



Income Tax Department

Central Board of Direct Taxes

Key Points on issues related to Co-operative Societies



Misconceptions:

- ◆ Cooperative Societies are exempt from Income Tax.
- ◆ Cooperative Societies are not required to pay taxes and file the Income Tax Return.

Correct Legal Position:

- ◆ Cooperative Societies are eligible to claim deduction of its specified income u/s 80P of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') subject to fulfilment of conditions specified therein.
- ◆ For claim of deduction u/s 80P of the Act, Income Tax Return is required to be filed within the due date prescribed u/s 139(1) of the Act.

Whether Co-operative Society should be registered?

- ◆ Section 2(19) of the Act - "Co-operative society" means a Co-operative society registered under the Co-operative Societies Act, 1912 or under any other law for the time being in force in any State for the registration of co-operative societies.
- ◆ For the purpose of eligibility of deduction u/s 80P of the Act, the Cooperative Societies should be registered as per section 2(19) of the Act.
- ◆ Laws regulating Cooperative Societies :



Maintenance of books of Account and Audit:

State Co-operative Societies Act	Income Tax Act
Every registered Co-operative society shall maintain the accounts. Such accounts shall be audited at least once in every Financial Year by the Auditors of the Government within a time period of six months from the end of the relevant Financial Year (i.e) 30 th September.	Co-operative Societies are required to maintain the books of account and get their accounts audited (if the turnover exceeds Rs.1Cr) by an Accountant by 30 th September. If cash transactions are up to 5% of the total gross receipts and payments, the threshold limit of turnover for tax audit is Rs.10 Cr (w.e.f. FY 2020-21).

They are required to file their Income Tax Returns by 31st October and claim deduction u/s 80P of the Act subject to specified conditions.

Non maintenance of books of account and non-compliance of Statutory Audit are DEFAULTS under both the Acts.

Classifications of Societies as per Deduction u/s 80P & eligible deduction :

Section	Eligible Cooperative Society	Available Deduction
80P(2)(a)	Cooperative Society engaged in : (i) Carrying on the business of banking or providing credit facilities to its members (ii) A cottage industry, or (iii) The marketing of agricultural produce grown by its members (iv) The purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members (v) The processing, without the aid of power, of the agricultural produce of its members, or (vi) The collective disposal of labour of its members; or (vii) Fishing or allied activities i.e. catching, curing, processing, preserving, storing or marketing of fish or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its members	100% deduction
80P(2)(b)	In the case of a cooperative society, being a primary society engaged in supplying milk, oilseeds, fruits or vegetable raised or grown by its members to – (i) a federal cooperative society, being a society engaged in the business of supplying	100%

	milk, oilseeds, fruits or vegetable (ii) The Government or a local authority (iii) A Government company as defined in Section 617 of Companies Act or a Corporation engaged in such activity.	
80P(2)(c)(i)	(i) Cooperative society engaged in activities not covered in section 80P(2)(a) or 80P(2)(b) above, and the society is a consumer's cooperative society	Rs.1,00,000/-
80P (2)(c)(ii)	(ii) Cooperative society engaged in activities not covered in section 80P(2)(a) or 80P(2)(b) above and is also other than consumers' cooperative society	Rs.50,000/-
80P(2)(d)	In respect of any income by way of interest or dividends derived by the cooperative society from its investments with any other cooperative society	100%
80P(2)(e)	In respect of any income derived by the Cooperative Societies from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities	100%
80P(2)(f)	In the case of a cooperative society, not being a housing society or an urban consumers' society or a society carrying on a transport business or a society engaged in performance of any manufacturing operations with the aid of power, where the gross total income does not exceed twenty thousand rupees, the amount of any income by way of interest on securities or any income from house property chargeable under section 22.	100% of any income chargeable by way of interest on securities or any income chargeable under section 22.

Tax Status and Tax Rates:

- ✧ Status – Co-operative societies are not considered as a separate category. They are classified as "Association of Person" (AOP).
- ✧ Finance Act prescribes Tax rate for Co-operative societies every year.

◆ **Applicable Tax Rate:**

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|---------------------|--|
| 1) 0 – 10,000 | 10% of total income |
| 2) 10,000 - 20,000 | Rs. 1,000 plus 20% of the amount by which total income exceeds Rs. 10,000. |
| 3) 20,000 and above | Rs. 3,000 plus 30% of the amount by which the total Income exceeds Rs. 20,000. |

** Applicable Surcharge and Cess

- Education and Health Cess @ 4%.
- Surcharge @ 7% for income above Rs.1 Cr up to Rs.10 Cr.
- Surcharge @12% for income exceeding Rs.10 Cr.

Filing of Income Tax Return and Audit Report:

- ✧ Income Tax Return and Tax Audit report are required to be filed electronically in the e-filing portal of the Income Tax Department (**www.incometax.gov.in**)
- ✧ Statutory Audit Report/Tax Audit Report are required to be filed on or before 30th September.
- ✧ Income Tax Return in ITR-5 should be filed on or before 31st October.

In case of delay in filing of Income Tax Return:

- ✧ If Income Tax Return is filed beyond the due date prescribed u/s 139(1) of the Act, deduction u/s 80P is liable to be disallowed and tax demand is liable to be raised for the income earned by such Co-operative societies.
- ✧ If Income Tax Return is not filed at all, then the case of such Co-operative society may be selected for scrutiny assessment by the Income Tax Department. Income of the Co-operative society is liable to be assessed under the Act without providing any deduction under section 80P of the Act. Tax demand is liable to be raised along with the applicable interest and penalty.
- ✧ Remedy – Filing of application seeking condonation of delay u/s 119(2)(b) of the Act for filing of Income Tax Return and claiming deduction under section 80P before the concerned Jurisdictional Chief Commissioner / Commissioner. Condonation may be granted in applicable cases subject to fulfilment of specified conditions.

