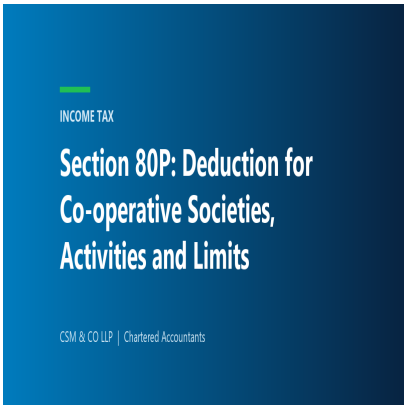

Section 80P: Deduction for Co-operative Societies, Activities and Limits

Description

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Quick summary

- Section 80P gives co-operative societies a deduction for profits from specified activities such as credit to members, marketing members' produce and cottage industries.
- Other activities are covered only up to ?1,00,000 for a consumers' society and ?50,000 for any other society.
- Co-operative banks (other than primary agricultural credit societies and primary agricultural and rural development banks) are excluded.
- From Tax Year 2026-27 it is section 149 of the Income-tax Act, 2025, and it is not available if the society opts for the 22% or 15% concessional rate.

Co-operative societies serve their members rather than outside shareholders, and the Income-tax law gives them a deduction on the profits from the activities that serve those members. From Tax Year 2026-27 the provision is section 149 of the Income-tax Act, 2025. For FY 2025-26 (assessment year 2026-27) it is still section 80P of the 1961 Act.

Who is a co-operative society?

For the Act a co-operative society is one registered under the Co-operative Societies Act, 1912 or any State law on co-operative societies. Section 80P applies to a co-operative society that includes income from the activities below in its gross total income.

Activities and amounts allowed

Activity	Deduction
Banking or providing credit facilities to members	Whole of the profits attributable

Activity	Deduction
Cottage industry	Whole of the profits attributable
Marketing agricultural produce grown by members	Whole of the profits attributable
Buying agricultural implements, seeds, livestock or other farm articles to supply to members	Whole of the profits attributable
Processing members' agricultural produce without the aid of power	Whole of the profits attributable
Collective disposal of members' labour	Whole of the profits attributable
Fishing and allied activities (catching, curing, processing, storing or marketing fish, or buying materials for members)	Whole of the profits attributable
Primary society supplying milk, oilseeds, cotton seed, cattle feed, fruits or vegetables grown by its members to a federal co-operative, the Government or local authority, or a Government company or statutory corporation	Whole of the profits of that business
Any other activity	Profits up to ?1,00,000 for a consumers' society, ?50,000 for any other society
Interest or dividend on investments with another co-operative society	Whole of that income
Letting of godowns or warehouses for storage, processing or marketing of commodities	Whole of that income
Interest on securities and income from house property, for a society (other than a housing society, urban consumers' society, transport society or a society doing power-aided manufacturing) whose gross total income is not more than ?20,000	Whole of that income

Two points on this table:

- For collective disposal of labour and for fishing, the deduction applies only if the society's rules and bye-laws limit voting rights to individuals who contribute their labour or carry on fishing, co-operative credit societies that finance the society, and the State Government.
- The Finance Act, 2026 added cotton seed and cattle feed to the produce list for primary societies, and made clear that the investment income covered is interest or dividends.

The limit for the last row is ?20,000 under the Act. Some older write-ups say ?25,000; the Act says ?20,000.

Co-operative banks are excluded

The section does not apply to a co-operative bank unless it is a primary agricultural credit society or a primary co-operative agricultural and rural development bank (a society whose area is confined to a taluk and whose main object is long-term credit for agriculture and rural development). Whether a co-operative credit society is really a “co-operative bank” is a question of fact that has reached the courts, and a society that gives credit to its members only is in a different position from one that functions as a bank. Check your society’s position with a professional before claiming.

Interaction with other deductions

If the society also claims the profit-linked deduction for infrastructure and other undertakings (section 80-IA, section 138 of the 2025 Act), the section 80P deduction is worked out on the income left after that deduction.

Example

A co-operative society that is not a consumers’ society has the following profits for the year:

Source	Profit in ?	Deduction in ?
Marketing of members’ agricultural produce	4,00,000	4,00,000
Other activity (not listed in the section)	1,50,000	50,000
Total	5,50,000	4,50,000

The society’s taxable income is ?1,00,000, before any other adjustments.

The concessional rate option

A resident co-operative society can opt to pay tax at 22% under section 115BAD of the 1961 Act (section 203 of the 2025 Act). Under that option the society gives up Chapter VIII deductions, so section 80P (section 149) is not available. The 2025 Act keeps only section 146 (additional employee cost) and section 150 for such societies. The same applies to the 15% option for new manufacturing co-operatives (section 115BAE, section 204 of the 2025 Act). A society that does not opt in continues to claim section 149.

Section 150: a new deduction for federal co-operatives

Section 150 of the 2025 Act (inserted by the Finance Act, 2026) lets a federal co-operative deduct dividends from its investment in any company, to the extent that the amount arose from an investment recorded in its books on or before 31 January 2026 and was distributed to its members at least one month before the due date for filing the return. It does not apply to any tax year beginning on or after 1 April 2029.

Frequently asked questions

Who can claim section 80P?

A co-operative society whose income includes profits from the activities listed in the section, such as credit to members, cottage industry, marketing members' produce and fishing.

Is a co-operative bank eligible?

No. The section does not apply to a co-operative bank unless it is a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

How much is deductible for other activities?

Profits from activities not specifically listed are deductible up to ?1,00,000 for a consumers' co-operative society and ?50,000 for any other society.

Can I claim 80P if I opt for the 22% rate?

No. The concessional regime for co-operative societies (section 115BAD of the 1961 Act, section 203 of the 2025 Act) bars Chapter VIII deductions other than additional employee cost (section 146) and the new section 150.

What is the section number from Tax Year 2026-27?

Section 149 of the Income-tax Act, 2025.

Official sources

- Income Tax Department: Income-tax Act 2025 as amended by Finance Act 2026 (sections 149, 150, 203, 204)

Related reading

- Decoding the Direct Tax Landscape: Budget 2025 Insights

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