आयकर अपीलीय अधिकरण, विशाखापत्तनम पीठ, विशाखापत्तनम

INCOME TAX APPELLATE TRIBUNAL, VISAKHAPATNAM SMC-BENCH, VISAKHAPATNAM

[THROUGH HYBRID MODE]

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT AND SHRI MANJUNATHA G, ACCOUNTANT MEMBER

ITA No.258/VIZ/2026 निर्धारण वर्ष/Assessment Year: **2015-2016**		
DUDDUKURU PRIMARY AGRICULTURAL COOPERATIVE CREDIT SOCIETY LIMITED 1, DUDDUKURU DEVARAPALLI MANDALAM, DEVARAPALLI-534313, ANDHRA PRADESH	**Vs.**	**ITO, WARD - 1** TADEPALLIGUDEM TADEPALLIGUDEM-534101, ANDHRA PRADESH
अपीलार्थी **Appellant**		प्रत्यर्थी **Respondent**
Permanent Account Number of Assessee:		**AABAD1723D**
अपीलार्थी द्वारा/Appellant represented by:		**CA DRSN Sastry (HYBRID)**
प्रत्यर्थी द्वारा/Respondent represented by:		**Sri A.P.Babu, Sr AR**

सुनवाई की तारीख / Date of conclusion of hearing:	**15.09.2026**
घोषणा की तारीख / Date of pronouncement:	**16.10.2026**

आदेश / ORDER

PER VIJAY PAL RAO, VICE PRESIDENT:

This appeal by the assessee is directed against the Order dated 28.01.2026 of the learned CIT(A)-National Faceless Appeal Centre [in short "NFAC"], Delhi, for the assessment year 2015-2016.

2. The assessee has raised the following grounds of appeal:

1. *"The learned CIT(A) erred in law and on facts in confirming the addition of Rs. 17,85,708/- by treating the interest income earned on statutory reserve fund deposits as 'Income from Other Sources' and consequently denying the deduction claimed under Section 80P(2)(a)(i) of the Act.*

2. *The learned CIT(A) failed to appreciate that the Appellant society is statutorily required under the Andhra Pradesh Co-operative Societies Act, 1950 to maintain a reserve fund and invest it in a specified manner. The interest earned on such mandatory deposits is not investment income, but income attributable to and intrinsically linked with the business activities of the society, thus qualifying for deduction under Section 80P(2)(a)(i).*

3. *The learned CIT(A) erred in mechanically applying the ratio of the Hon'ble Supreme Court's decision in Totgar's Co-operative Sale Society Ltd. v. ITO (322 ITR 283), without appreciating the*

distinguishing facts of the Appellant's case, where the funds were not surplus funds parked in short-term deposits but were statutory reserves, the maintenance of which is a condition precedent for the functioning of the society.

4. *The learned CIT(A) failed to consider binding judicial precedents, including the decision of the Hon'ble Kerala High Court in Chirakkal Service Co-operative Bank Ltd. [2016] 384 ITR 490 (Ker) and the ITAT, Chennai Bench in M/s. DAEE Coop T & C Society vs. Asst CIT (ITA No: 3047/CHNY/2019), wherein it has been held that interest earned on statutory deposits is eligible for deduction under Section 80P.*

5. *The Hon'ble Tribunal ITAT Visakhapatnam as allowed the deduction of interest income earned on funds invested in DCC Bank under section 80 P of Income Tax Act in the appeal on the same grounds and facts in the case of M/.s Gowripatnam Primary Co-operative Credit Society for the same Assessment year 2015-16 vide Order No 432/VIZ/2025, Dated 13.10.2025 (order copy here In enclosed).*

6. *The learned CIT(A) falled to appreciate that for Assessment Year 2015-16, the claim for deduction under Section 80P could not be denied merely because the return of income was filed in response to a notice under Section 148. The restrictive provisions of Section 80AC, making the filing of a return under Section 139(1) a prerequisite, were introduced by the Finance Act, 2018, and are applicable prospectively from AY 2018-19 onwards.*

7. *The learned CIT(A) also failed to consider the settled legal position that a return filed in response to a notice under Section 148 is a*

valld return for claiming deductions under Chapter VI-A, including Section 80P, for Assessment Year 2015-16, as the restrictive amendment to Section 80AC is prospective and applicable only from AY 2018-19.