How to respond to notices in e-filing portal:

- ✧ Tax notices are sent to the registered account on the e-filing portal (**www.incometax.gov.in**).
- ✧ SMS and e-mail alert are sent to the registered mobile number and e-mail address.
- ✧ Please update your mobile number and e-mail address periodically.

- ✧ Please login the registered account on e-filing portal at frequent intervals to check for any communication from the Income Tax Department.
- ✧ If any communication is sent by the Income Tax Department, reply can be filed online on the e-filing portal.

Filing of appeal and stay application:

- ✧ In case of receipt of assessment order or penalty order, appeal or stay application, if preferred, is required to be filed within 30 days of receipt of such orders.
- ✧ A demand may be stayed only if there are valid reasons for doing so and that mere filing of an appeal against the assessment order will not be a sufficient reason to stay the recovery of demand.

Cash Transactions:

To provide relief to the low-income groups from rural back ground and facilitate easier conduct of business operations, section 269SS, section 269ST and Section 269T has been modified for primary agricultural credit society or a primary co-operative agricultural and rural development bank w.e.f 1.4.2023 and threshold limit increased to Rs.2,00,000 from Rs.20,000.

✧ Section 269SS – Mode of taking or accepting certain loans, deposits and specified sum

- ✧ The threshold limit of section 269SS for Cooperative Societies* has been increased from Rs.20,000/- to Rs.2,00,000/- w.e.f 01.04.2023.
- ✧ Section 269SS is not applicable if a deposit is accepted by Cooperative* Societies from its member or a loan is taken from a Cooperative Societies* by its member, provided the amount of such loan or deposit including their outstanding balance is less than Rs.2,00,000/-.

* Cooperative Societies which are primary agricultural credit society or a primary co-operative agricultural and rural development bank.

✧ Section 269ST – Mode of undertaking transactions – threshold of Rs. 2,00,000/-

- ✧ Co-operative Bank – Exempt.
 - ✧ Co-operative Society* – Not Exempt.
- * Cooperative Societies which are primary agricultural credit society or a primary co-operative agricultural and rural development bank.

- ✧ Section 269T – Mode of repayment of certain loans, deposits and specified sum
- ✧ The threshold limit of section 269T for Cooperative Societies* has been increased from Rs.20,000/- to Rs.2,00,000/- w.e.f 01.04.2023.

- ✧ Section 269T is not applicable if deposit is repaid by a Cooperative Societies* to its member or such loan is repaid to a Cooperative Societies* by its member, provided the amount of such loan or deposit including their outstanding balance is less than Rs.2,00,000/-.
- * Cooperative Societies which are primary agricultural credit society or a primary co- operative agricultural and rural development bank.
- ✧ Violation of the provisions of section 269SS/269ST/269T may attract Penalty u/s 271D/271DA/271E respectively.

Key Takeaways:

- ✧ Cooperative Societies are required to maintain their books of account and get them audited.
- ✧ Cooperative Societies are required to file Income Tax Return claiming deduction u/s 80P.
- ✧ If the return/deduction is not filled within the due date prescribed u/s 139(1) of the Act, the deduction u/s 80P will not be allowed.
- ✧ Co-operative society are required to be registered under the Co-operative Societies Act, 1912 or under any other law for the time being in force in any State.

Mapping of the relevant sections pertaining to Cooperative Societies in the **New Income Tax Act, 2025** is summarised as under :

Section under Income Tax Act, 1961 relevant to Cooperative Societies	Corresponding section under New Income Tax Act, 2025
Section 2(19) – Definition of “Cooperative Society”	Section 2 (32)
Section 80P – Deduction available to Cooperative Societies	Section 149
Section 80P(2)(a) – Cooperative Societies carrying on the business of banking or providing credit facilities to its members.	Section 149(2)(a)
Section 80P(2)(b) – Cooperative Societies engaged in supply of milk, oilseeds, fruits or vegetables raised or grown by its members.	Section 149(2)(b)
Section 80P(2)(c) – Deduction available to Cooperative Societies engaged in activities not covered in Section 80P(2)(a) and 80P(2)(b)	Section 149(2)(c)
Section 80P(2)(d) - Interest or dividends derived by the Cooperative Societies from its Investments with any other Cooperative society.	Section 149(2)(d)

Section 80P(2)(e) - Income derived by the Cooperative Societies from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities.	Section 149(2)(e)
Section 80P(2)(f) - Deduction available to cooperative society, not being a housing society or an urban consumers' society or a society carrying on a transport business or a society engaged in performance of any manufacturing operations with the aid of power, where the gross total income does not exceed twenty thousand rupees, the amount of any income by way of interest on securities or any income from house property chargeable under section 22.	Section 149(2)(f)
Section 139 (1) - Time limit for filing ITR	Section 263(1)
Section 269SS - Mode of taking or accepting certain loans, deposits and specified sum	Section 185
Section 269ST : Mode of undertaking transactions (threshold of Rs. 2 lakhs)	Section 186
Section 269T : Mode of repayment of certain loans or deposits or specified advances.	Section 188
Penalty 271D : Penalty for violation of section 269SS	Section 450
Penalty 271DA : Penalty for violation of section 269ST	Section 451
Penalty 271E : Penalty for violation of section 269T	Section 453



◀ Directorate of Income Tax ▶

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Disclaimer: This brochure should not be construed as an exhaustive statement of the law. For details reference should always be made to the relevant provisions in the Acts and the Rules

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