

**-COPY OF-  
INCOME TAX CIRCULAR  
NO.6/2010  
Dated: September 20, 2010**

**Eligibility of deduction under Section 80P to Regional Rural Banks**

Section 80P of the Income Tax Act, 1961 provides for a deduction from the income of cooperative societies referred to in that Section.

2. As Regional Rural Banks (RRB) are basically corporate entities (and not cooperative societies), they were considered to be not eligible for deduction under section 80P when the section was originally introduced. However, as section 22 of the Regional Rural Bank Act provides that a RRB shall be deemed to be cooperative society for the purposes of the Income Tax Act 1961, in order to make such banks eligible for deduction under section 80-P, CBDT issued a beneficial Circular No.319 dated 11.1.1962, which stated that for the purpose of section 80P, a Regional Rural Bank shall be deemed to be a cooperative society.

3. Section 80P was amended by the Finance Act, 2006, w.e.f. 1.4.2007 introducing sub-section (4), which laid down specifically that the provisions of section 80P will not apply to any cooperative bank other than a Primary Agricultural Credit Society or a Primary Cooperative Agricultural and Rural Development Bank. Accordingly, deduction under Section 80P was no more available to any Regional Rural Bank from A.Y. 2007-08 onwards.

An OM dated 25.8.2006 addressed to RBI was issued by the Board clarifying that Regional Rural Banks would not be eligible for deduction under section 80P of the Income Tax Act, 1961 from the Assessment Year 2007-2008 onwards.

4. It has been brought to the notice of the Board that despite the amended provisions, some Regional Rural Banks continue to claim deduction under section 80P on the ground that they are cooperative societies covered by section 80P (1) read with Board's Circular No.319 dated 11.1.1982.

5. It is, therefore, reiterated that Regional Rural Banks are not eligible for deduction under section 80P of the Income Tax Act, 1961 from the assessment year 2007-08 onwards. Further more, the Circular No.319 dated 11.1.1982 deeming any Regional Rural Bank to be cooperative society stands withdrawn for application with effect from AY 2007-08.

The field officers may take note of this position and take remedial action, if required.

**F.No.173(3)/44/2009-ITA-1**

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**Director (ITA-I)**