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

DR. K.S. MANOJ (ALLEPPEY): Cooperative banks mainly serve the poor, middle and the salaried section by mobilizing the small savings in providing credit at affordable rates. Cooperative Banks have done an excellent job in providing banking services and credit facilities to the vast majority of rural and semi urban population. This service have been appreciated by most of the committees appointed by the Govt, and Reserve Bank of India. These committees, in fact, have opined that Govt, must encourage these Banks further by providing them additional concessions.

But, the Govt. of India has imposed in its budget 2006 a hefty income tax on the income of Cooperative banks by withdrawing the concession available under Section 80P. Imposing a hefty 30% Income Tax will severely affect the health of Cooperative banks. It is unfortunate that the Govt. Of India has decided to withdraw the tax concession available for decades and has imposed a hefty tax. While the giant corporate and software industries get many concessions and pay an effective tax of 19%, Cooperative banks are not allowed any concession and have to pay 30% income tax. It is pertinent to note that more than 80 percent of the countries world over exempt Cooperative sector from paying tax and in the rest of the countries this is very marginal.

Cooperative Banks suffer discrimination. Deposits of scheduled bank of five year tenure get Income Tax rebate under Section 80C. This rebate is not available to the Cooperative Bank deposit. This would cause migration of deposits making the Cooperative Banks weak further.

I, therefore, urge upon the Govt, to restore the Income Tax relief for the Cooperative Banks under Section 80P and also extension of Section 80C rebate to Cooperative Bank deposits.