IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

INCOME TAX APPEAL (IT) NO. 668 OF 2024

Pr Commissioner of Income Tax 1 Thane ...Appellant
Versus
Tarangan II Chsl Ay 2014-15 Ita 365/mum/2023 ...Respondent

Mr. Akhileshwar Sharma a/w Shradha Worlikar for the Appellant.
None for the Respondent.

CORAM : M.S. Sonak &
Advait M. Sethna, JJ.
DATED : 06 November 2025

P.C.:-

1. Heard Mr. Sharma for the Appellant.

2. Mr. Sharma proposes the following substantial questions of law in support of this Appeal:-

A. Whether on the facts and circumstances of the case and in law, the Tribunal was justified in dismissing the appeal of the revenue by not appreciating the fact that deduction of interest u/s. 80P(2)(d) from deposit of surplus funds with co-operative banks had been withdrawn w.e.f. 01.04.2007 by insertion of section 80P(4) which differentiates a co-operative bank from a co-operative society?

B. Whether on the facts and circumstances of the case and in law, the Tribunal was justified in dismissing the appeal of the revenue without considering the decision of Hon'ble Karnataka High Court in the case of PCIT, Hubli Vs. Totgar Co-op. Sales Society [395 ITR 611] wherein a similar issue was decided in favour of the department by holding that clause (d) of section 80P(2) of the Act would not apply to the interest income earned by way of deposits of surplus funds in co-operative bank?

3. Mr. Sharma, learned counsel for Revenue submits that a deduction under Section 80P(2)(d) of the Income Tax Act can be allowed only where a cooperative society parks its surplus funds with another cooperative society. He submits that in the present case, the Assessee cooperative society chose to park its surplus funds with a "cooperative bank" and not a cooperative society. He submitted that the ITAT has not recorded any finding that the cooperative bank in question was also a cooperative society registered under the Maharashtra Cooperative Societies Act, 1960. Therefore, Mr. Sharma submits that no deduction could have been allowed and the contrary view taken by the ITAT warrants interference.

4. We have considered Mr. Sharma's contention in a context of the record which we have now perused. The ITAT has relied upon the decisions of its coordinate benches, which have held the cooperative banks or the credit societies in question were also cooperative societies, and therefore, the amounts parked by the Assessee cooperative society with such cooperative banks or cooperative societies could be claimed as deduction.

5. In addition the ITAT has relied upon the decision of the Gujarat High Court in the case of ***State Bank of India Vs. CIT***[1] and Karnataka High Court in the case of ***Principal Commissioner of Income Tax & Anr. Vs. Totagars Cooperative Sale Society***[2] which have taken the similar view.

6. Recently, the Gujarat High Court, in the case of ***Principal Commissioner of Income Tax Vs. Shree Madhi Vighag Khand Udyog Sahakari Mandli Ltd.***[3] has reiterated the same view holding that a deduction under Section 80P(2)(d) is available to cooperative societies of income earned as interest on the investment made with the cooperative bank, in turn, is a cooperative society. Mr. Sharma's contention about there being no factual finding by the ITAT that a cooperative bank with which the Assessee had made investments was also a cooperative society cannot be accepted. There was no serious dispute raised on this aspect but the only contention was that the bank in question was undertaking commercial activities as a commercial bank and there was no question of claiming the deduction. However, the fact that the bank in question was itself a cooperative society was never seriously disputed.

7. On the above ground we decline to admit this Appeal because

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1 (2016) 389 ITR 578 (Guj)

2 (2017) 392 ITR 74 (Karn)

3 [2025] 171 taxmann.com 22 (Gujarat)

in our opinion, it raises no substantial questions of law. Besides, we note that the disputed claim in this Appeal is only Rs.5,72,311/-. Paragraph 13 of the Appeal memo refers to the exception in clause 10(e) of the CBDT circular No.3 of 2018 as amended by circular dated 20 August 2019. Thus *prima facie*, we are not too sure whether the revenue would be entitled to the benefit of the exceptions. However, without going into this issue we dismiss this Appeal because we are satisfied that it involves no substantial questions of law.

8. The Appeal is accordingly dismissed. No order for costs.

(Advait M. Sethna, J) **(M. S. Sonak, J.)**