Co-Operative Society – Taxation – A.Y. 2012-13

Meaning

- Co-operative society means a society registered under Co-operative Societies Act, 1912 or any other law in force in any state for the registration of Co-operative societies.
- Regional rural bank is deemed as co-operative society (Circular 319 dt. 11-1-1982)

Rate of Tax

- Income up to Rs. 10,000 10%
- Income Rs. 10,001 to Rs. 20,000 20%
- Income Rs. 20,001 onwards 30%

The above rates to be increased by 2% education cess on income tax & 1% secondary & higher education cess on income tax.

Filing of return & due date & PAN/ TAN

- Since there is no threshold limit for taxability of income in case of a co-operative society, it implies that if a society has any taxable income, it has to file a return of income
- Since accounts of all co-operative societies are subject to statutory audit provisions under respective governing laws, therefore due date for filing return of income under the Income-tax Act, 1961 is September 30.
- If the society has to deduct income tax it must obtain TAN number. The society is also bound by provisions of TAN and filing of return of TDS. If society earns taxable income it should apply for PAN.

Principle of Mutuality

- Income of the co-operative society to which the Doctrine of Mutuality applies is not taxable.
- A co-operative society is a mutual association. A mutual association is one in which the members of the group come together for a common objective, make contributions for achieving that objective and participate in the surplus arising out of it. It is not necessary that all the members have to contribute to common fund and all the members have to take benefit of the resultant surplus. It is sufficient even if some members may contribute and some members may only take benefit, concept of mutuality will still apply if all members are covered by the same conditions and have the same entitlements. If a society carries on some activities which are mutual and some activities which are not, then the concept would apply to only those activities which are mutual.
- In respect of contributions from members concept of mutuality would be applicable. Surplus arising out of contributions would be covered by concept of mutuality and therefore not an income at all.

Tax Audit

- Tax audit is compulsory if turnover of society (engaged in business) is more than 60 lakhs per year. (w.e.f. 1-4-2011 i.e., A.Y. 2011-12). Tax Audit provisions is generally not applicable to societies which do not carry on any business. For. example, Housing societies in years of construction of building premises and redevelopments of their properties, provisions of section 44AB would not apply as there is no business activity.

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Deduction available to co-operative society – Sec. 80P

Sr. No.	Society engaged in business of/Nature of Income	Amount deductible	Applicability & Conditions
1)	Providing credit facility to members	Entire profit from such business	W.e.f A.Y. 2007-08 deduction not available to co-operative bank. Primary Co-operative agricultural & rural development bank & chit funds can claim exemption. Providing credit facility means providing loans & other credit facilities. Does not include selling goods on credit/hire purchase.
2)	Cottage Industry	Entire profit from such business	For qualifying as cottage industry – 1. Business is to be carried on in a small scale, with limited capital, workers & turnover. 2. Business is carried on by members of society (shareholders) & their families. 3. Business must involve activity of manufacture, production or processing & not merely in trade. 4. It is not required to be registered under Factories Act.
3)	Marketing of Agricultural Produce	Entire profit from such business	–
4)	Purchase of Agricultural Implements, seeds, livestock, other articles intended for agriculture	Entire profit from such business	It is for the purpose of supplying them to its members.
5)	Processing Agricultural Produce of Members (Without Aid of Power)	Entire profit from such business	–
6)	Collective Disposal of labour of its members	Entire profit from such business	Deduction is available only when earning of society is through the utilization of the actual labour of its

			members. Deduction is available provided the rules & bye Laws of the society restrict the voting rights to following class of members – a) Individuals who contribute their labour b) Co-op. credit societies which provide financial assistance to the society c) State Government.
7)	Fishing & Allied Activities	Entire profit from such business	It includes catching, curing, processing, preserving, storing or marketing of fish or purchase of materials & equipment in connection therewith for supplying them to its members. Deduction is available provided the rules & bye Laws of the society restrict the voting rights to following class of members – a) Individuals who carry on fishing or allied activities. b) Co-op. credit societies which provide financial assistance to the society c) State Government.
8)	Primary society engaged in supplying milk, oil seeds, fruits or vegetables	Entire profit from such business	Milk oil seeds, fruits or vegetables are grown or raised by its members Milk, oil seeds, fruits or vegetables are supplied to a federal co-op. society (engaged in similar business),

			Government or local authority, Government company or a statutory corporation (engaged in similar business).
9)	Engaged in any other activity	Rs.1,00,000 for consumer co-operative society. Rs. 50,000 for others	
10)	Interest income/Dividend income	Entire amount of such income	Such income is received from investment in any other co-operative society.
11)	Letting of godowns/ warehouses	Entire amount of income derived from such business	Godowns/warehouses are let for storage, processing or facilitating the marketing of commodities.
12)	Interest on securities & property income	Entire amount of such income	Benefit not available to housing society, urban consumer's society, society carrying on transport business, society engaged in manufacturing operations with aid of power Gross total income of such society does not exceed Rs. 20,000.