ASSESSMENT OF COOPERATIVE SOCIETIES

1. Dinesh Pally Cooperative Society Ltd. furnishes the following particulars of its income for the previous year ending on 31 March 2009:

(i)	Interest on government securities	40,000
(ii)	Profits from banking business	3,50,000
(iii)	Income from purchase and sale of agricultural implement and seeds to its members	2,50,000
(iv)	Income from marketing of agricultural produce of its members	4,00,000
(v)	Profits and gains of business	2,20,000
(vi)	Income from cottage industry	3,50,000
(vii)	Interest and dividends (gross) from other cooperative societies	30,000

Compute total income of the society and calculate the tax payable by it for the assessment year 2009-2010.

Solution: Dinesh Pally Cooperative Society Ltd.

Computation of income of the for the previous year 2008-2009 relatinG to the Assessment Year ending 2009-2010:

Particulars	Rs	Rs
1. Profits and gains of business or profession:		
a) Banking business	3,50,000	
b) Income from purchase and sale of agricultural implements and seeds to its members	2,50,000	
c) Income from marketing of agricultural produce of its members	4,00,000	
d) Profits and gains of business	2,20,000	
e) Income from cottage industry	3,50,000	15,70,000
2. Income from other sources:		
a) Interest on government securities	40,000	
b) Interest and dividends from other cooperatives	30,000	70,000
Gross Total Income		**16,40,000**
Less: Deduction allowable from gross total income under Sec. 8OP		
1. Banking business	3,50,000	
2. Income from purchase and sale of agricultural implement and seeds to its members	2,50,000	
3. Income from marketing of agricultural produce of its members	4,00,000	
4. Income from cottage industry	3,50,000	
5. Interest on government securities(not eligible for deduction)	Nil	
6. Interest and dividends from other cooperative societies	30,000	13,80,000
Total Income		**2,60,000**

Computation of Tax Liability:

Particulars	Rate	Rs
On first Rs 10,000	10%	1,000
On next Rs 10,000	20%	2,000
On balance Rs 2,40,000	30%	72,000
Income tax payable		75,000
Add: Education cess @ 2%		1,5000
Add: SHEC @ 1%		750
Tax payable		**77,250**

2. A co-operative society, engaged in the business of banking, seeks your opinion by the matter of eligibility of deduction under Sec. 8OP on the following items of income earned by it during the year ending 31-3-2009.

(i) Interest on investment in government securities made out of statutory reserves

(ii) Hire charges of safe deposit lockers.

Answer: From the assessment year 2007-2008 and onward, no deduction is allowed under Sec. 80P to any cooperative bank. However, a primary agricultural credit society or primary cooperative agricultural and rural development bank is outside the purview of this provision [Sec. 80P(4)].

3. A cooperative society was engaged in the business of banking or providing credit facilities to its members. It sold goods on credit to its members. Is the cooperative society entitled to special deduction under Sec. 80P(2)(a)(i) in respect of income derived from such an activity?

Answer: Society is not entitled to the special deduction under Sec. 80P(2)(a)(i).