

**IN THE INCOME-TAX APPELLATE TRIBUNAL “D” BENCH,
MUMBAI**

**BEFORE SHRI RAHUL CHAUDHARY, JUDICIAL MEMBER
&
SMT. RENU JAUHRI, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No. 342/MUM/2025

(निर्धारण वर्ष / Assessment Year :2018-19)

The Maharashtra Mantralaya Shaskiy Karmachari Co-op Credit Society Ltd. Aamdar Niwas Back Side, Ground Floor, Opp. Aakashwani Bhawan, Mumbai-400020	v/s. बनाम	ITO, Ward 25(2)(1), Mumbai Kautilya Bhawan, Mumbai, Maharashtra-400051
स्थायी लेखा सं./जीआइआर सं./PAN/GIR No: AAAAT8908R		
Appellant/अपीलार्थी	..	Respondent/प्रतिवादी

निर्धारिती की ओर से /Assessee by:	Shri Dnyanesh Patade a/w Shri Rupesh Sawale
राजस्व की ओर से /Revenue by:	Shri R. R. Makwana

सुनवाई की तारीख / Date of Hearing	06.03.2025
घोषणा की तारीख/ Date of Pronouncement	27.03.2025

आदेश / O R D E R

PER RENU JAUHRI [A.M.] :-

This appeal has been filed by the assessee against the orders of the Learned Commissioner of Income-tax (Exemption), Mumbai [hereinafter referred to as “CIT(E)”] dated 22.07.2024 passed u/s. 250 of the Income-tax Act, 1961 [hereinafter referred to as “Act”] for Assessment Year [A.Y.] 2018-19.

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

“1. Ld AO has disallowed the claim u/s. 80P(2)(a)(i) of Income Tax Act holding that 80P(2)(a)(i) is only available on income in respect of business of banking or providing credit facilities to members and the other income attributable to above activity falls outside the scope of Section 80P(2)(a)(i). As a result, the addition made by AO should be deleted.

2. Ld AO has erred in disallowing the deduction under section 80P(2)(d) of the Income tax act. As a result the addition made by AO should be deleted.

3. The appellant reserves its right to add to alter, modify, amend or delete any of the grounds taken in this appeal.”

3. Brief facts of the case are that the assessee is a cooperative credit society which is accepting deposits and lending loans only to its members on the basis of self-help and maturity. The society is registered under the Cooperative Societies Act. The assessee has been claiming deduction u/s 80P(2)(a)(i) for the last several years. During the year, return has been filed declaring income of Rs. 2,87,500/- after claiming a deduction of Rs. 2,54,75,970/- u/s 80P(2)(a)(i) of the Act. The case was selected for scrutiny and Ld. AO noted that the deduction claimed u/s 80P included interest on investment, dividend and other incomes. He, therefore, held that the total receipts amounting to Rs. 52,64,069/- did not qualify for deduction u/s 80P(2)(a)(i) of the Act and the same was disallowed. Further, the interest of investment and dividend amounting to Rs. 75,95,505/- was also held as not allowable u/s 80P(2)(d) of the Act. Accordingly, the assessment was completed at an income of Rs. 1,31,47,070/-.

4. Aggrieved with the order of Ld. AO, the assessee preferred an appeal before Ld. CIT(A). Vide order dated 22.07.2024, Ld. CIT(A) dismissed the assessee's ground relating to the disallowance of Rs. 52,64,069/- u/s



80P(2)(a)(i) while out of Rs. 75,95,505/-, partial relief to the extent of Rs. 15,48,741/- was allowed as deduction u/s 80P(2)(a)(i) of the Act.

5. Aggrieved with the order of Ld. CIT(A), the assessee is in appeal before the Tribunal. Before us, Ld. AR has submitted that the assessee is a cooperative credit society established in the year 1929 and has been claiming deduction u/s 80P(2)(a)(i) for many years. The assessee is exclusively involved in providing credit facilities to its members and is therefore entitled to the deduction of total income earned from such activity u/s 80P(2)(a)(i) of the Act. In support of its claim, the assessee has placed reliance on the decision of the Hon'ble coordinate bench in the case of NCP Employees Cooperative Credit Society wherein it was held that a cooperative society is entitled to deduction u/s 80P(2)(a)(i) of the Act in respect of interest income received from banks including commercial banks.

Ld. DR, on the other hand, has strongly relied on the orders of the lower authorities.

