes it clear beyond any scope of doubt that the purpose behind enactment of sub-section (4) of Sec. 80P was that the co-operative banks which were functioning at par with other banks would no more be entitled for claim of deduction under Sec. 80P(4) of the Act. Insofar the reliance placed by the Pr. CIT on the judgment of the Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. vs. ITO (2010) 322 ITR 283 (SC) is concerned, we are of the considered view that the being distinguishable on facts had wrongly been relied upon by him. The adjudication by the Hon'ble Apex Court in the aforesaid case was in context of Sec. 80P(2)(a)(i), and not on the entitlement of a cooperative society towards deduction under Sec. 80P(2) (d) on the interest income on the investments/deposits parked with a co-operative bank. Although, in all fairness, we may observe that the Hon'ble High Court of Karnataka in the case of Pr. CIT Vs. Totagars cooperative Sale Society (2017) 395 ITR 611 (Karn), had concluded that a co-operative society would not be entitled to claim of deduction under Sec. 80P(2) (d). At the same time, we find, that the Hon'ble High Court of Karnataka in the case of Pr. Commissioner of Income Tax and Anr. Vs. Totagars Cooperative Sale Society (2017) 392 ITR 74 (Karn) and Hon'ble High Court of Gujarat in the case of State Bank Of India Vs. CIT (2016) 389 ITR 578 (Guj), had observed, that the interest income earned by a co-operative society on its investments held with a cooperative bank would be eligible for claim of deduction under Sec. 80P(2) (d) of the Act. We find that as held by the Hon'ble High Court of Bombay in the case of K. Subramanian and Anr. Vs. Siemens India Ltd. and Anr (1985) 156 ITR 11 (Bom), where there is a conflict between the decisions of nonjurisdictional High Court's, then a view which is in favour of the assessee is to be preferred as against that taken against him. Accordingly, taking support from the aforesaid judicial pronouncement of the Hon'ble High Court of jurisdiction, we respectfully follow the view taken by the Hon'ble High Court of Karnataka in the case of Pr. Commissioner of Income Tax and Anr. Vs. Totagars Cooperative Sale Society (2017) 392 ITR 74 (Karn) and Hon'ble High Court of Gujarat in the case of State Bank Of India Vs. CIT (2016) 389 ITR 578 (Guj), wherein it was observed that the interest income earned by a cooperative society on its investments held with a cooperative bank would be eligible for claim of deduction under Sec.80P(2)(d) of the Act.

9. Be that as it may, in our considered view, as the A.O while framing the assessment had taken a possible view, and therein concluded that the assessee would be entitled for claim of deduction

under Sec. 80P(2) (d) on the interest income earned on its investments/deposits with cooperative banks, therefore, the Pr. CIT was in error in exercising his revisional jurisdiction u/s 263 for dislodging the same. In fact, as observed by us hereinabove, the aforesaid view taken by the A.O at the time of framing of the assessment was clearly supported by the order of the jurisdictional Tribunal in the case of Land and Cooperative Housing Society Ltd. Vs. ITO (2017) 46 CCH 52 (Mum). Accordingly, finding no justification on the part of the Pr. CIT, who in exercise of his powers under Sec. 263, had dislodged the view that was taken by the A.O as regards the eligibility of the assessee towards claim of deduction under Sec. 80P(2)(d), we "set aside" his order and restore the order passed by the A.O under Sec. 143(3), date 14.09.2016." As the facts and the issue involved in the present case before us remains the same as were there before the Tribunal in the case of M/s Solitaire CHS Ltd. (supra), wherein the order passed by the Pr. CIT u/s 263 of the Act was quashed, we, thus, respectfully follow the same. Backed by our aforesaid deliberations, we are unable to uphold the view taken by the Pr. CIT that the failure on the part of the A.O to be disallow the assessee's claim for deduction u/s 80P(2)(d) had rendered the assessment order passed by him u/s 143(3) of the Act, dated 31.08.2017 as erroneous in so far it was prejudicial to the interest of the revenue. 9. Accordingly, on the basis of our aforesaid observations, we herein not finding favor with the view taken by the Pr. CIT that the order passed by the A.O u/s 143(3), dated 31.08.2017 was erroneous in so far it was prejudicial to the interest of the revenue within the meaning of Sec. 263 of the Act set-aside the same and restore the order passed by the A.O u/s 143(3) of the Act, dated 31.08.2017."

