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Paper VIII th
Taxation Laws

Deduction in respect of income of co-operative societies (Section 80P):-

A co-operative society has been defined under Section 2(191). A co-operative society is entitled to a deduction in respect of its income under section 80P. The provisions relating to such deduction may be explained as follows:-

In the case of a co-operative society engaged in:-

- (i) carrying on the business of banking or providing credit facilities to its members, or
- (ii) a collage industry, or
- (iii) the marketing of agricultural produce grown by members, or
- (iv) the purchase of agricultural implements, seeds, livestock, 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

(2)

(v) The collective disposal of the labour of its members, or

(vi) 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 anyone or more of such activities will be deductible. However, where a co-operative society falls under clause (v) or

(vi) stated above, the rules and by-laws of the society must restrict the voting rights to

(a) the individuals who contribute their labour or as the case may be, carrying on the fishing or allied activities;

(b) the co-operative credit societies which provide financial assistance to the society;

(c) the State Government.

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 or vegetables as the

(3)

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, the whole of the amount or profits or gains of such business will be deductible.

In the case of a co-operative society engaged in activities other than those specified in clause (a) or clause (b), so much of its profits and gains attributable to such activities as do 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 consumer.

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 will be deductible.

In respect of any income derived

by the co-operative society from letting of godowns or warehouse for storage, processing or facilitating the marketing of commodities. The whole of such income will be deductible.

In the case of a co-operative society not being a housing society or an urban consumers' society or a society engaged in the performance of any manufacturing operations with the aid of power, where the gross total income does not exceed Rs 20,000, the amount of any income by way of securities or any income from house property chargeable under Section 22 will be deductible.

In a case where an assessee society is entitled also to deduction under Section 80HH or Section 80HHA or S. HHB or S. HHI or S. HHD or Section 80-I or Section 80IA or S. 80J or Section 80D, the deduction under clause (1), (2) and (3) stated above shall be allowed only in respect of the gross total income as reduced by the deductions (if any) under Section 80HH, 80HHA, Section 80HHB, Section 80HHI, Section 80HHD, Section 80I, S. 80-IA, S. 80J and Section 80D.