8. *The Appellant craves leave to add, alter, amend, or withdraw any of the grounds of appeal at any time before or during the hearing of the appeal.***"**

3. The assessee is an Agricultural Cooperative Society registered under the Societies Act. The assessee society is providing credit facilities such as crop loan, agriculture loans and other loans to its members and also market the agriculture produce such as fertilizer, pesticides and seeds. The assessee filed its return of income for the year under consideration on 14.04.2022 in response to notice under section 148 of the Income Tax Act **[**in short "the Act"**]**, 1961 Act admitting Rs. NIL income after claiming deduction under section 80P of the Act of Rs.13,74,347/-. The Assessing Officer has completed the assessment under section 147 read with section 143(3) of the Act by determining the total income of the assessee at Rs.17,85,708/-. The Assessing Officer has denied the claim of deduction under

section 80P(2)(a)(i) of the Act for the entire income including the interest earned from the other cooperative banks. The assessee challenged the action of the Assessing Officer before the learned CIT(A) but could not succeed.

4. The learned Authorised Representative of the Assessee has submitted that the assessee produced all the relevant documents such as by laws of the society, interest on investment, interest received on loan, interest received from members, statement of income, Bank account statement, interest schedule and confirmation from District Central Cooperative Bank **[**in short "DCCB"**]**. He has referred to Para no.4.3 of the assessment order and submitted that the Assessing Officer has recorded this fact that the assessee has received interest of Rs.17,85,708/- from DCCB which is liable to be taken under the Head "Income from other sources" and consequently denied the deduction under section 80P of the Act. Thus, the learned Authorised Representative of the Assessee has submitted that the disallowance made by the Assessing Officer is not in accordance with the provisions of law as the interest received

by the assessee cooperative society from other cooperative bank is eligible for deduction under section 80P of the Act. In support of his contention, he has relied upon the following decisions:

i. PCIT vs. M/s. Sahyadri Co-operative Credit Society Ltd. (2024) 301 Taxman 36 (Ker.)(HC);

ii. Order of ITAT, Pune in the case of Shirol Taluka Khajagi Shikshah Sevkanchi Shakari Patsanstha Maryadit vs. ITO in ITA.No.2665/PUN/2025, dated 27.01.2026;

iii. Judgment of Hon'ble Sikkim High Court in the case of Sikkim State Cooperative Supply and Marketing Federation Limited vs. DCIT in Tax Appl.No.02 of 2025 dated 10.12.2025;

iv. Order of ITAT, Pune in the case of The Satara Zilla Krishi Bank Karmachari Sahakari Patsanstha Ltd. vs. ACIT in ITA.No.2153/PUN./2025, dated 13.11.2025;

5. On the other hand, the learned DR relied upon the orders of the authorities below.

6. We have considered the rival submissions as well as relevant material on record. The Assessing Officer has made the addition of Rs.17,85,708/- in Para no.4.3 as under:

> ***"4.3. Conclusion drawn:-***
>
> *Notices u/s 148/142(1)/143(2)/SCN of the Act was issued time to time. On going through the submission made by the assessee vide dated 26.05.2022, 20.04.2023 & 16.08.2023, it is seen that the assessee co-operative society registered under AP State Co-Operative Society Act, Registered in 1950 and started functioning from 1950. It is governed by the AP State Cooperative Society Art, and was formed for the benefit of Agricultural Farmers. It is situated in the Rural Areas, Amidst, the Agricultural Farmers of Duddukuru and Surrounding Villages of W G Dist The source of source of income of the society is mainly trading of fertilizers, seeds, interest & others. With respect of cash deposit the assessee has stated that cash deposit made in the bank during the FY2014-15 are out of regular business transactions, which have been audited by the AP State Co-operative Auditors under AP State Co-operative Societies Act. On going through assessee submission it is seen that the assessee has received interest on deposit with bank/institution of Rs.17,85,708/- from DCCB Bank, which is liable to be taxed under the head "Income from other sources". Interest income received from such deposits cannot be said to be attributable to the activities of the assessee, viz-a-viz, carrying on the business of providing credit facilities to its members. Thus, such interest income would fall under the head Income from other sources under Section 56 and not under the head 'Profits and gains of business or profession' under Section 28 of the Income Tax Act,*

1961. Therefore, vide show cause notice dated 29.11.2023 variation proposed as under:

PROPOSED ADDITION:

1. On account of non-allowability of 80P(2)(d) deduction on interest income from Investments made in Co-operative Banks : Rs.17,85,708/-

In response to show cause notice the assessee has submitted reply on 06.11.2023 and 01.12.2023 and relied on judicial decision M/s, BAEE Coop T & C Society vs. Asst CIT, held in the ITAT Chennai, 2019, AY 2013-14 - ITA.No.3047. On going through the above cited decision it is seen that the matter is interest received on deposit in co-operative bank disputable between Revenue vs High court. Therefore, the contention of the assessee society is not acceptable.

