

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH, CHENNAI**

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री जगदीश, लेखा सदस्य के समक्ष
**BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND
SHRI JAGADISH, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA Nos.: **2401, 2402, 2403, 2404 &
2405/CHNY/2025**

निर्धारण वर्ष/Assessment Years: 2013-14, 2014-15, 2016-17,
2017-18 & 2018-19

**The Assistant Commissioner
of Income Tax,**
Circle-1,
Cuddalore

**M/s. Kallakurichi-II Co-
operative Sugar Mills Ltd.,**
A1, Kachirapalayam,
Kallakurichi,
Cuddalore – 606 207

(अपीलार्थी/Appellant)

PAN: AAAAK 0655Q
(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Ms. E. Pavuna Sundari, CIT
प्रत्यर्थी की ओर से/Respondent by : Shri S. Venugopalan, CA

सुनवाई की तारीख/Date of Hearing : 27.11.2025
घोषणा की तारीख/Date of Pronouncement : 28.11.2025

आदेश/ ORDER

PER GEORGE GEORGE K, VICE PRESIDENT:

These appeals filed by the Revenue are directed against the five separate orders of the Commissioner of Income Tax (Appeal), National Faceless Appeal Centre (NFAC), Delhi, all dated 18.06.2025, passed under section 250 of the Income Tax Act,

1961 (hereinafter called 'the Act'). The relevant Assessment Years are 2013-14, 2014-15 & 2016-17 to 2018-19.

2. The solitary issue that is raised is whether the First Appellate Authority (FAA) is justified in directing the AO to grant deduction u/s.80(P(2)(d) of the Act on the interest income received by the assessee from Villupuram District Central Co-operative Bank.

3. Brief facts of the case are as follows: The assessments were completed u/s.147 r.w.s.144 r.w.s.144B of the Act for the assessment years 2013-14, 2014-15, 2016-17 to 2018-19 by denying the benefit of deduction claimed u/s.80P(2)(d) of the Act for the interest income received from investments made with Villupuram District Central Co-operative Bank [hereinafter "VDCC"]. The reason for denying the benefit of deduction was that VDCC is not a co-operative society and only the interest income received by a co-operative society from another co-operative society alone is entitled for deduction u/s.80P(2)(d) of the Act.

4. Aggrieved by the assessment orders completed for the aforementioned assessment years, assessee filed appeals before

the FAA. The FAA taking note of the Tribunal order in assessee's own case for assessment years 2011-12, 2012-13 and 2015-16 in ITA Nos.369/CHNY/2019 and ITA Nos. 409 & 410/CHNY/2020 [order dated 25.04.2022] and the judgment of the Hon'ble Jurisdictional High Court in the case of Thorapadi Urban Co-op Credit Society Ltd., Virupachipuram Urban Co-op Credit Society Ltd., vs. ITO reported in [2023] 156 taxmann.com 419 (Madras) held that assessee is entitled to deduction u/s.80P(2)(d) of the Act in respect of interest income received from the co-operative banks. The relevant finding of the FAA, which is identical for all the assessment years reads as follows:-

(iv) In view of the above decision of the Hon'ble Jurisdictional Madras High Court and decision of Hon'ble Tribunal in the appellant's own case, it is clear that interest earned from Cooperative Banks though cannot be considered or treated as operational income eligible for deduction u/s 80P(2)(a)(i) of the I.T. Act in view of decision of Hon'ble Apex Court in case of Totgar Cooperative Sale Society, however, such interest is eligible for deduction u/s 80P(2)(d) of the I.T. Act if the Cooperative Bank is registered as Cooperative Society. Thus, by following the judicial precedents, the AO is directed to allow the deduction u/s 80P(2)(d) of the I.T. Act on interest received from Cooperative Banks. Accordingly, this issue is decided in favour of the appellant.

