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Title: Need to reconsider the imposition of Income Tax on profits earned by Cooperative banks and review proposed amendment in the Banking Regulation Act - laid.

SHRI M.P. VEERENDRA KUMAR (CALICUT): The imposition of Income Tax on the profits of Co-operative Banks and the proposed amendments in the Banking Regulation Act are having adverse impact on the spread of co-operative movement all over the country particularly in Kerala. The Primary Agriculture Credit Societies (PACS) in Kerala are working as service co-operative banks. The total deposits of 1594 PACS in Kerala as on 31 March, 2005 was Rs. 12288 crore and the loans outstanding was 9919 crore. These PACS in Kerala are performing almost all types of banking business compatible in efficiency with even new generation banks. With these two measures mentioned above the profitability of PACS will come down and the people will lose their confidence in the PACS which will adversely affect savings mobilization. The PACS are also undertaking a variety of non credit activities like public distribution, procurement and marketing of agricultural produce, consumer Neethi Stores and Neethi Medical Stores etc. All these services will suffer if PACS are financially weakened. I therefore, urge the government to review the imposition of Income Tax on co-operative banks and the proposed amendment in the Banking Regulation Act.