8. Hon'ble High Court of Karnataka in case of Pr. CIT & Anr.Vs. Totgar's Co-operative Sale Society Ltd. (2017) 292 ITR 74 (Kar.) and Hon'ble Gujarat High Court in case of State Bank of India vs. CIT (2016) 389 ITR 578 (Guj.) had held that interest income earned by a co-operative society on its investment held with cooperative bank would be eligible for claim of deduction under section 80P(2)(d) of the Act.

9. So following the decision rendered by Hon'ble Karnataka High Court (supra) and Hon'ble Gujarat High Court (supra), we are of the considered view that assessee society who has earned an amount of Rs. Rs. 6,96,725/- from its investment of surplus fund with cooperative banks is entitled for deduction under section 80P(2)(d) of the Act. Resultantly, the Ld. CIT(A) has erred in upholding the denial of deduction by the AO to the assessee under section 80P(2)(d) of the Act.

7. We have considered the facts, circumstances and the ratio of the judicial decisions. The Honble Tribunal has dealt on the catena of judicial decisions were the co-operative society receives/earns

interest on deposits with the co-operative bank is eligible for claim of deduction under section 80(2)(d) of the Act. Accordingly, we follow the judicial precedence, and set aside the order of the CIT(A) on the disputed issue and direct the Assessing officer to allow the claim of deduction u/sec 80P(2)(d) of the Act to the extent of interest income included in the gross total income and such deduction under this chapter VIA should be restricted to the gross total income. And we allow the grounds of appeal in favour of the assessee

8. In the result, the appeal filed by the appeal is allowed”

Hence We considering, the facts, circumstances and follow the judicial precedence and we set aside the order of the CIT (A) on this disputed issue and direct the Assessing officer to allow deduction u/sec80P(2)(d) of the Act as discussed above. And these grounds of appeal of the assessee are allowed in favour of the assessee.”

6. Further The Honble Income Tax Tribunal Panaji Bench in ITA.No.158,159 & other 27 numbers/PAN/20223/24&25 dated 28-11-2025 –Akshaya Co-Op Credit society & others Vs ITO dealt at Para 11 of the order on the subject matter of interest income from scheduled banks/nationalized banks as under:

“ 11.----The seventh disputed issue, where the AO and CIT(A) has not allowed the claim of deduction under section 80P(2)(a)(i) of the Act. As the cooperative society earns / receives interest on deposits maintained with the nationalized banks / scheduled banks/ non cooperative banks.

The Ld.AR's submitted that the assessee has claimed deduction u/s 80P(2) (a) (i) of the Act relating to interest income from scheduled banks as the same constitutes income attributable to carrying of business of providing credit facilities to its members.. Further such investments are made as per specific clause 58 of The Karnataka Cooperative Societies Act 1959. The amount invested for short term is out of working capital available in the process of carrying out providing credit facilities which is the business of the assessee. As per specific clause of the governing law and bye laws the amounts are invested in Co-operative Credit societies, Co-operative Banks and Scheduled Banks. Investments in scheduled banks are made on account of commercial expediency of quick liquidity whenever the need arises. Whereas the provisions of section 80P(2) (a) (i) of the Act are dealt in cases where the whole of the amount of profits and gains of a business which are attributable to any of the activities