5. Aggrieved by the orders of the FAA, the Revenue has filed the present appeals before the Tribunal. The Ld.DR submitted that the Tribunal in the case of The Villupuram District Consumer

Co-operative Wholesale Stores Ltd., vs.. ACIT in ITA Nos.667/CHNY/2020 (order dated 08.06.2022) had categorically held that VDCC is a co-operative bank regulated by RBI and Banking Regulations Act, 1949. Therefore, it was contended that the interest income received by assessee society from such a co-operative bank is not entitled for deduction u/s.80P(2)(d) of the Act. Further, the Ld.DR relied on the judgment of the Hon'ble Karnataka High Court in the case of PCIT vs. Totagars Co-operative Sale Society reported in [2017] 395 ITR 611.

6. The Ld.AR on the other hand submitted that the issue in question is squarely covered in favour of the assessee by the judgment of the Hon'ble Jurisdictional High Court in the case of Thorapadi Urban Co-op Credit Society Ltd., Virupachipuram Urban Co-op Credit Society Ltd., *supra* and the order of the Tribunal in assessee's own case for the assessment years 2015-16, 2011-12 & 2012-13 in ITA No.369/CHNY/2019 & ITA Nos.409 & 410/CHNY/2020 (order dated 25.04.2022).

7. We have heard rival submissions and perused the material available on record. The solitary issue for our adjudication is whether interest income received on investments with VDCC can

be allowed as deduction u/s.80P(2)(d) of the Act. The issue is no longer res integra and is squarely covered by the judgments of the Hon'ble Jurisdictional High Court in the case of Thorapadi Urban Co-op Credit Society Ltd., Virupachipuram Urban Co-op Credit Society Ltd., *supra* and CIT vs. Salem Agricultural Producers' Cooperative Marketing Society in TCA No.5/2015 dated 10.8.2016. In assessee's own case after considering the judicial pronouncements on the subject for assessment years 2011-12, 2012-13 & 2015-16 (*supra*), the issue in question has been decided by the Tribunal in favour of the assessee. The relevant finding of the Tribunal reads as follows:

“8. We have heard both the parties, perused the materials available on record and gone through orders of the authorities below. The provisions of Sec.80P(2)(d) deals with interest or dividend income earned by Cooperative Society from its investment with any other Co-operative Society. As per the said Section, interest or dividend income earned by Co-operative Society from its deposits with any other Co-operative Society, then whole amount of such interest income is deductible u/s.80P(2)(d) of the Act. The provisions of Sec.2(19) of the Act, defines the Co-operative Society and as per the said Section, Co-operative Society means a Co-operative Society registered under the Co-operative Societies Act, 1912 or under any law for the time being in force in any state for the registration of the Co-operative Societies. In this case, there is no dispute with regard to the fact that the assessee is registered under Co-operative Societies Act, 1912. It is also not in dispute that the assessee has earned interest income from its investments with Vilupuram Co-operative Bank. The AO denied deduction u/s.80P(2)(d) of the Act, on the ground that the Co-operative Bank is not a Co-operative Society. Otherwise, the AO never disputed the fact that the assessee is a Co-operative Society and further, it has earned interest income from other Co-operative Banks. Therefore, we are of the

considered view that once, it is not disputed that the assessee is a Cooperative Society and also it has earned interest income from its investments with other Co-operative Societies (Co-operative Bank), then, deduction u/s.80P(2)(d) of the Act, cannot be denied, merely, for the reason that the assessee has earned interest income from a Co-operative Bank. In our considered view, although, the Co-operative Banks are not entitled for deduction u/s.80P(4) of the Act, in respect of their income derived from banking business, but there is no restriction for the assessee to claim deduction u/s.80P(2)(d) of the Act, in respect of interest income earned from its investments with any other Co-operative Society (Cooperative Bank) as long as the assessee is a Co-operative Society and further, interest income earned by the assessee is from any other Cooperative Society.

