

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

**BEFORE HON'BLE SHRI SANDEEP GOSAIN, JUDICIAL MEMBER &
HON'BLE SHRI BIJAYANANDA PRUSETH, ACCOUNTANT MEMBER**

**ITA No. 5441/Mum/2025
(Assessment Year: 2020-21)**

ITO, Mumbai	Vs.	The Jackson Co-Op. Society of the Employee of Western Railway Ltd. 1, Noushir Bharucha Maro Orant Road, Mumbai - 400007.
PAN/GIR No. AAATT2985P		
(Applicant)		(Respondent)

Assessee by	Shri Jagasheth (Virtually)
Revenue by	Shri Vivek Perampurna (CIT-DR)

Date of Hearing	25.02.2026
Date of Pronouncement	26.02.2026

आदेश / ORDER

PER SANDEEP GOSAIN, JM:

The present appeal has been filed by the assessee challenging the impugned order 10.06.2025 passed u/s 250 of the Income Tax Act, 1961 ('the Act'), by the National Faceless Appeal Centre, Delhi (NFAC) for the assessment year 2020-21. The following grounds are reproduced below:

"(1) "Whether on the facts and in circumstances of the case and in law, the Ld. CIT(A) has erred in allowing deduction

u/s 80P(2)(ai) of the IT Act 1961, without appreciating legislative intent of the inserted provision of 80(P) which specifically provides that section shall not apply in relation to any cooperative bank other than a primary agricultural credit society or primary cooperative agricultural and rural developer bank".

(ii) Whether on the facts and in circumstances of the case and in law, the Ld. CITIA) has erred in allowing deduction u/s 80(2)(a)(i) of the I.T. Act, 1961, without considering the decision of the Hon'ble Supreme Court in the case of Citizen Co operative Society Ltd. Vs. ACIT vide its order dated 08/08/2017 [20171 84 taxmann.com 114 (SC), which was further affirmed in its order dated 21/11/2017 in response to a review petition 2017 88 taxmann.com 279 (SC)] wherein the Hon'ble Apex Court held that the co-operative bank cannot be treated as co operative society and cannot take benefit of deduction u/s 80P of the Act and accordingly, as per the Act the deduction u/s 80P(2)(a)(i) of the Act is allowable only with the deposit made with co-operative society not with co-operative bank?"

(iii) "Whether on the facts and circumstances of the case and in the law the Ld.CITA) has erred in allowing the deduction u/s 80P(2)(a)(i) of Rs. 19,77,87,377/-even if Hon'ble Supreme Court as well as Hon'ble Karnataka High Court in the case of Totagar Cooperative sale society (2010) 322 ITR 283(SC) and (2017)392 ITR 74(Kar) held that the income by way of interest earned by deposit or investment of idle or surplus funds does not change its character irrespective of the fact whether such income of interest is earned from a schedule bank or a co-operative bank and thus, clause (d) of section 80P(2) of the Act would not apply in case of co-operative bank?"

(iv) "Whether on the facts and circumstances of the case and in law, the Ld.CITA) has erred in allowing the deduction u/s 80P(2)(a)(i) of Rs 19,77,87,377/-even though 80P(4) says that provisions of section 80P does not apply to co operative banks

(v) "Whether on the facts and circumstances of the case and in law, the LLCITIA) has erred in allowing the deduction u/s 80P(2)(ai) of Rs. 19,77,87,377/-even if the assessee earned the interest from Cooperative Bank which are not recognized an Co-operative Societies?"

(vi) "Whether on the facts and circumstances of the case and in law, the ld.CIT(A) has erred in allowing the deduction u/s 80P(2)(ai) of Rs. 19,77,87,377/ even Hon'ble Apex Court in the case of The Mavilayi Service Co-op Bank Ltd & Others Vs. CIT. Civil Appeals Nos. 7343-7350 of 2019 dt. 12-01-2021 held that interest earned from investments made in any bank, not being a cooperative society, is not deductible under section 80P(2)(a)(i)of the Act?"

(vii) The tax effect involved in this case is Rs. 6,17,09,773/, which is above the prescribed limit mentioned in the CBDT's Circular No 05/2024 Dated. 15.03.2024.

(viii) The appellant craves, leave to amend or alter any grounds or add a new ground which may be necessary."