referred to in clauses (i) to (vii) of that section shall qualify for deduction. The impugned interest income falls under profits and gains attributable to carrying on business of providing credit facilities to its members. Further the assessee-society is entitled to deduction under section 80P in respect of interest income from fixed deposits with nationalized bank when source of such investment was income derived from activities listed in sub-clauses (i) to(vii) of clause (a) of section 80P(2) of the Act. The Ld.AR's relied on the judicial decisions 1. Bihar State Co-operative Bank Ltd v CIT 39 ITR 114 (SC) 2. Cambay Electric Supply Industrial Co. Ltd v CIT 113 ITR 84 (SC). 2.1 Tumkur Merchants Souharda Credit Cooperative Ltd v ITO Ward – V, Tumkur 55 taxmann.com 447 (Kar). 3. Guttigedarara Credit Co-operative Society Ltd v ITO Ward 2(2), Mysore 377 ITR 464 (Kar) . 4. Vavveru Co-operative Rural Bank Ltd v Chief Commissioner of Income Tax 396 ITR 371 (A.P and Telangana). 5. Pr.CIT v Sahyadri Co-operative Credit Society Ltd 166 taxmann.com 445 (Ker). 6. Pr.CIT v Gunja Samabay Krishi Unnayan Samiti Ltd 147 taxmann.com 518(Cal) 7. Chennai Central Co-operative Bank Ltd 148 taxmann.com 17 (Mad). 8. Athani Credit Co-operative Society Ltd ITA No.121/PAN/2023. 9. Shree Adinath Minority Credit Souhard Sahakari Ltd ITA No.42/PAN/2023 Further Interest income earned by cooperative credit society from its funds parked with nationalized and commercial banks would be construed as profits and gains of business, thus eligible for deduction under section 80P(2)(a)(i) of the Act. The CBDT CIRCULAR No.18/2015 F.No.279/Misc./140/2015/ITJ dated 02.11.2015 on the issue of interest SLR securities of banks states that – 1.“It has been brought to the notice of the Board that in the case of Banks, field officers are taking a view that, "expenses relatable to investment in non-SLR securities need to be disallowed u/s 57(i) of the Act as interest on non-SLR securities is income from other sources." 2. Clause (id) of sub-section (1) of Section 56 of the Act provides that income by way of interest on securities shall be chargeable to income tax under the head "Income from Other Sources", if, the income is not chargeable to income-tax under the head "Profits and Gains of Business and Profession". 3. The matter has been examined in light of the judicial decisions on this issue. In the case of CIT v.Nawanshar Central Cooperative Bank Ltd. [2007] 160TAXMAN 48(SC), the Apex Court held that the investments made by a banking concern are part of the business of banking. Therefore, the income arising from such investments is attributable to the business of banking falling under the head "Profits and Gains of Business and Profession" The authorized representatives of the assessee's substantiated the submissions with the judicial decisions and the Ld.DR relied on the order of the CIT(A) and submissions. The Ld. AR's submitted that the assessee functions as a co-operative society & interest from scheduled banks is attributable to banking business which also utilized for the purpose of providing credit facilities. The interest income partakes the character of business income for the co-operative society. On the issue for the attributable to the banking business, the assessee being a credit co-operative society is

engaged in providing credit facilities to its members and the claim was in respect of the money available for business that in the nature of credit facilities provided & there is no surplus funds and applying the theory of attributable to the objects and also there are no surplus funds except the operational money which is available for providing credit facilities. Further the surplus funds generating the interest income were part of the working/operational funds of the society's core business of providing credit facilities to its members. The assessee has deposited the funds in the scheduled banks to obtain higher rate of interest therefore the concept of availability of surplus funds does not arise in the case of credit co-operative societies. Accordingly, the Ld. Assessing Officer to consider the facts of earning of interest income by the assessee from its core business of providing credit facilities to its members and allow the deduction.

On the second category of multipurpose Co-operative societies which deal in providing the credit facilities & also other business activities with its members and outsiders in such cases where the funds are invested with the scheduled banks by way of short term deposits cannot be said to be providing credit facilities to its members and the income is taxed as "other income" under the Income from other Sources u/sec 57 of the Act subject to allowing the deduction of direct and indirect cost incurred on such investments/deposits by the assessee from such interest income earned. Accordingly, this disputed issue is restored to the file of the assessing officer to verify and examine the earning of interest income and allow the deductions as discussed above and adjudicate on merits. Further the deduction u/sec80P(2)(a)(i) of the Act in respect of scheduled bank interest in both the categories of societies should be restricted to the income forming part of gross total income. And these grounds of appeal are partly allowed for statistical purpose."

