

CO-OPERATIVE SOCIETIES

DEDUCTION IN RESPECT OF INCOME OF CO-OPERATIVE SOCIETIES UNDER SECTION 80P(2):

- (a) in the case of a co-operative society engaged in—
- (i) carrying on the business of banking² or providing credit facilities to its members, or
 - (ii) a cottage industry, or
 - (iii) the marketing of agricultural produce grown by its members, or
 - (iv) the purchase of agricultural implements, seeds, live-stock or other articles intended for agriculture for the purpose of supplying them to its members, or
 - (v) the processing, without the aid of power, of the agricultural produce of its members, or
 - (vi) the collective disposal of the labour of its members, or
 - (vii) fishing or allied activities, that is to say, the catching, curing, processing, preserving, storing or marketing of fish or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its members,

the whole of the amount of profits and gains of business attributable to any one or more of such activities:

Provided that in the case of a co-operative society falling under sub-clause (vi), or sub-clause (vii), the rules and bye-laws of the society restrict the voting rights to the following classes of its members, namely:—

- (1) the individuals who contribute their labour or, as the case may be, carry on the fishing or allied activities;
- (2) the co-operative credit societies which provide financial assistance to the society;
- (3) the State Government;

(b) in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to—

- (i) a federal co-operative society, being a society engaged in the business of supplying milk, oilseeds, fruits or vegetables, as the case may be; or
- (ii) the Government or a local authority; or
- (iii) a Government company as defined in section 617 of the Companies Act, 1956, or a corporation established by or under a Central, State or Provincial Act (being a company or corporation engaged in supplying milk, oilseeds, fruits or vegetables, as the case may be, to the public),

the whole of the amount of profits and gains of such business;

(c) in the case of a co-operative society engaged in activities other than those specified in clause (a) or clause (b) (either independently of, or in addition to, all or any of the activities so specified), so much of its profits and gains attributable to such activities as does not exceed,—

- (i) where such co-operative society is a consumers' co-operative society, one hundred thousand rupees; and
- (ii) in any other case, fifty thousand rupees.

Explanation.—In this clause, “consumers’ co-operative society” means a society for the benefit of the consumers;

(d) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;

(e) in respect of any income derived by the co-operative society from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities, the whole of such income;

(f) in the case of a co-operative society, not being a housing society or an urban consumers’ society or a society carrying on transport business or a society engaged in the performance of any manufacturing operations with the aid of power, where the gross total income does not exceed twenty thousand rupees, the amount of any income by way of interest on securities or any income from house property chargeable under section 22.

Explanation.—For the purposes of this section, an “urban consumers’ co-operative society” means a society for the benefit of the consumers within the limits of a municipal corporation, municipality, municipal committee, notified area committee, town area or cantonment.

EXAMPLE: The total income of a co-op. society (other than consumers’ co-op. society) for the financial year ending on 31-3-2012 (assessment year 2012-13) under various heads is as under:

(1) Income from cottage industry	Rs. 15,000
(2) Marketing of agricultural produce grown by its members	Rs. 10,000
(3) Income from purchase and sale of agricultural implements to its members	Rs. 10,000
(4) Profits & gains of business	Rs. 75,000
(5) Interest and dividend from other co-operative society	Rs. 10,000

Gross total income .. Rs. 1,20,000

Less:—Deductions under section 80P³:

(1) Income from cottage industry [80P(2)(a)(ii)]	Rs. 15,000
(2) Marketing of agricultural produce grown by its members [80P(2)(a)(iii)]	Rs. 10,000
(3) Income from purchase and sale of agricultural implements to its members [80P(2)(a)(iv)]	Rs. 10,000
(4) Profits & gains of business [80P(2)(c)(ii)]	Rs. 50,000
(5) Interest and dividend from other co-operative society [80P(2)(d)]	Rs. 10,000
	Rs. 95,000

Taxable income .. Rs. 25,000

1. Income of a co-operative society referred to in section 10(27) is exempt [Refer Para 6A.33 on page 219].

For the clarification regarding co-operative society engaged in a cottage industry [Refer Circular No. 722, dt. 19-9-95: 215 ITR (St.) 115].

2. From assessment year 2007-08 and onwards, deduction u/s. 80P is not available to any co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank [Section 80P(4)].

3. For failure to claim deduction u/s. 80P in the return of income, deduction u/s. 80P will not be allowed [Section 80A(5)].