2. All the grounds raised by the revenue are interrelated and interconnected and relates to challenging the order of Ld. CIT(A) in allowing the deduction u/s 80P(2)(a)(i) of the Act. Therefore, we adjudicate these grounds through the present consolidated order.

3. We have heard both the parties, perused the material placed on record, judgments cited before us and also the orders passed by the revenue authorities. From the records we noticed that Ld. CIT(A) had adjudicated these grounds in detail and while relying upon the decisions of

the Coordinate Bench of ITAT had allowed the assessee deduction u/s 80P(2)(a)(i) of the Act, the operative portion of order of Ld. CIT(A) is contained in para 5.6 to 5.9 and the same is reproduced herein below:

5.6 In Ground No.1 the appellant has challenged the disallowance of interest income of Rs. 19,77,87,737/- from investment with other banks claimed u/s 80P(2)(a)(i) of the I.T. Act. From the assessment order, it is seen that the appellant earned interest from the following commercial banks as mentioned below:

<i>Name of Investment</i>	<i>Amount of Interest Earned</i>
<i>Bank of Boroda</i>	<i>19,49,343</i>
<i>Bank of India</i>	<i>50,13,468</i>
<i>Bank of Maharashtra</i>	<i>17,32,005</i>
<i>Central Bank of India Investment</i>	<i>77,38,461</i>
<i>Dena Bank Investment</i>	<i>1,55,10,527</i>
<i>Indian Bank Investment</i>	<i>3,71,58,272</i>
<i>PNB Auto Sweep</i>	<i>59,652</i>
<i>Oriental Bank of India</i>	<i>1,24,22,310</i>
<i>PNB (Peddar Road)</i>	<i>3,18,70,063</i>
<i>SBI</i>	<i>8,19,34,794</i>
<i>UCO Bank</i>	<i>23,98,842</i>
Total	19,77,87,373

5.7 It has not been disputed by the AO that the appellant is a co-operative credit society registered under Multi State Co-operatives Act, 2002 is required to transfer certain part of the net profits to various fund, reserve fund complying to the provisions of the Multi State Co-operatives Act, 2002. Besides, as per the provisions of the Multi State Co-operatives Act, 2002, the appellant society was bound to make investments of the surplus funds as per the aforesaid provisions which stipulated investments in cooperative banks/ other banks. It has also not been disputed by the AO that the appellant in the year under consideration has earned interest income of Rs. 19,77,87,737/-

only, from various commercial banks, by way of investments from such funds.

5.8 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."

5.9 In the above noted decision, it has been held that Interest income, from investments with commercial banks, of Co-operative societies registered under Co-operative Societies Act is eligible 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. 19,77,87,737/- only. The appeal on ground is allowed, accordingly.

4. We have noticed that the Coordinate Bench of ITAT in assessee's own case had also decided the issue in favour of the assessee for the A.Y 2022-23, the copy of the Coordinate Bench of ITAT is at page No. 75 to 81 of the paper book. The operative portion of the same is reproduced herein below:

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.

5. After having gone through the facts of the present case and also the orders passed by the revenue authorities and also taking into consideration of Coordinate Bench of ITAT in assessee's own case for the A.Ys 2018-19 and 2022-23, where identical issue under similar factual circumstances were decided in favour of assessee, we find no reason to take a different view. Therefore respectfully following the doctrine of binding precedent and maintaining judicial consistency, particularly when identical additions made on similar facts have been deleted by the Coordinate bench. Therefore, the grounds raised by the revenue stands dismissed.

6. In the result, the appeal filed by the revenue stands dismissed.

Order pronounced in the open court on 26.02.2026.

Sd/-

**(BIJAYANANDA PRUSETH)
ACCOUNTANT MEMBER**

Sd/-

**(SANDEEP GOSAIN)
JUDICIAL MEMBER**

Mumbai, Dated 26/02/2026

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / The CIT(A)
4. आयकर आयुक्त (अपील) / Concerned CIT
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, मुम्बई/ DR, ITAT, Mumbai
6. गार्ड फाईल / Guard file.

आदेशानुसार/BY ORDER,

सत्यापित प्रति //True Copy//

उप/सहायक पंजीकार (Asst. Registrar)
आयकर अपीलीय अधिकरण, मुम्बई/ ITAT, Mumbai