

Kerala State Co-operative Agricultural and Rural Development Bank Ltd. (KSCARDB) v. The Assessing Officer, Trivandrum and Others

Civil Appeal No. 10069 of 2016 / Civil Appeal Nos. 5005-5007 of 2019 / Civil Appeal Nos. 5889, 5890 and 5891 of 2023 / Civil Appeal Nos. 3881-3882 of 2019

2023 INSC 830; [2023] 12 SCR 318 | 2023-09-14

Whether this state-level apex agricultural and rural development cooperative, providing credit to member cooperative societies rather than the public, is a cooperative bank excluded by section 80P(4), or a credit society entitled to section 80P(2)(a)(i).

80P(1) | 80P(2)(a)(i) | 80P(4)

Two-judge bench | B.V. Nagarathna, J. | Ujjal Bhuyan, J.

Assessment years: 2007-08, 2013-14

01 FACTS OF THE CASE

KSCARDB was a state-level agricultural and rural development institution registered and regulated as a cooperative society. Its historical land-mortgage-bank identity continued under the Kerala cooperative and agricultural-development enactments. Its members were other cooperative societies, to which it provided credit; the Court carefully distinguished it from the separately constituted Kerala State Co-operative Bank (paragraphs 4-8).

The judgment used the proceedings arising from SLP(C)2737/2016 as its factual illustration. For AY 2007-08, the appellant claimed a section 80P(2)(a)(i) deduction of ₹36,39,87,058. The AO treated it as a cooperative bank excluded under section 80P(4) and disallowed the claim. The Commissioner(Appeals) agreed. The Tribunal partly allowed the appeal, describing limited income connected with state land-development lending as deductible while otherwise maintaining the adverse classification. The Kerala High Court rejected interference on 26 November 2015. Connected appeals also challenged other orders, including the Commissioner(Appeals) order of 8 August 2016 and Tribunal order of 7 February 2019 (paragraphs 2-3 and 9.1-9.5).

The assessee argued that credit to its member societies was not banking with the public and that its statutory identity and lack of an applicable RBI licensing requirement kept it outside section 80P(4). Revenue characterised it as a state cooperative bank and attempted to distinguish Mavilayi. The scheduled-bank assertions and references to other institutions in counsel's submissions are not treated as independent findings about the appellant's current regulatory status (paragraphs 10.1-10.13).

Source: [reported judgment / paragraphs 2-9.5 / PDF pages 6, 7, 8, 9 / judgment: reported judgment / paragraphs 10.1-10.13 / PDF pages 9, 10, 11, 12, 13, 14, 15 / judgment recording submissions](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read section 80P as a beneficial deduction framework, while preserving the assessee's burden to show that its facts and income satisfy the provision. Clause 80P(2)(a)(i) distinguishes carrying on banking business from providing credit facilities to members. The latter expression is not confined by implication to agricultural credit. Eligibility as a society and the amount of profit attributable to a qualifying activity remain distinct; profits from loans to non-members cannot be deducted merely because the lender is a cooperative (paragraphs 13(e)-(f), 14.2-14.6 and 15.1).

Section 80P(4) operates as an exception excluding cooperative banks, subject to the stated agricultural-credit and primary agricultural/rural-development exceptions. Its Explanation directs attention to Part V of the Banking Regulation Act. The quoted statutory text and the Court's sustained reasoning make the exclusion clear; an isolated sentence in paragraph 15.2 drops the negative word and is not adopted as the rule (paragraph 12(i), 14.4-14.6 and 15.2-15.4).

Banking under section 5(b) of the Banking Regulation Act involves accepting deposits from the public for lending or investment, with the prescribed repayment/withdrawal features. Section 5(c), Part V and section 56 supply the cooperative-bank framework; it includes state, central and primary cooperative banks, with the relevant NABARD definitions for state and central banks. Section 22, as applicable through section 56, supplies the licensing regime. A cooperative credit society not conducting that banking business does not become a cooperative bank simply through an institutional label or apex structure (paragraph 12(ii)-(iii), 14.1 and 15.4-15.10).

The interlocking definitions had to be applied to the correct entity. NABARD distinguishes a state cooperative bank from a state land-development bank. The Kerala legislation likewise distinguishes Kerala State Co-operative Bank from KSCARDB. The Court found that the former, not this appellant, had the relevant state-cooperative-bank declaration. KSCARDB's members and objects showed member-society credit accommodation rather than public banking. Its statutory history and apex status did not displace that distinction (paragraphs 14.1 and 15.5-15.13).

Mavilayi's construction of section 80P was applied: the exclusion addresses cooperative banks operating in the commercial-banking setting, rather than removing deduction from all societies using banking terminology. Citizen Co-operative Society was considered in its own factual setting involving dealings beyond genuine members. The Court did not make lack of a licence, by itself, a universal exemption for an entity actually carrying on unlicensed public banking. Its conclusion followed the combined statutory and factual assessment of this appellant (paragraph 13(e)-(f), 14.1-14.6 and 15.11-15.13).

02 DISCUSSION BY THE HON'BLE COURT

Source: [reported judgment / paragraphs 12: statute extracts / PDF pages 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 / judgment quoting statutes; reported judgment / paragraphs 13\(a\)-\(f\) / PDF pages 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42 / judgment discussing prior authorities; reported](#)

02 DISCUSSION BY THE HON'BLE COURT

[judgment / paragraphs 14.1-14.6 / PDF pages 43, 44, 45, 46 / judgment](#); [reported judgment / paragraphs 15.1-15.10 / PDF pages 46, 47, 48, 49, 50 / judgment](#); [reported judgment / paragraphs 15.11-15.14 / PDF pages 51 / judgment](#)

03 JUDICIAL DECISION

KSCARDB was held to be a cooperative credit society providing financial accommodation to member cooperative societies, not a cooperative bank within section 80P(4). Its appeals were allowed; contrary orders of the Kerala High Court and other authorities were set aside; it was held entitled to the section 80P deduction. Each side was to bear its own costs. The judgment did not direct a fresh merits remand or set out a new year-wise numerical computation (paragraph 15.13 and the unnumbered Conclusion).

Source: [reported judgment / paragraphs 15.13; unnumbered Conclusion / PDF pages 51, 52 / judgment](#); [official signed judgment / paragraphs 15.13; unnumbered Conclusion / PDF pages 64, 65 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Appellant assessee KSCARDB

Appeals allowed; contrary High Court and authority orders set aside; section 80P deduction entitlement recognised; parties to bear their respective costs

Institutional classification and deduction entitlement decided on merits

The decision concerns this entity's credit to member societies and its statutory/regulatory identity. It is not a blanket allowance for every bank-labelled cooperative, every income stream or profits from lending to non-members.

Source: [official signed judgment / paragraphs Unnumbered Conclusion / PDF pages 65 / judgment](#)

05 AKHB REVIEW POINT

Start with the statutory definition and actual operations rather than the institution's name. Obtain registration and governing legislation, bye-laws, membership records, lending and deposit evidence, relevant government declarations and RBI correspondence. Identify whether the entity accepts public deposits and carries on banking as defined, or provides credit within the member-society framework. Do not confuse KSCARDB with Kerala State Co-operative Bank.

Separately establish which profits are attributable to a qualifying section 80P activity. This judgment does not eliminate that inquiry or convert the references to section 80P(2)(d) into a ruling on every interest receipt. Nor should an absent licence be used as a shortcut where the real facts show public banking. Review the law applicable to each assessment year: the judgment quotes provisions from several enactments and historical versions, including later state-law terminology, rather than providing a complete year-specific consolidated code.

Use the explicit statutory extract, repeated reasoning and operative result when a sentence contains a typographical error. The original PDFs remain unchanged. Subsequent treatment, regulatory changes and any Income-tax Act, 2025 application need independent verification.

Source: [reported judgment / paragraphs 14.3-14.6;15.4-15.13 / PDF pages 44, 45, 46, 47, 48, 49, 50, 51 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

2(19); 143(3); 80P(2)(c); 80P(2)(d)

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 80P(2)(a)(i);80P(4)

Role: principal entitlement and exclusion provisions

Basis: Credit facilities to member cooperative societies distinguished from banking business with the public; KSCARDB held outside the cooperative-bank exclusion.

2.

Act: Income-tax Act, 1961

Section: 80P(1);2(19)

Role: eligibility framework

Basis: Cooperative-society status and qualifying income; burden to prove entitlement remains.

3.

Act: Income-tax Act, 1961

Section: 143(3)

Role: assessment background

Basis: Illustrative AY 2007-08 scrutiny assessment; no independent assessment-procedure holding.

4.

Act: Income-tax Act, 1961

Section: 80P(2)(c);80P(2)(d)

Role: framework discussion rather than separate claim disposed

Basis: Paragraph 14.3 discusses other deduction heads; no separate investment-interest or residual-activity computation is adjudicated.

5.

Act: Banking Regulation Act, 1949

Section: 3;5(b);5(c);Part V and56;22

Role: expressly incorporated banking definitions and licensing framework

Basis: Section 80P(4) Explanation(a) refers to Part V; public-deposit banking, cooperative-bank categories and RBI licensing considered.

6.

Act: NABARD Act, 1981

Section: 2(d);2(u);2(v);2(w);2(x)

Role: cross-referenced institutional definitions

Basis: Central/state cooperative banks distinguished from state land-development bank; declaration and statutory identity examined.

7.

Act: Kerala Co-operative Societies Act, 1969

Section: 2(g);2(ia);2(oc);2(ra);2(rb);110

Role: registration, identity and savings context

Basis: KSCARDB's state-law identity distinguished from Kerala State Co-operative Bank.

8.

Act: Kerala State Co-operative Agricultural Development Banks Act, 1984

Section: 2(a);2(d);2(iA)

Role: institutional identity

Basis: Defines the appellant's agricultural/rural-development entity; does not by title alone establish public banking.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.V. Nagarathna, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(official signed judgment\)](#)

Identified source rendition: 65 PDF pages; SHA-256 62767a5c0474d7fc97fe8dc2ba2ca7007258ad3adce46a32257d7dbdf3e430d7. Original bytes preserved. One common reportable judgment begins on page 1; paragraphs through 15.14 end on page 64; unnumbered Conclusion, signatures and date on page 65. Official identity, opening, paragraph 15.2 source error, final classification and disposition checked against fully read reported judicial text. No independent full rereading of all 65 official pages is claimed.

Open cited source rendition

The official original leaves three 2023 appeal numbers blank; reported source supplies 5889, 5890 and 5891. Both representations are preserved without inventing a conversion table.

Paragraph 15.2 omits not when paraphrasing section 80P(4), in both source renditions. The quoted provision and repeated reasoning clearly state the exclusion; the note does not reproduce the inverted proposition.

Paragraph 15.14 refers to Banking Regulation Act section 2(c), while its own quoted banking-company definition and earlier reasoning identify section 5(c). Its state-bank discussion is not read to erase the separately identified central and primary cooperative-bank categories.

Paragraph 15.10 prints(ccviii) in a cross-reference; the quoted definitional scheme uses(ccvii) for the NABARD-linked meanings. Paragraph 14.3(vii) also uses 80P(1)(c) in describing the residual deduction; the statutory extract shows 80P(2)(c). No erroneous index provision is added.

Paragraphs 9.1 and 9.2 give differing December 2009 assessment-order dates. The note reports the assessment sequence without silently choosing a date or deriving limitation consequences.

The illustrative appeal narrated from SLP 2737/2016 is not automatically equated with every connected proceeding or the lead Civil Appeal 10069/2016. The complete AY list is not supplied by the judicial reasons.

Assertions of scheduled-bank status in paragraphs 10.9-10.10 are submissions. They are not converted into a present regulatory finding or an independent scheduled-bank exemption.

Mavilayi and Citizen are described as discussed in this judgment. The general eligibility and income-attribution conditions are retained; neither every non-member loan nor all cooperative interest is declared deductible.

Neutral citation and reported citation verified from source covers.

AY 2007-08 is the expressly narrated example in paragraphs 3 and 9.1-9.5. AY 2013-14 appears in the reported jurisdiction description of the connected Commissioner(Appeals) order, not in a complete judicial schedule. No full assessment-year range for all appeals is inferred.

The official cover leaves three new 2023 appeal numbers blank and lists SLP(C) Nos.2737, 5400 and 26756 of 2016. The reported jurisdiction block supplies the three 2023 numbers. No one-to-one conversion is inferred beyond those source lists.

STATUTORY SCOPE

1961 Act and interlocking banking/cooperative statutes as analysed in this judgment; no complete independent historical consolidation or later-amendment review.

No present regulatory status or automatic 2025 Act mapping is certified.

LATER TREATMENT

Source checked 2026-10-04. Mavilayi, Citizen Co-operative Society and the other prior cases are discussed as analysed in this judgment. No comprehensive subsequent-treatment, present RBI-status or later statutory-amendment review is certified.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 65](#)

SHA-256: 62767a5c0474d7fc97fe8dc2ba2ca7007258ad3adce46a32257d7dbdf3e430d7

[reported judgment - PDF pages: 52](#)

SHA-256: 8fd6aed9413fdaf682da06e162862fc065dcf2e7cca548d97aa60f7df4a6d090

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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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