

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**'C' BENCH: CHENNAI**

श्री इंटूरी रामा राव, लेखा सदस्य एवं श्री मनु कुमार गिरि, न्यायिक सदस्य के समक्ष  
**BEFORE SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER**  
**AND SHRI MANU KUMAR GIRI, JUDICIAL MEMBER**

आयकर अपील सं./ITA No. 3956/Chny/2025  
निर्धारण वर्ष /Assessment Year: 2016-17

Aval Pundhari Wcs Limited  
1 Namachivaya Nilayam, Blumator  
Road Avalpundurai 638115

**Vs.** Income Tax Officer  
Ward -2(1), Erode

**[PAN: AAAAAA2786L]**

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by

: Shri G. Akash, Adv.

प्रत्यर्थी की ओर से /Respondent by

: Ms. R. Anitha, Addl.CIT

सुनवाई की तारीख/Date of Hearing

: 18.02.2026

घोषणा की तारीख /Date of pronouncement

: 06.03.2026

**आदेश / O R D E R**

**PER INTURI RAMA RAO, ACCOUNTANT MEMBER:**

This is an appeal filed by the assessee directed against the Order of the Commissioner of Income Tax (Appeal), Delhi (hereinafter called as 'CIT(A)') dated 29.10.2025 for the assessment year 2016-17.

2. The assessee raised the following grounds of appeal:

*"1. The order of the CIT (A) is erroneous and bad in law as the same is opposed to the facts of the case and provisions of law.*

*2. The CIT(A) erred in confirming the disallowance of deduction u/s.80P of Rs.5,28,284/-, without appreciating that the appellant is a registered weavers' co-operative society engaged in cottage industry.*

3. *The CIT(A) failed to appreciate that the deposits with the Erode District Central Co-operative Bank were statutory and business-linked, and the interest therefrom qualifies for deduction under Section 80P*

4 *The CIT(A) erred in denying deduction under Section 80P on interest from the Erode District Central Co-operative Bank, overlooking that the said bank is a co-operative society within the meaning of Section 2(19) of the Act.*

5. *The order of the CIT(A) is against the principles of natural justice as the detailed submissions and judicial precedents placed on record by the appellant it were not duly considered.*

6. *The CIT(A) failed to consider the appellant's adjournment request for filing additional submissions and proceeded to pass the order without granting proper opportunity of hearing.*

7. *Without prejudice to the above, the CIT(A) ought to have directed the AO "o allow deduction u/s 80P in respect of the interest and dividend income derives from investments with a co-operative bank being a co-operative society.*

8. *Any other ground raised at the time of hearing.*

3. The brief facts of the case are as under:

The appellant is a cooperative registered under the provisions of Tamilnadu Co-operative Societies Act, 1983. The appellant society being a society involved in cottage industry, used to supply raw materials such as silk, zari, cotton threads to its members being weavers and get back the finished product from them for which, the weavers are being paid wages. The appellant society filed the return of income for Assessment Year 2016-17 on 01.10.2016 disclosing 'nil' income after claiming deduction u/s 80P of the Act. Against the said return of income, the assessment was completed by the Income Tax Officer, Ward 2(3), Erode

vide order dated 27.12.2018 passed u/s 143(3) of the Act at a total income of Rs. 5,28,284/-. While doing so, the Assessing Officer denied the deduction u/s 80P(2)(d) of the Act in respect of interest income of Rs. 5,27,087/- from Co-operative Bank on deposits made out of surplus funds by holding that such interest income does not qualify for deduction u/s 80P(2)(d) of the Act and is hit by provisions of sub-section (4) of section 80P of the Act.

4. Being aggrieved by the above assessment order and, an appeal was preferred before Id. CIT(A) who vide impugned order confirmed the action of the Assessing Officer placing reliance on the decision of Hon'ble Supreme Court in the case of Totgars Co-operative Sale Society Ltd. Vs. ITO (2010) 188 Taxmann 282 (SC).

5. Being Aggrieved by the above appeal, the appellant is in appeal before us in the present appeal, the Id. Counsel for the assessee submitted that the interest income earned from Co-operative Bank qualifies for deduction u/s 80P(2)(d) of the Act and the provisions of sub-section (4) of section 80P have no application and he also relied on the Co-ordinate Bench of this Tribunal in case of Cooperative Society Ltd vs. ITO in ITA No. 3265/Chny/2025 dated 04.02.2026 and the Hon'ble High Court of Madras in the case of Thorapadi Urban Co-op Credit Society Ltd. Vs. ITO [2023] 156 taxmann.com 419 (Madras HC).

