# BUSINESS RE-ORGANISATION OF CO-OPERATIVE BANKS

- 1. Same as demerger and amalgamation of company.
- 2. Under section 72AB, the accumulated loss and unabsorbed depreciation of amalgamating/ demerged co-operative Bank/ primary co-operative bank which has been succeeded as a result of conversion shall be allowed to be carried forward by amalgamated/ resulting co-operative bank/ converted banking company for the balance number of Assessment Years for which amalgamating/ demerged co-operative bank/ or the primary co-operative bank which has been succeeded as a result of conversion could have carried forward.

SECTION 44DB: SPECIAL PROVISION FOR COMPUTING DEDUCTIONS IN THE CASE OF BUSINESS REORGANIZATION OF CO-OPERATIVE BANKS

- (1) The deduction under section 32, section 35D, section 35DD or section 35DDA shall, in a case where business reorganization of a co-operative bank has taken place during the financial year, be allowed in accordance with the provisions of this section.
- (2) The amount of deduction allowable to the amalgamating/demerged co-operative bank/ primary co-operative bank which has been succeeded as a result of conversion under section 32, section 35D, section 35DD or section 35DDA shall be determined in accordance with the formula —

A × B C

- where A = the amount of deduction allowable to the amalgamating/demerged cooperative bank/ primary co-operative bank which has been succeeded as a result of conversion if the amalgamation/demerger/ conversion had not taken place;
  - **B** = the number of days comprised in the period beginning with the 1st day of the financial year and ending on the day immediately preceding the date of amalgamation/demerger/ **conversion**; and
  - **C** = the total number of days in the financial year in which the amalgamation/demerger/**conversion** has taken place.

(3) The amount of deduction allowable to the amalgamated/ resulting co-operative bank/ **converted banking company** under section 32, section 35D, section 35DD or section 35DDA shall be determined in accordance with the formula—

- where A = the amount of deduction allowable to the amalgamating/demerged cooperative bank/ primary co-operative bank which has been succeeded as a result of conversion if the amalgamation/ demerger/ conversion had not taken place;
  - **B** = the number of days comprised in the period beginning with the date of amalgamation/ demerger/ **conversion** and ending on the last day of the financial year; and
  - **C** = the total number of days in the financial year in which the amalgamation/demerger/**conversion** has taken place.
- (4) The deduction under section 35D, section 35DD or section 35DDA shall be allowed to amalgamated/ resulting co-operative bank/ **converted banking company** for the balance number of years after amalgamation/ demerger/ **conversion** taken place.

For the purposes of this section, "business reorganisation" means the reorganisation of business involving the amalgamation or demerger of a cooperative bank or conversion of a primary co-operative bank into a banking company.

#### Illustration:

S Co-operative Bank is amalgamated with T Co-operative Bank on 30.8.2022. S Cooperative Bank incurred an expenditure of ₹10 lakhs on voluntary retirement scheme on 30.4.2021 and ₹10 lakhs, was paid on 30.4.2021.

#### Answer:

# Deduction under section 35DDA to amalgamating Co-operative Bank S

Assessment year 2022-23

₹2,00,000

# Deduction under section 35DDA as per section 44DB in Assessment year 2023-24

Amalgamating Co-operative Bank S	₹2,00,000 × <u>151</u> 365	= ₹82,740
Amalgamated Co-operative Bank T	₹2,00,000 × <u>214</u> 365	= ₹ 1,17,260

### Deduction under section 35DDA to amalgamated Co-operative Bank T

Assessment year 2024-25 to Assessment year 2026-27 = ₹ 2,00,000 every year

Note: It may be noted that in case of amalgamation of companies, in the above case deduction in Assessment Year 2023-24 is available to the amalgamated company and is not apportioned on the basis of number of days.