IN THE INCOME TAX APPELLATE TRIBUNAL
NAGPUR 'SMC' BENCH, NAGPUR
(Through Virtual)

BEFORE DR.MANISH BORAD, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.373/NAG/2026
Assessment Year : 2017-18

Keshao Nagari Co-operative Path Sanstha Ltd Wani 1, Above Sanskruti Hotel, Jatashankar Square, Wani, Yavatmal - 445304 PAN : AAATK9192R	Vs.	Income Tax Officer, Ward-1, Yavatmal
Appellant		Respondent

Appellant by	:	Shri Naresh Jakhotia (through virtual)
Respondent by	:	Shri Shiv Shankar Yadav, Sr DR (through virtual)
Date of hearing	:	03.08.2026
Date of pronouncement	:	07.08.2026

आयकर अपील सं. / ITA No.478/NAG/2026
Assessment Year : 2020-21

The Pragatisheel Sahkari Pat Sanstha Maryadit HN1714, Sadanand Maharaj Math, Dr. Ambedkar Marg S.O., Nagpur – 440017 PAN : AAEAT3672L	Vs.	Income Tax Officer, Ward-4(4), Nagpur
Appellant		Respondent

Appellant by	:	Shri Naresh Jakhotia (through virtual)
Respondent by	:	Miss Jaya Lakhwani, Sr DR (through virtual)
Date of hearing	:	04.08.2026
Date of pronouncement	:	07.08.2026

आयकर अपील सं. / ITA No.532/NAG/2026
Assessment Year : 2018-19

Mahatma Phule Nagri Pat Sanstha M. Shegaon, Near Gajanan Maharaj Nagzari Road, At Shegaon TQ Shegaon, Buldana – 444203 PAN : AADAM1714H	Vs.	Income Tax Officer, Ward-2, Khamgaon
Appellant		Respondent

Appellant by	:	Shri K.P. Dewani, Adv (through virtual)
Respondent by	:	Shri Shiv Shankar Yadav, Sr DR (through virtual)
Date of hearing	:	05.08.2026
Date of pronouncement	:	07.08.2026

आदेश / ORDER

ITA No.373/NAG/2026 at the instance of assessee pertaining to A.Y. 2017-18 is directed against the order dated 02.02.2026 framed by Addl / JCIT(A)-4, Bengaluru arising out of Assessment Order dated 18.11.2019 passed u/s. 143(3) of the Income Tax Act, 1961 (in short 'the Act'). ITA No.478/NAG/2026 at the instance of assessee pertaining to A.Y. 2020-21 is directed against the order dated 09.03.2026 framed by National Faceless Appeal Centre (NFAC), Delhi arising out of Assessment Order dated 20.09.2022 passed u/s. 143(3) r.w.s. 144B of the Act. ITA No.532/NAG/2026 at the instance of assessee pertaining to A.Y. 2018-19 is directed against the order dated 29.04.2026 framed by National Faceless Appeal Centre (NFAC), Delhi arising out of Assessment Order dated 09.03.2021 passed u/s. 143(3) r.w.s. 143(3A) & 143(3B) of the Act.

2. The common grievance in all these appeals is denial of deduction u/s 80P(2)(a)(i) of the Act on the interest income earned from the nationalized banks or cooperative banks.

3. I have heard the rival contentions and perused the record placed before me. I note that the respective assessee(s) in the instant case have claimed deduction u/s 80P(2)(a)(i) in respect of interest income earned on deposits with nationalized bank and other cooperative banks. However, the AO has denied the said deduction. The Ld. CIT(A) also confirmed the addition made by the Assessing Officer.

4. I have gone through the judicial precedents filed in the paper book by the assessee. I find the only issue to be decided in the present appeals is regarding the allowability of deduction u/s 80P(2)(a)(i) on account of interest income received on deposits with the nationalized banks and other Co-operative Banks.

5. I find the Pune Bench of the Tribunal in plethora of decisions consistently has taken a view that the interest income earned on deposits with the nationalized banks and the other cooperative banks is an allowable deduction u/s 80P(2)(a)(i) of the Act.

6. I further find an identical issue had come up before the Pune Bench of the Tribunal in the case of ITO vs. M/s. Shri Bhairavnath Multistate Cooperative Credit Society Ltd. vide ITA No.2484/PUN/2017 order dated 27.06.2024 for

assessment year 2014-15. The Tribunal has allowed the claim of exemption u/s 80P(2)(a)(i) of the Act on the interest earned on investments made out of surplus funds with the cooperative banks, cooperative banks and nationalized banks. The relevant observations of the Tribunal from para 5 onwards read as under:

