

**आयकर अपीलिय अधिकरण "बी" न्यायपीठ पुणे में ।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL "B" BENCH, PUNE**

**BEFORE SHRI MANISH BORAD, ACCOUNTANT MEMBER**  
**AND**  
**MS. ASTHA CHANDRA, JUDICIAL MEMBER**

**आयकर अपील सं. / ITA Nos.3242 & 3243/PUN/2025**  
**निर्धारण वर्ष / Assessment Years : 2018-19 & 2020-21**

Veeracharya Babasaheb Kuchnure Zilla Nagari Sahakari Pat Sanstha Ltd., 317, Mahaveernagar, Vakhar Bhag, Sangli-416416  PAN : AAAAV0246J	<b>Vs.</b>	ITO, Ward-1(1), Sangli
<b>अपीलार्थी / Appellant</b>		<b>प्रत्यर्थी / Respondent</b>

Assessee by :	Shri Kishor B Phadke
Department by :	Shri Amit Bobde
Date of hearing :	12-02-2026
Date of Pronouncement :	16-02-2026

**आदेश / ORDER**

**PER ASTHA CHANDRA, JM :**

These two appeals filed by the assessee are directed against the separate orders both dated 02.12.2025 of the Ld. Commissioner of Income Tax (Appeals)/NFAC, Delhi [**"CIT(A)/NFAC"**] pertaining to Assessment Years (**"AYs"**) 2018-19 and 2020-21. Since identical issues are involved in both the appeals, for the sake of convenience, these appeals were heard together and are being disposed of by this common order.

**ITA No. 3242/PUN/2025, AY 2018-19**

2. Briefly stated, the facts of the case are that the assessee is a Co-operative Credit society registered under the Maharashtra Co-operative Society Act, 1960. It is engaged in the activities of providing credit facilities to its members and accepting deposits from its members. For AY 2018-19, the assessee filed its return of income on 25.10.2018 declaring Nil income after claiming deduction of Rs.4,03,27,670/- u/s 80P(2)(a)(i) of the Income Tax Act, 1961 (**the "Act"**) to the tune of Rs.73,14,914/-. The case of the assessee was selected for scrutiny under CASS on the issues of: (i) low income in comparison to high investments/advances/loans and (ii) deduction under Chapter VI-A. Accordingly statutory notices u/s 143(2) and 142(1) of the Act were issued and served upon the assessee from time

to time, in response to which, the assessee filed the requisite submissions. The Ld. Assessing Officer (“AO”) completed the assessment u/s 143(3) r.w.s. 143(3A) and 143(3B) of the Act vide his order dated 12.04.2021 disallowing the assessee’s claim of deduction u/s 80P(2)(a)(i) and 80P(2)(d) of the Act in respect of interest income amounting to Rs.5,64,27,046/- earned by the assessee during the relevant AY under consideration from investments/fixed deposits with Co-operative Banks.

3. Aggrieved, the assessee filed an appeal before the Ld. CIT(A)/NFAC who sustained the addition of Rs.5,64,27,046/- made by the Ld. AO and dismissed the appeal of the assessee by observing as under :

*“5. Finding and Decision:*

*5.1 I have carefully examined the assessment order passed under section 143(3) dated 12.04.2021, the grounds of appeal, the statement of facts, and the detailed written submissions filed by the appellant, along with the judicial authorities relied upon. The central issue for consideration is whether the appellant, being a credit co-operative society, is eligible to claim deduction under section 80P(2)(a)(i) of the Income-tax Act, 1961, in respect of interest income earned from fixed deposits placed with co-operative banks, or whether such interest falls outside the ambit of section 80P(2)(a)(i) in view of the ratio laid down by the Hon'ble Supreme Court in Totgars and the exclusionary provision contained in section 80P(4), which disentitles co-operative banks from the benefit of section 80P and correspondingly restricts the allowability of deduction on interest earned from such entities.*

*5.2 From the assessment order and the submissions on record, it is noted that the appellant is a credit co-operative society engaged in accepting deposits from its members and providing credit facilities to them in the normal course of its operations. There is no material on record to show that the fixed deposits placed with co-operative banks were required for any statutory purpose or that the earning of interest therefrom had a direct nexus with the day-to-day lending activity of the society. The appellant has not furnished evidence to demonstrate that the impugned deposits formed part of its circulating business funds. On the contrary, the assessment order shows that the interest has arisen from the placement of surplus funds with co-operative banks, and the appellant has not brought any material to establish that such interest was attributable to the core activity of providing credit facilities to members.*