6. We have heard the rival submissions and perused the material placed before us. It is noticed that a sum of Rs. 52,64,069/- has been treated as ineligible for deduction u/s 80P(2)(a)(i) of the Act on the ground that the sum is not derived from the business of providing credit facilities to its members. In this regard, the assessee has given the following breakup and explained the nature of these receipts:



Sr. No.	Particulars (Name as per profit and loss & translated)	Amount	Details
1.	अर्जाची विक्री - Sale of Forms	3,12,815.00	Income from sale of application forms to members. Generally nominal printing cost is recovered from Rs.2 to 15, such as membership form, loan application form, etc. As a result, the above income is part of the process of the extending credit facility to its members. (Section 80P(2)(a)(i).
2.	ईतर जमा व वर्गणी Miscellaneous Income	23,00,615.00	The income clubbed under the head are Loan application processing fees, penal interest on late payment, passbook reprinting and other small charges. As a result, the above income is part of the process of the extending credit facility to its members. (Section 80P(2)(a)(i).
3.	सभासद परस्पर सहा. फंडाकडून वर्गणी - Members Mutual Help Fund contribution	20,62,032.00	This is a scheme of the society, where the Members contribute certain amount to society say 1,500/- per year till the retirement and at there retirement the amount equal to 1,00,000/- is given to them as Principle + Interest. This scheme is akin to Recurring deposit scheme. The amount in Profit and loss in Income side is amount withdrawn from the Fund Balance. And expense side is actual expenses. During the Submission in 143(3), this was loosely translated to Members Mutual Fund contribution. As a result, the above income is part of the process of the extending credit facility to its members. (Section 80P(2)(a)(i).
4.	सभासद अपघाती विमा फंडाकडून वर्गणी Members Accident Fund contribution	68,862.00	Similar to above the specific fund as per the bye-laws has been created for benefit of members.
5.	रोखपाल सेवाशुल्क वर्गणी Cashier Services Charges	2,96,553.00	The nominal service charges charged from members towards cash handling over and above the limit. As a result, the above income is part of the process of the extending credit facility to its members. (Section 80P(2)(a)(i).



6.	संकल्प भवन किरकोळ जमा- Sankalp Bhavan Miscellaneous Income	2,23,192.00	Sankalp Bhavan is the land and building of the Society, allotted by Govt. of Maharashtra. The Misc income from it is from the property
		52,64,069.00	

7. Further, with regard to the claim of Rs. 75,95,505/-, the breakup of the income as under:

Interest on investment & Dividend	Amount
Reserve Fund	24,17,664/-
Dividend on shares	10,67,500/-
Abhyudaya Co-op Bank	4,81,241/-
Bank of Maharashtra saving Account	36,04,851/-
IDBI Bank saving	24,249/-
Total	75,95,505/-

8. In respect to the reserve funds, the assessee has explained as under:

“b) Income shown from Reserve Fund (Rs. 24,17,664/-):

i. As per the by-laws and rules under co-operative societies act the society is required to maintain and provide for Reserve Fund in order to protect the interest of members. The Fund so created is required to be invested in Fixed deposit with District Co-operative bank by the society.

ii. The fund created and accumulated till the balance sheet date is Rs. 3,47,46,852.29/- (राखीव निधी Balance sheet liability side, Item 2, Page 28 of the paper book i) and the Fixed deposit against the said fund is Rs. 3,47,32,057.00/- (मुंबई बँक राखीव निधी - Balance sheet asset side, item no.10 (inner column) Page 28 of the paper book i)

iii. The above fixed deposit is maintained with Mumbai Dist. Centra Co-op Bank Ltd, and the interest earned on the same is credit to Profit and Loss account. In order to for better identification in PnL the Interest received on Reserve fund is mentioned directly mentioned as Reserve Fund - राखीव निधि. (Profit and Loss account income side, Item 4, Page 31 of the paper book i).

iv. The explanation was submitted to Assessing officer during the assessment proceedings, copy of the same is attached. Page 84, paper book 2. The interest certificate was also provided during the proceedings, acknowledgement of the same is in page 40, paper book 2.”

9. After perusal of these details, we are inclined to accept the claim of the Ld. AR that the entire receipts are related to the business of providing credit



facilities to its members and hence this should be allowed as the deduction u/s 80P(2)(a)(i) of the Act. Even for the interest received on FDRs from the cooperative banks, the contention of Ld. AR is that the same is also allowable u/s 80P(2)(a)(i) instead of u/s 80P(2)(d) of the Act as these are earned in the course of business of the assessee. We are inclined to accept this contention of the assessee also. Accordingly, the disallowance made in respect of Rs. 52,64,069/- and 75,95,505/- by the Ld. AO is hereby deleted and the assessee's claim for deduction in respect of these amounts u/s 80P(2)(a)(i) is allowed.

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

Order pronounced in the open court on 27.03.2025.

Sd/-

RAHUL CHAUDHARY

(न्यायिक सदस्य/JUDICIAL MEMBER)

Sd/-

RENU JAUHRI

(लेखाकार सदस्य/ACCOUNTANT MEMBER)

Place: मुंबई/Mumbai

दिनांक /Date 27.03.2025

अनिकेत सिंह राजपूत/ स्टेनो

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त / CIT
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण DR, ITAT,
Mumbai
5. गार्ड फाईल / Guard file.

सत्यापित प्रति //True Copy//



ITA No. 342/Mum/2025
A.Y. 2018-19

The Maharashtra Mantralaya Shaskiy Karmachari Co-Op Credit Society Ltd.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण/ ITAT, Bench,
Mumbai.