Thus, an amount of Rs.17,85,708/- is treated as income from other sources u/s 56 of the I.T. Act and added back to the total income of the assessee. Penalty proceedings u/s 271(1)(c) of the I.T. Act for furnishing inaccurate particulars of income."

6.1. Thus, the Assessing Officer has also referred to section 80P(2)(d) for disallowance of deduction on interest income from investment made in cooperative banks whereas the said provision is applicable only for denial of deduction in respect of interest received from other Cooperative Society. For the purpose of sec.80P(2)(d) a Cooperative Bank is first a Cooperative Society though having banking license from the

Reserve Bank of India and therefore, the benefit of section 80P(2)(d) cannot be denied for the interest received from the Cooperative Banks. Thus, for the purpose of deduction under section 80P(2)(d) a Cooperative Bank is also considered as a Cooperative Society and therefore, the Cooperative Society is eligible for deduction under section 80P(2) of the Act on the interest received from Cooperative Bank. An identical issue has been considered by the **Hon'ble Gujarat High Court in the case of PCIT vs. Ashwinkumar Arban Co-operative Society Ltd., [2024] 168 taxmann.com 314 (Gujarat)** in Para nos.28 to 30 as under:

> *"28. Having heard learned advocates for the respective parties and considering the controversy arising in these tax appeals, we are of the opinion that the controversy sought to be canvassed with regard to deduction under section 80P(2)(d) of the Act is no more res integra in view of the decision of this Court in case of Katlary Kariyana Merchant Sahkari Sarafi Mandali Ltd. (supra) as well as in case of State Bank of India (supra) wherein it was held that the deduction of under section 80P(2)(d) of the Act is available to the cooperative societies on the income earned as interest on the investment made with the cooperative bank which in turn, is a cooperative society itself.*

29. Reliance placed by the learned advocate for the revenue on decisions of the Hon'ble Karnataka High Court and Hon'ble Supreme Court in case of Totgars' Cooperative Sale Society Ltd. (supra), the Hon'ble Karnataka High Court appears to have taken into consideration the amendment in section 194A(3)(v) of the Act wherein the cooperative bank is excluded from the applicability of tax to be deducted at source. However, it appears that the interpretation made by the Hon'ble Karnataka High Court to the effect that the cooperative banks have been excluded from the definition of the cooperative societies by Finance Act,2015 by amending section 194A(3)(v) of the Act is concerned, on perusal of section 194A (3) of the Act, it appears that it provides for exemption from deducting Tax Deducted at Source [TDS' for short] from the income on interest other than interest on securities as the cooperative societies other than cooperative banks meaning thereby that the cooperative banks are liable to deduct TDS from the interest other than interest on securities. Therefore, it cannot be said that cooperative banks are excluded from the definition of cooperative societies by such an amendment.

30. Moreover, as reliance placed on the aforesaid decision for applicability of section 80P(4) of the Act in the facts of the case is also not possible to accept as section 80P(4) of the Act would be applicable to the cooperative bank when the cooperative bank is liable to pay tax under the provisions of the Act and in such eventuality, the provision of section 80P would not be applicable as per the amendment of sub-section (4) of section 80P of the Act. Therefore, the exclusion of applicability of section 80P to cooperative banks by section 80P (4) of the Act would not disentitle the respondent-assessee from claiming deduction under section 80P(2)(d) of the Act in absence of any amendment in the said

section and that would not be sufficient to deny the claim of the respondent-assessee for deduction of interest earned from investment made in a cooperative bank which is also a cooperative society from the total income.

6.2. Thus, the Hon'ble Gujarat High Court has held that deduction u/sec.80P(2)(d) is available to a Cooperative Society on the income earned as interest on assessee made with Cooperative Bank which in turn is a Cooperative Society itself. The Hon'ble Gujarat High Court has reiterated its view in the latest Judgment in the case of **Gujarat State Co.Op Agricultural and Rural Development Bank Ltd. vs. ITO [2026] 189 taxmann.com 301 (Gujarat)** in Para nos.7 and 8 as under:

"7. It is not in dispute that the petitioner filed the return of income on 17/11/2014 which was subjected to scrutiny assessment, and ultimately, after the Assessing Officer found the explanation tendered by the petitioner with regard to the exempt income on interest under Section 80P(2)(d) of the Act satisfactory, the scrutiny Assessment Order under Section 143(3) of the Act was passed on 02/12/2016. The Assessing Officer made the two additions; (1) Rs.11,28,91,418/- being an addition under Section 80P(2) (d) of the Act in respect of interest income from nationalized Banks, and (II) Rs.32,61,000/- being an addition under Section 80P(2)(c) of the Act in respect of miscellaneous income and rental income. Thus, in the scrutiny assessment, the Assessing Officer

has already made the addition under Section 80P(2)(d) of the Act with regard to the interest from co-operative Banks. However, the reopening of the assessment by issuing the Notice under Section 148 of the Act on 23/01/2020 is also premised on the same material and the issue which has already been examined by the Assessing Officer in the scrutiny assessment. Hence, the reopening is nothing but a change of opinion. Moreover, we also find that the reopening is also required to be quashed and set aside on the ground of merits, in light of the decision of this Court in the case of Diamond Jubilee Co-Operative Bank Ltd. (supra), wherein, on an identical issue, after analysis of the provision of Section 80P of the Act and considering the settled legal precedent, this Court has held thus:

> *"5. Thus, as held by the Supreme Court in the case of Apex Cooperative Bank of Urban Bank of Maharashtra & Goa Ltd. v. The Maharashtra State Co-operative Bank Ltd & Ors., reported in 2003 (11) SCC 66 for which the reliance is placed by the Coordinate Bench, and also in case of Kerala State Co-operative Agricultural & Rural Development Bank Ltd v. Assessing Officer., reported in [2023] 154 taxmann.com 305, the present writ petition is allowed as the petitioner is not a Co-operative Bank but a Co-operative Society.*
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> *6. Hence, as per the settled legal precedent, deduction under Section 80P(2)(d) is available to Co-operative societies on income earned as interest on investment made with Cooperative Bank which in turn, is a Co-operative Society itself and as the observations recorded by the respondent are incorrect and thus contrary to the judgment of this Court."*

8. Thus, the present writ petition succeeds. The impugned notice dated 16/12/2019 and the action of reopening for the assessment for A.Y. 2014-15 is hereby quashed and set aside."

6.3. We further note that the Bombay Benches of the Tribunal in the case of Orchid Suburbia Cooperative Housing Society Ltd. vs. ITO [2026] 188 taxmann.com 805 (Mumbai-Trib.) has also considered an identical issue in Para nos.9 to 12.1 as under:

"9. The issue involved in the present appeal is in respect of disallowance of deduction claimed by the assessee u/s. 80P(2)(d) on account of interest income earned from fixed deposits investments made with cooperative banks. Assessee is a cooperative housing society registered under Maharashtra State Cooperative Act, 1960 vide registration No. MUM/SRA/HSG/(TC)/12650/YEAR 2015, dated 10.12.2015. Assessee filed its returns on 15.03.2022 reporting its income at Rs. 20,30,350/-after claiming deduction u/s 80P(2)(d) of Rs. 34,12,756/-. Case was selected for complete scrutiny through CASS on the issue of "First year of claim of deduction u/s 80P". Ld. Assessing Officer in his order has taken note of the fact from the submissions made by the assessee that it had invested in other cooperative banks namely Shamrao Vithal Cooperative Bank Limited and Saraswat Cooperative Bank Limited, from where it earned interest of Rs. 18,29,129/-and Rs.15,83,627/- (totalling to Rs.34,12,756/-) respectively from the said two cooperative banks during the year. Assessee had filed its audit report, bank statement to substantiate its claim of deduction u/s. 80P(2)(d). However, he after considering

all the submissions disallowed the claim of the assessee u/s. 80P(2)(d) for the said interest income.

10. The aspect of allowability u/s.80P(2)(d) is extensively dealt by the Hon'ble High Court of Karnataka in case of the PCIT v. Totagar Cooperative Sales Society Limited [2017] 78 taxmann.com 169/392 ITR 74 (Karnataka). Relevant findings given in para 7 to 12 are as under:

> *"7. However, the contention being taken by the learned counsel is untenable. For the issue that was before ITAT, was a limited one, namely whether for the purpose of Section 80P(2)(d) of the Act, a Co-operative Bank should be considered as a Co-operative Society or not? For, if a Co-operative Bank is considered to Cooperative Society, then any interest earned by the Co-operative Society from a Cooperative Bank wo necessarily be deductible under Section SOP(I) of the Act.*
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> *8. The issue whether a Co-operative Bank is considered to be a Co-operative Society is no longer res integra. For the said issue has been decided by the ITAT itself in different cases. Moreover, the word "Co-operative Society" are the words of a large extent, and denotes a genus, whereas the word "Co-operative Bank" is a word of limited extent, which merely demarcates and identifies a particular species of the genus Co-operative Societies. Co- Operative Society can be of different nature, and can be involved in different activities; the Cooperative Society Bank is merely a variety of the Co-operative Societies. Thus the Cooperative Bank which is a species of the*

genus would necessarily be covered by the word "Co-operative Society".

9. Furthermore, even according to Section 56(1)(ccv) of the Banking Regulations Act, 1949, defines a primary Co-operative Society bank as the meaning of Co-Operative Society. Therefore, a Co-operative Society Bank, would be included in the words 'Co-operative Society'.

10. Admittedly, the interest which the assessee respondent had earned was from a Co-operative Society Bank Therefore, according to Sec. 80P(2)(d) of the IT. Act, the said amount of interest earned from a Co-operative Society Bank would be deductible from the gross income of the Co-operative Society in order to assess it: total income. Therefore, the Assessing Officer was not justified in denying the said deduction to the assessee respondent.

11. The learned counsel has relied on the case of Totgars Co-operative Sale Society Ltd. v. ITO (2010) 322 ITR 283/188 Taxman 282 (SC). However, the said case dealt with the interpretation, and the deduction, which would be applicable under Section 80P(2)(a)(i) of the 1.T. Act. For, in the present case the interpretation that is required is of Section 80P(2)(d) of the L.T. Act and not Section 80P(2)(a)(i) of the IT. Act. Therefore, the said judgment is inapplicable to the present case. Thus, neither of the two substantial questions of la canvassed

by the learned counsel for the Revenue even arise it is the present case.

12. For the reasons stated above, this Court does not find any merit in the present appeal. Hence, the appeal is dismissed."

11. We also find that the issue before us of whether a co-operative society would be entitled for claim of deduction under Sec. 80P(2)(d) for the interest income derived from its investments held with a cooperative bank or not, is covered in favor of the assessee not only by the decision of Hon'ble High Court of Karnataka referred above but also in plethora of cases including few of the following cases:

(i) Land and Cooperative Housing Society Ltd. v. ITO (2017) 46 CCH 52 (Mum);

(ii) C. Green Cooperative Housing and Society Ltd. v. ITO [ITA No. 1343/Mum/2017, dated 31-03-2017]

(iii) Marvwanjee Cama Park Cooperative Housing Society Ltd. v. ITO [ITA No. 6139/Mum/2014, dated 27-09-2017].

12. From the above, we understand that under section 80P(2)(d) assessee is entitled for the deduction in respect of interest or dividends received from investments made with any other cooperative societies. From the above extraction, we also note that Hon'ble High Court held that the word 'cooperative society' are the words of large extent and denotes a genus, whereas the word 'cooperative bank' is a word of limited extent, which merely de-markets and identifies a particular species of the genus 'cooperative societies. Thus, a cooperative bank is merely a variety

of the cooperative societies which can be of a different nature and can be involved in different activities.

*12.1. We are of the considered view that though the co-operative bank pursuant to the insertion of Sub-section (4) of Sec. 80P would no more be entitled for claim of deduction under Sec. 80P, however, since 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 cooperative societies, therefore, the interest and dividend income derived by a cooperative society from its investments held with a co-operative bank, would be entitled for claim of deduction under Sec.80P(2)(d) of the Act.***"**

7. In the facts and circumstances of the case as discussed above as well as Judgments of Hon'ble Gujarat High Court and Order of Coordinate Bench of Mumbai Tribunal, we find that a consistent view has been taken by this Tribunal by holding that interest received by a Cooperative Society from a Cooperative Bank is eligible for deduction under section 80P(2)(d) of the Act. Accordingly, by following the decisions as cited above, we hold that the interest received by the Assessee Agriculture Cooperative Society from the Cooperative Bank, is eligible for deduction

under section 80P(2)(d) of the Act. The addition made by the Assessing Officer is deleted.

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

Order pronounced in the open court on 16.10.2026.

Sd/-	**Sd/-**
MANJUNATHA G.	**VIJAY PAL RAO**
ACCOUNTANT MEMBER	**VICE PRESIDENT**

Hyderabad, Dated 16th day of October, 2026
VBP
Copy to:

1	DUDDUKURU PRIMARY AGRICULTURAL COOPERATIVE CREDIT SOCIETY LIMITED, 1, DUDDUKURU DEVARAPALLI MANDALAM, DEVARAPALLI-534313, ANDHRA PRADESH
2	ITO, WARD-1, TADEPALLIGUDEM - 534101, ANDHRA PRADESH
3	THE PR. CIT, VISAKHAPATNAM.
4	THE D.R., ITAT, VISAKHAPATNAM SMC-BENCH, VISAKHAPATNAM.
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