*5.3 Section 80P(4), inserted by the Finance Act, 2006, restricts the availability of deduction under section 80P to co-operative banks, except for Primary Agricultural Credit Societies and Primary Co-operative Agricultural and Rural Development Banks. The Assessing Officer has invoked section 80P(4) only to the limited extent that co-operative banks are excluded from the meaning of "co-operative society for the purpose of section 80P(2)(d). Accordingly, interest received by a credit co-operative society from deposits placed with a co-operative bank does not fall within the ambit of section 80P(2)(d). There is no material on record to suggest that the appellant is itself a co-operative bank, and therefore section 80P(4) does not apply to the appellant on that footing.*

*5.4 The Hon'ble Supreme Court in Totgars Co-operative Sale Society Ltd. v. ITO (322 ITR 283) has categorically held that interest earned on surplus funds invested in deposits, which are not required for the day-to-day*

*business of providing credit facilities to members, is taxable under the head "Income from Other Sources and does not qualify for deduction under section 80P(2)(a)(i). In the present case, the appellant has placed its surplus funds in fixed deposits with co-operative banks, and there is nothing on record to demonstrate that such deposits were a statutory or business necessity directly connected with its lending activity. The earning of interest from such deposits, therefore, represents independent income arising from the deployment of surplus funds, and the ratio of the Hon'ble Supreme Court in Totgars squarely applies. Accordingly, the impugned interest cannot be treated as income attributable to the business of providing credit facilities to members for the purpose of section 80P(2)(a)(i).*

*5.5 While the appellant has placed reliance on certain decisions of the Hon'ble ITAT wherein the facts were viewed as distinguishable from the judgment of the Hon'ble Supreme Court in Totgars Co-operative Sale Society Ltd., it is noted that the applicability of such distinctions depends entirely on the factual context of each case. In the present matter, the record does not show that the impugned fixed deposits formed part of the circulating capital of the lending activity or that they were maintained as an operational necessity. The consistent view taken by several High Courts, including the Hon'ble Gujarat High Court, the Hon'ble Punjab & Haryana High Court, and the Hon'ble Karnataka High Court in subsequent decisions, is that the ratio of Totgars is not confined to agricultural marketing societies but applies wherever interest is earned from surplus funds placed in deposits. These judicial pronouncements emphasise that interest arising from such surplus funds is assessable under the head "Income from Other Sources and does not qualify for deduction under section 80P(2)(a)(i). In the absence of material demonstrating a direct nexus between the deposits and the core credit activity, the factual matrix of the present case aligns with the principles laid down by the Hon'ble Supreme Court. Accordingly, the decisions of the ITAT relied upon by the appellant, being fact-specific, do not alter the outcome in the appellant's case.*

*5.6 In light of the above legal position, the alternative claim under section 80P(2)(d) also fails. Section 80P(2)(d) applies to interest or dividend derived from investments with "any other co-operative society". Co-operative banks, by virtue of section 80P(4), have been excluded from the benefit of section 80P, and the Assessing Officer has correctly held that interest received from deposits placed with such banks does not qualify for deduction under section 80P(2)(d).*

*5.7 Accordingly, the addition of Rs.5,64,27,046 made by the Assessing Officer by assessing the impugned interest under the head "Income from Other Sources" and disallowing the deduction claimed under section 80P is in accordance with law. The appellant has not brought any evidence on record to dislodge the factual findings of the Assessing Officer or to demonstrate that the impugned interest was attributable to the business of providing credit facilities to its members.*

## *6. Decision*

*In view of the legal position governing section 80P, the exclusion contained in section 80P(4), and the binding ratio of the Hon'ble Supreme Court in Totgars Co-operative Sale Society Ltd., the appellant's claim for deduction under section 80P(2)(a)(i) in respect of interest earned from fixed deposits placed with co-operative banks cannot be accepted. The interest income of Rs.5,64,27,046, being derived from investment of surplus funds with co-operative banks which are not members of the appellant-society, has been rightly held by the Assessing Officer to be in the nature of income from other sources not attributable to the business of providing credit facilities to members. The appellant has not brought any material on record to establish a direct and proximate nexus between the impugned interest and its lending activity. The Assessing Officer has therefore correctly added Rs.5,64,27,046*

*to the total income under section 56 and disallowed the corresponding claim under section 80P. On the facts and in law, the addition made by the Assessing Officer is upheld.*

*In the result, the appeal is dismissed.”*

4. At the outset, the Ld. AR submitted that the impugned issue is squarely covered in favour of the assessee by catena of decisions of various judicial forums including the decision(s) of the Pune Bench of the Tribunal. Placing reliance on the various decisions pronounced in favour of the assessee relating to the impugned issue, he further submitted that the assessee is duly eligible for its claim of deduction u/s 80P(2)(a)(i) of the Act. He also raised an alternate contention that the interest income earned from Co-operative Banks by the assessee during the relevant AY is eligible income for claim of deduction u/s 80P(2)(d) of the Act. In support thereof, the Ld. AR relied on the decision of Pune Bench of the Tribunal in the case of The Karad Urban Sevak Sahakari Patsanstha Maryadit Karad Vs. ITO in ITA No. 2985/PUN/2025 for AY 2020-21, order dated 03.02.2026.

