



# ಕರ್ನಾಟಕ ರಾಜ್ಯ ಸಹಕಾರ ಪತ್ತಿನ ಸಂಘಗಳ ಮಹಾಮಂಡಳ ನಿ.,

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**KARNATAKA STATE CO-OPERATIVE CREDIT SOCIETIES FEDERATION LTD.,**

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ಮುಖ್ಯಕಾರ್ಯನಿರ್ವಹಣಾಧಿಕಾರಿ (ಪ್ರ)

ಪಿ. ಅಶಾಲತಾ

ಉಲ್ಲೇಖ : ಕರಾಸಪಸಂಮ/ 806 /2020-2021

ದಿನಾಂಕ : 21-11-2020

To,

Sri Pramod Chandra Mody IRS

Chairman

Central Board of Direct Taxes

New Delhi

Hon'ble Sir,

Recd.  
24/11/2020  
Chairman  
Central Board of Direct Tax  
New Delhi  
M(L)

**SUBJECT: REPRESENTATION SEEKING RELIEF MEASURES TO  
CO-OPERATIVE SECTOR**

The Karnataka State Co-operative Credit Societies Federation Limited (in short 'KSCCSFL') is Federation of Co-operative Societies, registered in the year 2004. KSCCSFL is primarily formed for the welfare of Co-operative Credit Societies and represents before various regulatory authorities to resolve the problems / hardships faced by Co-operative Credit Societies and business communities.

Our submissions with respect to Co-operative Credit Societies in Karnataka:

**Deposits in Co-operative Sectors:**

It is a known fact that the Co-operative deal with only members and the funds have to be invested in other co-operative institutions as per Sec. 58 of Karnataka Co-operative Societies Act 1959. Therefore, generally, small and medium size co-operative societies will keep deposits with big size co-operative societies and co-operative banks.

**Security for deposits in Co-operative Sectors:**

The deposits kept at other Co-operatives is mainly as a liquid fund to be



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withdrawn at short notice. However, there is no immediate rescue and security for these deposits when such institution is turned to be financially not viable to repay deposits. In this regard, a policy to be brought and implemented wherein the deposits at co-operative societies are regulated and secured through different measure.

▪ **Repayment of Deposits under Co-operative Societies:** In case of failure of one co-operative institution and its inability to repay deposits and other funds which are kept by other Co-operatives for their liquid fund requirement will directly impact the functioning of depositor. Therefore, there must be some policy and regulations to put in place which will guarantee the repayment of deposits and depositors are not impacted by way of insurance, maintenance of liquidity reserves, lending policy and recovery policy.

▪ **Taxation of Co-operatives under Income Tax Act 1961:** The Co-operative movement is the base for development at micro level at various stages in society. However, recently there is spurt increase in litigations in assessment of Co-operatives for income tax. To promote the Co-operative movement, provide ease of rendering service by a Co-operative and to avoid genuine hardship caused to Co-operatives, it is required to streamline Income Tax provisions



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u/s 80P so as to provide uniform system of taxation/ income deductions to all co-operatives.

- **Relief from TDS u/s 194N of Income Tax Act 1961:**The Government of India has taken good step towards digital banking in India and to minimise cash transactions has introduced the TDS on cash withdrawal beyond Rs.1.00 Crores. However, majority of co-operative societies are operating in rural area. Even in urban areas they are operating within members group. As majority of members are small savings holders and lack any other banking facilities, they are forced to do cash transactions, it is highly difficult and impractical to route their small transactions through banking channel due to the situation and infrastructure facilities they are having. Therefore, the co-societies are bound to have more cash transactions for its members. But as per Sec.194N the co-operative societies are made as a single customer and TDS is being deducted which in turn blocks its working capital. We submit that since co-operative societies are not directly doing cash transaction for its own, it is being done to facility many of its small transactions from the customers, it is right step and rational to exempt the co-operative societies from the ambit of Sec.194N for TDS on cash withdrawal. We humbly request you



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provide the relief to co-operative societies by exempting from TDS on its cash withdrawal, at least increasing its transaction limit to Rs.10 crores which will benefit 80% of small societies.

In view of genuine hardships as mentioned above, we from KSCCSFL on behalf of Credit Co-operative in the State, we hereby submit our prayers to your good selves to kindly consider the above issue points in this representation and kindly accede to our prayers by necessary steps on securing deposits in co-operative sectors and uniform exemptions for income tax.

We at KSCCSFL sincerely hope that Government of India would consider our above submissions and prayers and would provide appropriate relief by bringing necessary changes in policies on securing-cum-priority in repayment of co-operative deposits and uniform exemptions on income tax. We are also optimistic that you would definitely make an 'all out' effort to help to the stakeholders of the Co-operative eco-system.

**For Karnataka State Cooperative Credit Societies Federation Limited**

**(K. Lalita G.T. Devegouda)  
President**