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Title: Need to provide Income Tax Relief to Cooperative Banks under section 80P and also extend the rebate under section 80C

DR. K.S. MANOJ (ALLEPPEY): Sir, cooperative movement in our country has more than a century old history. It formed part of our freedom movement also. Later on, in the cooperative sector, cooperative banks came to play an important role in serving the poor and the middle class by mobilizing small savings and by providing credit at affordable rates. Cooperative banks have done an excellent job in providing banking service and credit facility to the vast majority of rural and semi-urban population. This service has been appreciated by most of the Committees appointed by the Government and the Reserve Bank of India. These Committees have in fact opined that the Government must encourage these banks further by providing them additional concessions. However, the Government of India, especially the hon. Finance Minister, has imposed in the Budget 2006 a hefty income tax on the income of cooperative banks by withdrawing the concessions available to them under Section 80P. It is unfortunate that the Government of India, instead of giving them concessions which were available for decades has imposed a hefty tax.

MR. SPEAKER: It cannot be a speech, Dr. Manoj. You have mentioned the matter.

DR. K.S. MANOJ : Sir, while giant corporate and software industries get many concessions and pay an effective tax of only 19 per cent, cooperative banks are not allowed any concessions and have to pay 30 per cent of income tax. These banks are made to suffer another discrimination also. Deposits of Scheduled Banks of five-year tenure get income tax rebate under Section 80C. This rebate is not available to the deposits in cooperative banks. This would cause migration of deposits making the cooperative banks further weak. So, I would urge upon the Government and the hon. Finance Minister to provide income tax relief to cooperative banks under Section 80P and to extend Section 80C rebate to cooperative bank deposits also.

MR. SPEAKER: In place of five, I have given 23 hon. Members opportunity today. If one or two hon. Members are left, they can raise their issues at the end of the day.

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