The Reserve Bank Employees Co-operative Credit Society Limited v. Principal Chief Commissioner of Income Tax, Odisha Region & Others

W.P.(C) No. 7708 of 2025

W.P.(C) No.7708 of 2025 (Orissa High Court, 09.01.2026) | 2026-01-09

Refusal under section 119(2)(b) to condone delay in filing returns and audit reports of a cooperative credit society for AYs 2018-19 to 2022-23 quashed where delay was caused by statutory audit pendency before the state Directorate of Cooperative Audit.

Income-tax Act, 1961: sections 80AC, 80P, 119(2)(b) and 139 | Odisha Co-operative Societies Act, 1962: section 62 | CBDT Circular No. 13/2023 dated 26.07.2023

High Court of Orissa | 2-judge bench (Division Bench) | Harish Tandon, C.J. | Murahari Sri Raman, J.

Assessment years: 2018-19, 2019-20, 2020-21, 2021-22, 2022-23

Filing relief is not automatic section 80P allowance

The Court directed acceptance of returns and audit reports. Paragraphs 6.36 and 9.1 expressly preserve verification and lawful proceedings concerning the claim.

01 FACTS OF THE CASE

The society, incorporated on 13.08.1974, sought section 119(2)(b) relief on 14.11.2023 for AYs 2018-19 to 2022-23. Its audit required authorisation under section 62 of the Odisha Cooperative Societies Act. Correspondence recorded departmental auditor shortages; a 2020 authorisation produced only the FY 2014-15 audit on 24.09.2021. Following the society's February 2022 request and consent, Panigrahi and Co. was appointed on 22.03.2022. The Court records completion of the relevant audits by 25.01.2024. The PCCIT rejected condonation on 13.06.2024, relying heavily on past non-filing and perceived failure to satisfy the circular's conditions.

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02 DISCUSSION BY THE HON'BLE COURT

The Court found genuine hardship: the documented statutory-auditor delay was beyond the society's control and the Revenue produced no contrary evidence. The PCCIT had failed to assess the relevant years and sequence of requests properly. CBDT Circular 13/2023 required evidence-based consideration of delay and any specific avoidance or evasion issue, not a mechanical rejection based on past history. Drawing on B.M. Malani, Sitaldas K. Motwani and other authorities, the Court required liberal but lawful exercise of discretion. It also discussed substantial compliance in furnishing audit reports; the deduction itself remained subject to verification.

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03 JUDICIAL DECISION

The Court set aside the PCCIT's 13.06.2024 order (Annexure-3) and issued mandamus to allow the society to file returns with audit reports. The Revenue retained liberty to examine the claim's veracity through appropriate proceedings in accordance with the Act.

Source: PDF p.54

04 OUTCOME / IN WHOSE FAVOUR

Relief to the society against rejection of condonation; writ and pending applications disposed of, without costs. No quantified deduction or refund was granted.

Source: PDF p.54

05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Connect the statutory bottleneck to each delay — The successful explanation linked audit-authorisation requirements, repeated requests, auditor shortages and eventual completion. A bare allegation that the auditor was late would miss the evidential basis. Preserve that chronology and match it to each return year; the Court rejected reliance on unrelated past defaults without properly addressing the years in the application.

Condonation opens the claim for scrutiny — Section 80AC's filing condition explains why relief mattered, but the judgment did not calculate or conclusively allow section 80P deduction. Filing permission and substantive eligibility remain separate questions. The express Revenue liberty means the society must still substantiate its income and deduction; this is not a blanket exemption for employee credit societies.

Apply the circular within its factual scope — Circular 13/2023 addressed specified years and State-law audit delays. Its documentary-evidence and avoidance/evasion checks remain part of the analysis. The substantial-compliance discussion about audit reports does not dispense universally with return deadlines: this Court granted relief on a proved explanation under section 119(2)(b), while retaining scrutiny of the claim.

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SOURCE & VERIFICATION

Original judgment PDF (20260109_ODHC010130642025.pdf)

Reviewed from the complete 55-page official High Court judgment PDF (20260109_ODHC010130642025.pdf, SHA-256: 906867329b295c8d306d33bd5f056fe82e4eb0fa99953b6c85f9c046dd96b3fd).

All 55 original pages read and visually inspected; all five panels audited.

Open cited source rendition

Full 55-page original reviewed; no neutral citation printed. Paragraph 2.5 says 14.06.2024, whereas the opening, reasoning and operative order say 13.06.2024.

STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

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

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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