7. Therefore, considering the facts, circumstances, submissions and the ratio of the judicial decisions dealt in the above issues and also follow the judicial precedence. Accordingly, set aside the order of the CIT(A) on these disputed issues and direct the assessing officer to allow deduction under section 80P(2)(d) of the Act in respect of interest income on deposits with cooperative banks and restore the disputed issue of interest on deposits with scheduled banks dealt in the paragraph 6 above to the

file of the Assessing Officer to adjudicate on similar directions discussed and the total aggregate claim including deduction u/sec80P(2)(d) of the Act shall be restricted to original deduction u/sec80P(2)(a)(i) of the Act claimed in the return of income filed by the assessee. Further the assessee should be provided adequate opportunity of hearing and shall cooperate in submitting the information.

8. On the disputed issue of denial of deduction of interest on income tax refund under section 80P(2)(a)(i) of the Act The Ld.AR's submitted that the assessee has claimed deduction u/s 80P(2) (a) (i) of the Act pertaining to interest income on income tax refund as the same constitutes income attributable to carrying of business of providing credit facilities to its members and relied on the judicial decisions. We find The Honble Income Tax Tribunal Pune Bench in ITA.No.826/Pune/2019 dated 23-09-2020 – Sant Motiram Maharaj Sahakari Pat Sanstha Ltd Vs ITO Parbhani 186ITD 220 (Trib) at Para 11 of the order on the subject matter of interest income on income tax refund relied on the special bench decision as under:

“ 11. Now we advert to the second issue espoused by the Id. Pr. CIT about the interest income of Rs.2,334/- received by the assessee on refunds u/s.244A of the Act. We find that this issue is fully and directly covered by the Special Bench order passed by the Mumbai benches of the Tribunal in the case of Maharashtra State Cooperative Bank Ltd. Vs. ACIT (2010) 129 TTJ 521 (SB) (Mumbai) holding that interest on income-tax refund u/s.244A is covered within the expression “profits and gains of business” occurring in section 80P(2)(a) and ergo eligible for deduction u/s.80P(2)(a)(i) of the Act. Albeit interest amounting to Rs.2,334/- received u/s.244A of the Act is chargeable to tax but

at the same time the same is also deductible in full u/s.80P(2)(a)(i) of the Act. The assessment order in not adding such interest to the total income, cannot be construed as prejudicial to the interest of revenue because such interest income is tax-neutral in the context of the assessee due to the simultaneous availability of deduction u/s.80P(2)(a)(i) on such amount..”

Hence considering the facts, circumstances, submissions and the ratio of the judicial decision dealt in the above issue and follow the judicial precedence. Accordingly, direct the assessing officer to allow interest on income tax refund as deduction under section 80P(2)(d) of the Act.

9. In the result, the appeal filed by the assessee is partly allowed for statistical purposes.

Order pronounced in the open court on 13.02.2026.

Sd/-
(GD PADMAHSHALI)
ACCOUNTANT MEMBER
Panaji Dated: 13/02/2026

Sd/-
(PAVAN KUMAR GADALE)
JUDICIAL MEMBER

Copy of the Order forwarded to:

1. The Appellant,
 2. The Respondent
 3. The CIT(A)
 4. CIT
 5. DR, ITAT,
 6. Guard file.
- //True Copy//

BY ORDER,
(Asstt. Registrar)ITAT,

Panaji

		Date	<u>Initial</u>	
1.	Draft dictated on			PS
2.	Draft placed before author			PS
3.	Draft proposed & placed before the second member			PS
4.	Draft discussed/approved by Second Member.			PS
5.	Approved Draft comes to the Sr.PS/PS			PS
6.	Kept for pronouncement on			
7.	File sent to the Bench Clerk			
8.	Date on which file goes to the AR			
9.	Date on which file goes to the Head Clerk.			
10.	Date of dispatch of Order.			
11.	Dictation Pad is enclosed			