Madhu Souharda Pathina Sahakari Niyamitha v. Income Tax Officer, Ward-1 & TPS, Tumkur

Income Tax Appeal No. 207 of 2024

2026:KHC:1855-DB | ITA No. 207 of 2024 | 2026-01-13

Section 80P deduction barred by section 80A(5) where no return was filed: AY 2017–18 best-judgment assessment

Income-tax Act, 1961: sections 80A(5),80AC,80P,139(1),142(1),144 and260A

High Court of Karnataka | 2-judge bench (Division Bench, Bengaluru) | S. G. Pandit, J. | K. V. Aravind, J.

Assessment years: 2017-18

01 FACTS OF THE CASE

For AY 2017–18, the assessee, assessed as an association of persons, filed no return even after service of a section 142(1) notice. The AO assessed income of Rs.26,00,810 under section 144. The CIT(A) dismissed the appeal on 27 September 2023; the Bengaluru Tribunal rejected the section 80P claim in ITA 969/Bang/2023 on 2 January 2024. Before the High Court, non-filing was admitted.

Source: Own paras.2–3, pp.2–4

02 DISCUSSION BY THE HON'BLE COURT

The assessee argued that section 80A(5) applied only to an omitted claim in a filed return, and that section 80AC's extension to section 80P began only from AY 2018–19. The Court held that section 144 requires deductions warranted by the record but cannot override statutory conditions. Section 80A(5) requires a claim in a return; a person filing no return cannot be better placed than one filing a return without the claim. It agreed with Nileshwar Rangekallu Chethu Vyavasaya Thozhilali Sahakarana Sangham v. CIT [2023] 152 taxmann.com 347 (Kerala), including its distinction concerning the post-1 April 2018 timing requirement.

Source: Own paras.3.1–3.3,6–9.3, pp.4–10

03 JUDICIAL DECISION

The Tribunal was justified in denying section 80P deduction. Finding no substantial question of law, the High Court dismissed the assessee's appeal.

Source: Own paras.9.3–10, p.10

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeds on the section 80P claim where no return was filed. The Court did not adjudicate any section 119 condonation application or decide the validity of a particular belated return.

Source: Own paras.6–10, pp.6–10

05 EXPERT COMMENTS

Separate the claim requirement from the due-date requirement — The assessee's AY 2017–18 argument about section 80AC did not answer the independent section 80A(5) problem: no return contained a claim because no return existed. For another dispute, establish both the applicable year's timing rule and whether a legally recognized return actually claims the deduction; do not substitute one enquiry for the other.

A best-judgment assessment does not erase statutory conditions — Paragraph 6.1 preserves the AO's obligation to allow deductions warranted by available material, but paragraphs 6.2 and 7 reject an entitlement contrary to a return-claim condition. Do not convert this into a proposition that every deduction is lost under section 144, or that books alone cure the missing section 80P claim.

Prove the filing facts before relying on the outcome — Non-filing and non-compliance with the served notice were admitted here. Preserve acknowledgments, filed schedules and notice responses where a different taxpayer asserts a valid return. A dispute about an actual return cannot simply be equated with this admitted absence of any return. The judgment offers no ruling on section 119 relief.

Do not confuse filing failure with underlying cooperative eligibility — The dispositive obstacle is the absent return and claim. The source describes assessment in AOP status but does not resolve every substantive condition governing a souharda entity's eligibility under section 80P. Rejection here therefore cannot substitute for a separate analysis of another entity's membership, activities and income.

Source: Editorial analysis; own paras.2–10, PDF pp.2–10

SOURCE & VERIFICATION

High Court of Karnataka official judgment PDF - AKHB Repository (20260113_KAHC010354942024.pdf)

10-page official High Court of Karnataka judgment PDF (20260113_KAHC010354942024.pdf, 105,935 bytes).

All 10 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

Section 80A(5) return-claim requirement is decisive for complete non-filing. The judgment separately records the section 80AC extension from AY 2018–19. It does not decide section 119 condonation.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not independently verified.

AI DISCLOSURE

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