6. On the other hand, Id. Departmental representative supports the order of lower authorities.

7. We heard the rival submissions and perused the material on record. The issue that arises for our consideration is whether the interest income earned by Co-operative Societies on deposits made out of surplus funds generated by the society with the another Co-operative Bank qualifies for deduction u/s 80P(2)(d) of the Act or not. The issue is no longer res-integra as it stands settled by the Hon'ble High Court of Madras in case of Thorapadi Urban Co-op Credit Society Ltd (supra), wherein, it is held as under:-

.....

7. I have given due consideration for the submission made by the learned counsel appearing for the petitioner as well as the respondent.

8. The main issue is to decide in the present case is as to whether the petitioner Co-operative Society is entitled for a deduction for the interest income received from the Co-operative Bank?

9. It would be appropriate to extract hereunder the relevant portion of section 80P(2)(d).

"80 P. Deduction in respect of income of co-operative societies:

(1)

(2) The sums referred to in sub-section (1) shall be the following, namely:-

(a) to (c)\*\*

(d) "in respect of any income by way of interest or dividends derived by the co-operative society from its investment with any other co-operative society, the whole of such income"

9.1 A reading of the above said provision makes it clear that in the event if any Co-operative Society derived income by way of interest from investment made in any other Co-operative Society the whole such interest is eligible for deduction. Now the issue is as to whether the Co-operative Bank would fall within the purview of the term 'Co-operative Society'. In the present case, the petitioner produced a document to show that the Co-operative Bank, where they have made investments was registered under the Tamil Nadu Co-operative Societies Act, 1983 on 20-5-2003. In this regard, he also produced a copy of the Certificate of Incorporation of the said Co-operative Bank. Therefore, it is clear that the investment made by the petitioner is a Co-operative Bank registered under the Co-operative Societies Act. The Income Tax Act, 1961 has also defined 'Co-operative Society' under section 2(19) as follows:

'2(19). "Co-operative society" means 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.'

10. A reading of the above definition would make it clear that 'Co-operative Society' means a Co-operative Society registered under Co-operative Societies Act, 1912. Thus, a Co-operative Society referred therein is only a co-operative society as defined under the Act, be it a Co-operative Society carrying on banking business or Co-operative Society carrying on the other businesses or a Co-operative bank.

11. The learned counsel for the respondent referred to the judgment of the Hon'ble Supreme Court rendered in Totgars Co-operative Sale Society Ltd. (supra), wherein the issue came up for consideration as to whether the interest income received by a Co-operative Bank from its members by way of providing the credit facilities to its members is eligible for deduction or not. Ultimately the Hon'ble Supreme Court found that under section 80P(2)(4)(1), the same is eligible for deduction. Therefore, the law laid down by the Hon'ble Supreme Court is not applicable for in the present case as the eligibility of deduction of interest has to be decided under section 80P(2)(d) and not under section 80P(2)(a)(i). The learned counsel has also relied upon other judgments which are not applicable for the present facts of the present case.

12. At this juncture, it would be appropriate to refer a judgment passed by a Division Bench of this Court in CIT v. Salem Agricultural Producers Co-operative Marketing Society Ltd. [2016] 76 taxmann.com 225 (Mad.)/[Tax Case Appeal No. 5 of 2015], wherein, apart from other substantial issues, the following issue has been framed for consideration, which reads as under:

"Whether on the facts and in the circumstances of the case, the Tribunal was right in holding that the assessee is to be treated as primary agricultural society and is carrying on the business of banking or providing credit facilities to its members and is entitled for deduction under section 80P(2)(a)(i) of the Income-tax Act, 1961 with respect to the interest received from Class B members who were involved in non-agricultural society?".

While answering to the above, the Division Bench held that the respondent therein, which is a Co-operative society, is entitled to avail the benefit under 80P(2)(d) of the Act. The judgment was rendered on 10-8-2016, where the judgement rendered by the Hon'ble Supreme Court in 2010 was considered.

8. The facts of the present case are identical to the facts in case of Thorapadi Urban Co-op Credit Society Ltd (supra). The ratio of said decision is squarely applicable. Therefore, we direct the Assessing Officer to allow the deduction u/s 80P(2)(d) of the Act in respect of interest income earned by the appellant earned deposits held with the Co-operative Bank

9. In the result, appeal filed by the assessee stands allowed.

*Order pronounced on the 6<sup>th</sup> day of March, 2026 in Chennai.*

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

Sd/-  
(इंटूरी रामा राव)  
**(INTURI RAMA RAO)**  
लेखा सदस्य/ACCOUNTANT MEMBER

चेन्नई/Chennai, दिनांक/Dated: 06<sup>th</sup> March, 2026.

\*Ganesh Kumar, Sr. P.S, on tour

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त (अपील)/CIT(A)
4. आयकर आयुक्त/CIT
5. विभागीय प्रतिनिधि/DR
6. गार्ड फाईल/GF