

GOVERNMENT OF INDIA
MINISTRY OF COOPERATION

RAJYA SABHA
UNSTARRED QUESTION NO. 1764
TO BE ANSWERED ON 11/12/2024

Income Tax relief to the Cooperative societies

1764 SHRI C. VE. SHANMUGAM:

Will the Minister of COOPERATION be pleased to state:

- (a) whether Government provides income tax relief to the Cooperative societies;
- (b) if so, the details thereof and if not, the reasons therefor; and
- (c) the steps taken by Government to provide relief to Cooperative Societies during the last three years, the details thereof?

ANSWER

THE MINISTER OF COOPERATION
(SHRI AMIT SHAH)

(a) to (c): The Government of India has taken various initiatives to provide the income tax relief to cooperative societies. Details are as under:

- (i) **Reduction in surcharge on cooperative societies.:** The surcharge on co-operative societies has been reduced from 12% to 7% on income of more than 1 crore and up to 10 crores. This would help in enhancing the income of cooperative societies and its members who are mostly from rural and farming communities.
- (ii) **Reduced Alternate Minimum Tax rate for cooperatives.:** Cooperative societies were required to pay Alternate Minimum Tax at the rate of 18.5%. However, companies paid the same at the rate of 15%. To provide a level playing field between co-operative societies and companies, the rate for the cooperative societies have also been reduced to 15% for cooperative societies.
- (iii) **Relief in cash transactions under section 269ST of IT Act, 1961 for cooperatives.:** Section 269ST restricts cash receipts in excess of 2 lakh from (a) any person in a day, or (b) from any transaction; or (c) from multiple transactions in respect of single event or occasion. In case of violation of this provision, penalty for the amount in contravention of section 269ST is levied under Income Tax Act 1961. For payment of milk price to their members, Milk Cooperative Societies receive cash, in excess of 2 lakh across multiple days in a year, particularly on the bank holidays, from a distributor, with whom they have contract. Resultantly, huge penalties were levied on the Milk Societies by Income Tax Department by treating contract between Cooperative Societies with its distributor as one event / occasion. CBDT vide Circular No 25/2022 dated 30.12.2022 issued clarification that in respect of cooperative societies, a dealership / distributionship contract by itself may not constitute an event or occasion for purpose of clause (c) of the section 269 ST. Receipt related to such a dealership / distributionship contract by the cooperative society on any day in a previous year, which is within prescribed limit may not be aggregated across multiple days for that previous year. This would enable Cooperative Societies to make payments to their members, who are mostly from rural and farming communities, on bank holidays without fear of income tax penalty.

- (iv) **Concessional rate of tax for new manufacturing cooperative societies.:** The new co-operatives that commence manufacturing activities till 31.03.2024 shall get the benefit of a lower tax rate of 15%, as is presently available to new manufacturing companies.
- (v) **Relief for cash loan/transactions by primary co-operatives.:** As per Section 269SS of the Income Tax Act, 1961, any deposit or loan of more than 20,000 in cash is not allowed. Violation can invite a penalty equal to the loan or deposit amount. Section 269SS of the Income Tax Act has been amended to provide that where a deposit is accepted by a Primary Agricultural Credit Society (PACS) or a Primary Co-operative Agricultural and Rural Development Bank (PCARDB) from its member or a loan is taken from a PACS or a PCARDB by its member in cash, no penal consequence would arise, if the amount of such loan or deposit including their outstanding balance is less than 2 lakh. Earlier this limit was 20,000 per member.
- (vi) **Relief for repayment of loan in cash by primary co-operatives.:** As per Section 269T of the Income Tax Act, repayment of the loan or deposit of 20,000 or more in cash is not allowed. Violation can invite a penalty equal to the loan or deposit amount. Section 269T of the Income Tax Act has been amended to provide that where a deposit is repaid by a PACS or a PCARDB to its member or such loan is repaid to a PACS or a PCARDB by its member in cash, no penal consequence shall arise, if the amount of such loan or deposit including their outstanding balance is less than 2 lakh. Earlier this limit was 20,000 per member.
- (vii) **Increasing threshold limit for co-operatives to withdraw cash without TDS.:** Cooperatives particularly dairy cooperatives are operating in rural sector. They have to some times make payments to their members in cash. For this they are required to withdraw cash from banks. As a result when total cash withdrawal in year exceeded Rs. 1 crore, they were subjected to TDS. To provide relief, a higher limit of 3 crore for TDS on cash withdrawal has been provided to co-operative societies.
- (viii) **Relief from Income Tax to Sugar Cooperative Mills:** Through Finance Act, 2015 Section 36(1)(xvii) was inserted in Income Tax Act 1961 to provide for deduction on account of the amount of expenditure incurred by a cooperative society engaged in the business of manufacture of sugar i.e Cooperative Sugar Mills (CSMs). The measure came into force w.e.f. 1.4.2016 i.e. assessment year 2016-17. However, the issue of treatment of additional payment for sugarcane price by CSMs as an income distribution to farmer members and resultant tax liabilities remained uncovered which was clarified by Central Board of Direct Taxes vide Circular No 18/2021 dated 25.10.2021. Accordingly, resultant tax liabilities on CSMs on additional payment for sugarcane price by them were mitigated w.e.f. 1.4.2016.
- (ix) **Resolution of decades old pending issues related to Income Tax of Sugar Cooperative Mills:** An opportunity has been provided to sugar co-operatives to claim payments made to sugarcane farmers for the period prior to assessment year 2016-17 as expenditure. Accordingly, section 155 of the IT Act has also been amended to insert a new sub-section (19) vide Finance Act, 2023, w.e.f. 1st April 2023. In order to standardize the manner of filing application to the Jurisdictional Assessing Officer under sub-section (19) of section 155 of the Act and its disposal by the Jurisdictional Assessing Officer under the said section, CBDT vide Circular No. 14 of 2023 dated 27.07.2023 has issued Standard Operating Procedure for making application by the concerned Cooperative Sugar Mills. This has resolved the income tax issues in this matter pending for decades. This is expected to provide relief of almost ₹10,000 crore.