5. The Ld. DR, on the other hand, supported the order of the Ld. CIT(A)/NFAC.

6. We have heard the Ld. Representatives of the parties and perused the material on record and judicial precedents cited by the Ld. AR as well as the paper book filed by the Ld. AR on behalf of the assessee. The facts of the case are not in dispute. Admittedly, during the relevant AY 2018-19, the assessee has received interest on fixed deposits from Co-operative Banks amounting to Rs.5,64,27,046/-, the details of which is provided on page 67 of the paper book. In respect of the said interest income, the assessee claimed deduction u/s 80P(2)(a)(i)/80P(2)(d) of the Act which has been disallowed by the Ld. AO and such disallowance has been upheld by the Ld. CIT(A)/NFAC for the reasons reproduced above. It is the submissions of the Ld. Counsel for the assessee before us that the interest income earned by the assessee is eligible for deduction u/s 80P(2)(a)(i) of the Act. Alternatively, relying on the decision of the Pune Bench of the Tribunal in the case of The Karad Urban Sevak Sahakari Patsanstha Maryadit Karad (supra), he submitted that the assessee should be allowed the deduction under the provisions of section 80P(2)(d) of the Act

7. We find that the impugned issue is no more res-integra and is covered in favour of the assessee by catena of decisions of various judicial forums including the Pune Bench of the Tribunal. We find that in the case of The Karad Urban Sevak Sahakari Patsanstha Maryadit Karad (supra), the Tribunal allowed the assessee's claim of deduction u/s 80P(2)(d) of the Act in respect of interest income earned from the investments held with Co-operative Banks by observing as under :

*"4. I have heard the rival contentions and perused the records placed before me. I observe that the assessee is a Cooperative society and Nil income declared in the return of income for A.Y. 2020-21 furnished on 23.12.2020. After the case being selected for Complete Scrutiny valid statutory notices were served upon the assessee. During the source of assessment proceedings, ld. Assessing Officer has observed that assessee has earned interest income of ₹39,69,439 from the investments held with Cooperative Banks namely The Satara District Central Cooperative Bank Ltd. And The Karad Urban Cooperative Bank Ltd. Ld. Assessing Officer concluded the proceedings making addition of ₹39,69,439 and assessed the income at ₹39,69,439. Thereafter, assessee preferred appeal before ld.CIT(A) but failed to succeed.*

*5. Before me, ld. Counsel for the assessee has demonstrated that sum of ₹39,69,439 has been earned from deposits held with Cooperative Banks and that this interest income is eligible for deduction u/s.80P(2)(d) of the Act.*

*6. The issue under consideration is no longer res integra by virtue of catena of decisions taking consistent view that interest income earned from deposits with Cooperative Banks is eligible for deduction u/s.80P(2)(d) of the Act. Recently, this Bench in the case of Annapurna Nagari Sahkari Pathsanstha Maryadit Yawal Vs. ITO in ITA No.313/PUN/2025, order dated 07.05.2025 has allowed the deduction claimed by the appellant u/s.80P(2)(d) of the Act observing as under :*

*"5. We have heard the rival submissions and perused the record placed before us. There is no dispute to the fact that appellant has earned interest income of Rs.1,02,95,103/- from deposits/investments with Cooperative Banks. This fact has been accepted by the Assessing Officer in the assessment order also. Admittedly, appellant has not filed the requisite details before ld.CIT(A). We however considering the fact that the issue regarding allowability of deduction u/s.80P(2)(d) of the Act for the interest earned from Cooperative Banks is no longer res integra as the very same issue has been decided by this Tribunal in catena of decisions and in assessee's own case for A.Y. 2020-21 holding that the appellant is eligible for deduction u/s.80P(2)(d) of the Act as the Cooperative Banks are basically Cooperative Societies. For the sake of brevity, the finding given in ITA No.2471/PUN/2024 is reproduced below:*

*"7. We have heard both the sides and perused the record placed before us. In the instant case, the Assessing Officer disallowed the interest income of Rs.1,63,98,998/- earned out of the Fixed deposits/Investments made with Cooperative Banks treating the same as Income from Other Source. Ld.CIT(A) dismissed the appeal in limine without discussing anything on merits of the issues and on the ground that the appellant has not provided plausible explanation for admission of additional evidences.*