> *"5. We heard the rival submissions and perused the material on record. We find this issue is no more res integra by virtue of catena of decisions passed by the Coordinate Benches of this Tribunal. In the present case, we find that admittedly the interest income was earned from the investments out of surplus funds made with cooperative banks/societies, the cooperative bank is also a specie of cooperative society, therefore, the interest income earned by the cooperative society from the cooperative banks qualifies for deduction u/s.80(P)(2)(d) of the Act. Such interest also qualifies for exemption u/s.80P(2)(a)(i) as held by the Co-ordinate Bench of Pune Tribunal in the case of Nashik Road Nagari Sahkari Patsanstha Limited Vs. ITO in ITA No.1700/PUN/2017 wherein the Tribunal held as under :-*
>
> > *"9. We heard the rival submissions and perused the material on record. Admittedly, the appellant is a Cooperative society formed under the provisions of Maharashtra Cooperative Societies Act,1960 with the objective of accepting deposits and lending money to its members. The money which is not immediately required for the purpose of lending to the members is deposited with Bank of Baroda in the form of Fixed Deposit. The question is whether the interest so earned qualifies for exemption u/s. 80P(2)(a)(i) of the Act. The AO as well as the CIT(A) were of the opinion that the interest earned from third parties or nonmembers does not quality for exemption u/s.80P. It is an admitted position that the interest so earned should be taxed as 'income from other sources' There is a cleavage of judicial opinion among several High Courts on the issue of eligibility of this kind of income*

for exemption u/s. 80P(2)(a)(i) of the Act. The Hon'ble Punjab & Haryana High Court in the case of CIT vs. Punjab State Cooperative Federation of Housing Building Societies Ltd. 11 taxmann.com 448, the Hon'ble Gujarat High Court in the case of State Bank of India Vs. CIT 389 ITR 578 (Guj.), the Hon'ble Delhi High Court in the case of Mantola Cooperative Thrift & Credit Society Ltd. Vs. CIT 50 taxmann.com 278, the Hon'ble Punjab & Haryana High Court in the case of CIT Vs. Punjab State Cooperative Agricultural Development Bank Ltd. 389 ITR 68 and the Hon'ble Kolkata High Court in the case of CIT Vs. Southern Eastern Employees Cooperative Credit Society Ltd. 390 ITR 524 took a view that the income arising on the surplus invested in short term deposits and securities cannot be attributed to the activities of the society and, therefore, not eligible for exemption u/s.80P(2)(a)(i) of the Act. However, the Hon'ble Karnataka High Court in the case of Tumkur Merchants Souharda Credit Cooperative Ltd. Vs. ITO (2015) 230 taxmann 309 (Kar.) and the Hon'ble Telangana and Hon'ble Andhra Pradesh High Court in the case of Vaveru Co-operative Rural Bank Ltd. v CIT [(2017) 396 ITR took a view that such interest income is attributable to the activities of the society and, therefore, eligible for exemption u/s.80P(2)(a)(i) of the Act. The Coordinate Bench of Pune Benches in the case of M/s. Ratnatray Gramin Bigar Sheti Sah. Pat Sanstha Maryadit Vs. ITO (ITA Nos.559/560/PUN/2018, dated 11-12- 2018) has taken view in favour of the assessee following the judgment of Hon'ble Karnataka High Court in the case of Tumkur Merchants Souharda Credit Cooperative Ltd. (supra). Respectfully following the decision of the Coordinate Bench, we hold that the interest income earned on the investment of surplus money with banks is also eligible for exemption u/s.80P(2)(a)(i) of the Act. Thus, the grounds of appeal No. 1 & 2 stands allowed."

6. Thus, the order passed by the ld.CIT(A) is in conformity with the settled position of law by virtue of the above discussion. Therefore, we affirm the impugned order directing the Assessing Officer to allow the claim of exemption u/s.80P(2)(a)(i)/80P(2)(d) on the interest income

> *earned on investments made out of surplus funds made with Cooperative banks, Cooperative Societies and Nationalised banks.*
>
> *7. In the result, the appeal filed by the Revenue is dismissed."*

7. Respectfully following the above decision, I hold that the assessee is entitled to claim deduction u/s 80P(2)(a)(i) on the interest income earned on investments made out of surplus funds made with Cooperative banks, Cooperative Societies and Nationalised banks. The grounds raised by the respective assessee(s) are accordingly allowed.

8. In the result, all the three appeals of the respective assessee(s) are allowed.

Order pronounced on this 7th day of August, 2026.

Sd/-
(MANISH BORAD)
ACCOUNTANT MEMBER

Nagpur/ दिनांक / Dated : 7th August, 2026.
GCVSR

Gajjala Chinna Venkata Subba Reddy

Digitally signed by Gajjala Chinna Venkata Subba Reddy
Date: 2026.08.10 09:53:26 +05'30'

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, नागपुर SMC बेंच, नागपुर / DR, ITAT, "Nagpur SMC Bench, Nagpur
5. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Assistant Registrar,
आयकर अपीलीय अधिकरण, नागपुर/ ITAT, Nagpur