9. Further, this issue is squarely covered in favour of the assessee by the decision of the ITAT Chennai Bench in the case of M/s.Subramania Siva Co-operative Sugar Mills Ltd., in ITA No.1378/Chny/2019 dated 20.02.2020, wherein, the Tribunal had considered an identical issue and also by following the decision of the jurisdictional High Court of Madras in the case of CIT v. Salem Agricultural Producers' Cooperative Marketing Society in TCA No.5/2015 dated 10.08.2016, held that the assessee is entitled for deduction u/s.80P(2)(d) of the Act, in respect of interest income earned from deposits made with other Co-operative Banks. The relevant findings of the Tribunal are as under:

5. We heard the rival submissions, gone through the relevant material and find merit in the submission of the Ld. AR. The fact remains that the assessee is a co-operative society. It has earned the impugned interest from Dharmapuri District Co-operative Bank Ltd., which is also a co-operative society engaged in banking business. The relevant portion of the order of the Jurisdictional High Court in the case of CIT vs Salem Agricultural Producers' Cooperative Marketing Society in TCA No. 5/2015 dated 10.08.2016 is extracted as under:

“6. Addressing the said issue, at paragraph No.8, in I.T.A.No.732/MDS/2014 dated 30/6/2014, the Tribunal has ordered as hereunder:-

“The case of the assessee is that the income by way of interest and dividend earned by the assessee Society are from

investments made in Salem District Central Co-operative Bank, which is also admittedly, a cooperative society and are allowable deduction. The Assessing Officer has held that the assessee has made only with Salem District Central Cooperative Bank and therefore, the income from investment with the Bank is not entitled for deduction under Section 80 P (2) (d) of the Act. On appeal, the ld.CIT (Appeals confirmed the order passed by the ld.CIT (Appeals). We find that in the case of CIT Vs. Kangra Co-operative Bank Ltd. [2009] 309 ITR 106 (HP), the Hon'ble Himachal Pradesh High Court has considered Section 80 P (2) (d) of the Act. The interest earned by the assessee co-operative bank on fixed deposits with Himachal Pradesh State Co-operative Bank in compliance with the provisions of Section 57 of the Himachal Pradesh Co-operative Societies Act, 1968, the income derived from banking business is eligible for deduction under Section 80 P (2) (a) (i) of the Act. Exemption is also available under Section 80 P (2) (d) of the Act. In the present case, the assessee is an Agricultural Producers Co-operative Marketing Society Ltd., registered under Tamil Nadu Co-operative Societies Act and established for the benefit of the Agricultural producers and the interest or dividend earned by the assessee will be beneficial to the members alone. Therefore, keeping in view of the decision, in the case of CIT Vs. Kangra Co-operative Bank Ltd., (supra), we hold that the assessee is eligible for benefit under Section 80 P (2) (d) of the Act and also this being a beneficial section to the co-operative Societies.”

7. *Let us consider the decision in KANGRA CO-OPERATIVE BANK LTD'S case referred to by the tribunal. The question of law framed therein is as follows:-*

“Whether on the facts and circumstances of the case, the Income-tax Appellate Tribunal was right in law in holding that the interest income earned by the assessee on deposits made with H.P.State Co-operative Bank in the shape of F.D.Rs. is income derived from banking business and therefore, eligible for deduction under Section 80 P (2) (a) (i) of the Income Tax Act?”

8. *After considering the decisions in CIT Vs. Karnataka State Co-operative Apex Bank reported in [2001] 251 ITR 194, CIT Vs.*

Ramanathapuram District Co-operative Central Bank Ltd reported in [2002] 255 ITR 423 (SC), a Division Bench of the Himachal Pradesh High Court, at paragraph Nos.10 and 11 held thus:-

“The Karnataka High Court in CIT Vs. Sri Ram Sahakari Bank Ltd., [2004] 266 ITR 632, held that the interest on investments and short-term fixed deposits in banks was entitled to be deducted under Section 80 P (2) (a) (i) of the Act. In fact, in CIT Vs. Nawanshahar Central Co-operative Bank Ltd., [2007] 289 ITR 6, the Apex Court has held that where under the provisions of the Co-operative Societies Act, the co-operative bank is statutorily required to place part of its funds in approved securities, the income attributable thereto is not taxable under Section 80 P (2) (a) (i) of the Income-tax Act, 1961.

In the present case, we have noted above that under Section 57, every co-operative Society including the assessee is required by law to keep a percentage of its profits in reserve funds. These reserve funds can only be invested or deposited in a certain manner. Applying the ration of the judgment in Nawanshahar Central Co-operative Bank Ltd's case [2007] 289 ITR 6, it is apparent that any interest on such investments is required to be deducted under Section 80 P (2) (a) (i) of the Act. At para 12 of the judgment, further reiterated that Furthermore, the investments have been made in the H.P.State Co-operative Bank which is also a cooperative Society and, therefore, even under Section 80 P (2) (d) of the Act, interest income from investments made in any co-operative Society would also be entitled for deduction.”

9. Though Mr.J.Narayanasamy, learned Senior Standing Counsel for Income Tax Department submitted that the Tribunal was not right in holding that the interest earned from the Salem Agricultural Producers Co-operative Marketing Society Ltd., for reduction under Section 80 P (2)(a) (i) of the Income Tax Act, we are not inclined to accept the said contentions. For the reason that a District Central Co-operative Bank, is also a Society, in which event, the income by way of interest and dividend earned by the assessee/respondent Society from the investments made in Salem District Central Co-operative Bank, which is also a Co-operative Society is entitled for deduction under Section 80 P (2) (a) (i) of

the Income Tax Act. Decision relied on by the assessee and considered by the Tribunal squarely applies to the facts on hand. Question of law, figuring as 4, is negated as against the appellant.”

From the above it is clear that the facts of this assessee is clearly falling within the four corners of the case decided by the Jurisdictional High Court, supra, and hence we allow the assessee’s appeal. The AO is directed to grant the deduction claimed by the assessee u/s. 80P(2), accordingly

10. In this view of the matter and consistent with view taken by the coordinate Bench, we are of the considered view that the assessee is entitled for deduction u/s.80P(2)(d) of the Act, in respect of interest income earned from its investments with Co-operative Banks and thus, we direct the AO to delete the additions made towards disallowance of interest income u/s.80P(2)(d) of the Act for the AYs 2011-12 & 2012-13.”

8. The Ld.DR had strongly relied on the order of the Tribunal in the case of The Villupuram District Consumer Co-operative Wholesale Stores Ltd., *supra*. However, in the instant case, the assessee had placed on record a copy of a certificate issued by the Deputy Registrar of Co-operative Societies, which clearly depicts that VDCC is registered as a Co-operative Central Bank u/s. 9 of Tamil Nadu Co-operative Societies Act, 1983. In light of the certificate of registration of the bank, it is clear that said co-operative bank registered under the Tamil Nadu Co-operative Societies Act is to be treated as co-operative society and the interest income received by the assessee from such society is

eligible for deduction u/s.80P(2)(d) of the Act. In light of the aforesaid reasoning and relying on the judicial pronouncements cited supra, we hold that the FAA is justified in holding that assessee is entitled to deduction u/s.80P(2)(d) of the Act. It is ordered accordingly.

9. In the result, the appeals filed by the Revenue are dismissed.

Order pronounced in the open court on 28th November, 2025 at Chennai.

Sd/-

(जगदीश)

(JAGADISH)

लेखा सदस्य/ACCOUNTANT MEMBER

Sd/-

(जॉर्ज जॉर्ज के)

(GEORGE GEORGE K)

उपाध्यक्ष /VICE PRESIDENT

चेन्नई/Chennai,

दिनांक/Dated, the 28th November, 2025

RSR

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त /CIT, Chennai
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF.