Sikkim State Cooperative Supply and Marketing Federation Limited (SIMFED) v. Deputy Commissioner of Income-tax, Circle 3(2), Gangtok

Tax App. No. 02 of 2025 (in ITAT ITA No. 1582/KOL/2024)

2025:SHC:156-DB | Tax App. No. 02 of 2025 | 2025-12-10

SIMFED AY 2018–19: section 80P(2)(d) interest deduction allowed; non-bank claimant distinguished from cooperative-bank exclusion.

Income-tax Act, 1961: sections 80P(2)(d), 80P(4), 80P(2)(a)(i) and 260A

High Court of Sikkim | 2-judge bench (Division Bench) | Chief Justice Biswanath Somadder | Justice Meenakshi Madan Rai

Assessment years: 2018-19

Scope of this order

SIMFED succeeded on the deduction issue for AY 2018–19 on the facts recorded in this judgment.

01 FACTS OF THE CASE

SIMFED, a non-banking cooperative society with 93% State shareholding, claimed section 80P(2)(d) deduction for AY 2018–19 on interest from Sikkim State Cooperative Bank and Citizens Urban Cooperative Bank. Both were registered cooperative societies. Investments came from surplus funds and statutory reserves. The AO disallowed the claim, CIT(A) allowed it, and the Tribunal restored the disallowance on 18 June 2025.

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02 DISCUSSION BY THE HON'BLE COURT

The Court held that 80P(4) excludes cooperative banks as claimants, rather than SIMFED merely because it received interest from cooperative banks. It relied on Ashwin Kumar Urban Cooperative Society, (2024) 168 taxmann.com 314 (Gujarat), to distinguish the Supreme Court's Totgars decision concerning 80P(2)(a)(i) and members' funds shown as liabilities, and the Karnataka Totagars decision relied on by the Tribunal.

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03 JUDICIAL DECISION

Both substantial questions were answered for the assessee. The Court held SIMFED entitled to deduction under 80P(2)(d), set aside the Tribunal's order in ITA 1582/KOL/2024 and allowed Tax Appeal 02/2025.

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04 OUTCOME / IN WHOSE FAVOUR

SIMFED succeeded on the deduction issue for AY 2018–19 on the facts recorded in this judgment.

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05 EXPERT COMMENTS

Separate the claimant from the investment counterparty — The Court's central distinction is that SIMFED is not a cooperative bank. Section 80P(4) was not applied to disqualify it simply because its investment counterparties were banks registered as cooperative societies.

Identify the clause and the source of the funds — The claim was under 80P(2)(d), supported by the status of the two counterparties and investments of surplus and statutory reserves. The judgment distinguishes the different statutory clause and retained-member-fund setting of Totgars; it does not erase those distinctions.

Do not export the result to every deposit — The recorded cooperative registration and fund context matter. The judgment does not decide interest from an ordinary commercial bank, a bank's own deduction claim or every assessment year; subsequent treatment and the governing jurisdiction require separate checking.

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SOURCE & VERIFICATION

High Court of Sikkim official judgment PDF - AKHB Repository (20251210_SKHC010001792025.pdf)

7-page official High Court of Sikkim judgment PDF (20251210_SKHC010001792025.pdf, 565,894 bytes).

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

Open cited source rendition

All 7 physical source pages read and visually inspected. SHA-256: 5b79cb743bf19806fb4b00b4c5392268da1f75cd39f578ea6cd82118900c1cb1.

STATUTORY SCOPE

The Court distinguishes deduction under section 80P(2)(d), the claimant exclusion under 80P(4), and the different 80P(2)(a)(i) issue in Totgars. State cooperative-law investment requirements are also recorded.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial 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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