8. Section 80P(2)(d) of the Act provides that the sum received in respect of any income by way of interest or dividend derived by Cooperative Society from its investment with any other Cooperative Society, the whole of such income is eligible for deduction u/s.80P of the Act. we find that this issue is no more res integra as the Coordinate Benches of this Tribunal has been consistently holding that the interest income earned out of the FDs/Investments kept with Cooperative Banks is allowable u/s.80P(2)(d) of the Act. We find that this Tribunal in case of Kolhapur District Central Co-op. Bank Kanista Sevakanchi Sahakar Pat Sanstha Ltd., Vs. ITO in ITA No.1365/PUN/2023, dated 01.01.2024 dealing with similar issue after placing reliance on another decision of this Tribunal in the case of The Ugar Sugar Works Kamgar & Dr. Shirgaokar Shaikshanik Trust Nokar Co-op Credit Society vs. ITO in ITA No.84/PAN/2018, dated 27.05.2022 has held that the interest earned from deposits with Cooperative Banks are also eligible for deduction u/s.80P(2)(d) of the Act as Cooperative Banks are basically Cooperative Societies only but have turned into Bank on getting necessary banking license.

9. Respectfully following the above referred decisions taking consistent view along with considering the facts of the case, where the appellant made investment with the Cooperative Banks we hold that the appellant is eligible for deduction u/s.80P(2)(d) of the Act for the interest income earned from Cooperative Banks at Rs.1,63,98,998/-. Findings of the ld. CIT(A) is set-aside and the Assessing Officer is directed to allow the claim made by the appellant. Effective grounds of appeal raised by the appellant are allowed.”

6. Respectfully following the same, we hold that deduction of Rs.1,02,95,103/- u/s.80P(2)(d) of the Act claimed by the appellant on the interest earned from deposits/Investments with Cooperative Banks deserves to be allowed. Relevant finding of ld.CIT(A) on merits is set aside and grounds of appeal No.5 to 8 raised by the appellant are allowed.”

7. In light of the above decision and other judicial precedents consistently followed by this Tribunal, I hold that the assessee is eligible for deduction u/s.80P(2)(d) of the Act for the interest income of ₹39,69,439 earned from the investments held with Cooperative Banks. Ground No.2 raised by the assessee is allowed.”

8. In view of the above discussion and respectfully following the decision of the Pune Bench of the Tribunal in the case of The Karad Urban Sevak Sahakari Patsanstha Maryadit Karad (supra) and in the absence of any objection raised and/or contrary decision brought on record by the Ld. DR, we hereby set aside the impugned order of the Ld. CIT(A)/NFAC and allow the deduction claimed by the assessee u/s 80P(2)(d) of the Act. The effective grounds i.e. ground No. 2.1 to 2.6 of appeal raised by the assessee are accordingly allowed. The others grounds i.e. ground No. 1.1 to 1.5 raised by the assessee are thus rendered academic in nature requiring no adjudication.

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

**ITA No. 3243/PUN/2025, AY 2020-21**

10. Both the sides are unanimous in stating that the facts and the grounds of appeal in ITA No. 3243/PUN/2025 for AY 2020-21 are identical to the facts and grounds raised in ITA No. 3242/PUN/2025 for AY 2018-19 except the variance in amounts. Thus, in view of the fact that the issue(s) raised in both the appeals are identical and are arising from same set of facts, the finding given by us while adjudicating the appeal in ITA No. 3242/PUN/2025 would *mutatis mutandis* apply to the appeal in ITA No. 3243/PUN/2025 as well. Accordingly, the grounds of appeal raised by the assessee in ITA No. 3243/PUN/2025 are allowed for statistical purposes in the same terms.

11. To sum up, both the appeals of the assessee are allowed.

**Order pronounced in the open court on 16<sup>th</sup> February, 2026.**

Sd/-  
(Manish Borad)  
**ACCOUNTANT MEMBER**

Sd/-  
(Astha Chandra)  
**JUDICIAL MEMBER**

पुणे / Pune; दिनांक / Dated : 16<sup>th</sup> February, 2026.  
रवि

**आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The Pr. CIT concerned.
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "बी" बेंच,  
पुणे / DR, ITAT, "B" Bench, Pune.
5. गार्ड फ़ाइल / Guard File.

//सत्यापित प्रति// True Copy//

आदेशानुसार / BY ORDER,

सहायक पंजीकार / Assistant Registrar  
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune