

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4029
ANSWERED ON:03.12.2010
IT PAYMENT DUE TO WITHDRAWAL OF EXEMPTION
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Will the Minister of FINANCE be pleased to state:

- (a) the amount of income tax that has perforced to be paid by the cooperative institutions of the country including those of Rajasthan due to withdrawing of the exemption under section 80(P) of Income Tax Act alongwith the list and details thereof;
- (b) the details of the loss incurred by the institutions for bringing the agricultural business of the weak cooperative credit institutions under the purview of income tax;
- (c) whether the Government of India intend to exempt the cooperative credit institutions from income earned through agricultural business; and
- (d) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a) and (b): The Finance Act 2006 has withdrawn the tax benefits available under Section 80P to the cooperative banks other than primary agricultural credit society and primary agricultural and rural development banks. The deduction under Section 80P of the Income Tax Act 1961 is however, still available to cooperative societies engaged in agricultural related activities specified in the Section 80P. However no separate database of banks or cooperative societies whose income has become taxable subsequent to the above amendment is maintained. The required information therefore can be collected only by examining each and every return of a cooperative bank or cooperative society for A.Y 2006-07 to A.Y. 2010-11 and thereafter ascertaining whether they have been made liable to pay tax as a result of the change in the section 80P. As the number of such assessees in the country would run into thousands of cases, the time and effort required for collecting and compiling this information would not be commensurate with the objective sought to be achieved by the Hon'ble M.P. However the consolidated statistics in respect of the claim of deduction, under Section 80P in the entire country show that the total deduction under Section 80P in assessment year 2007-08 which was the first year in which the above amendment was applicable, was Rs.266 crores as compared to Rs. 1632 crores in the preceding year in respect of deduction claimed by the cooperative banks.

(c) and (d): There is no proposal to exempt the income of any other co-operative credit institution apart from a primary agricultural credit society or a primary agricultural and rural development bank. Vide Finance Act, 2007, the following benefits have been extended to cooperative banks:

(i). Deduction for provision for doubtful debts,

(ii). Deduction in respect of special reserve to the extent of 20% of profit.

(iii). Carry forward and set off of business losses has been allowed in the event of amalgamation of a loss making cooperative bank with another cooperative bank.

With this, co-operative banks have been brought at par with commercial banks in so far as the Income-tax Act is concerned. In view of the above, there is no justification for exempting the income of any co-operative credit institution other than a primary agricultural credit society or a primary agricultural and rural development bank.