

**GOVERNMENT OF INDIA  
MINISTRY OF COOPERATION  
LOK SABHA  
UNSTARRED QUESTION NO. 711  
TO BE ANSWERED ON 07/02/2023**

**Functioning of PCCS and PACCS**

**711. ADV. A.M. ARIF:**

Will the Minister of COOPERATION (सहकारिता मंत्री) be pleased to state:

- (a) whether it has come to the notice of the Government that section 269 SS & ST of Income Tax Act , 1961 is seriously affecting functioning of Primary Credit Co-operative Societies ( PCCS) and Primary Agricultural Credit Co-operative Societies (PACCS) in the country including Kerala and if so, the details thereof;
- (b) whether the Government has granted exemptions for certain classes of persons and entities in implementing section 269 SS & ST to remove the practical difficulties and if so, the details thereof; and
- (c) whether the Government has taken note of the fact that PCCS and PACCS in the State of Kerala are facing penal action and consequences for the alleged violation of the above said section and if so, the action taken thereon?

**ANSWER**

THE MINISTER OF COOPERATION  
सहकारिता मंत्री (SHRI AMIT SHAH)

(a) to (c): In order to provide a conducive Income Tax regime for the cooperative sector and to mitigate practical difficulties and penal action faced by the cooperative societies regarding section 269 SS and 269T, the following announcements have been made in the budget speech 2023-24:

- I. Amendment of section 269 SS of IT Act 1961 to provide that where a deposit is accepted by a primary agricultural credit society or a primary co-operative agricultural and rural development bank from its member or a loan is taken from a primary agricultural credit society or a primary co-operative agricultural and rural development bank by its member in cash, no penal consequence would arise, if the amount of such loan or deposit in cash is less than ₹ 2 lakh.
- II. Amendment of section 269T of IT Act 1961 to provide that where a deposit is repaid by a primary agricultural credit society or a primary co-operative agricultural and rural development bank to its member or such loan is repaid to a primary agricultural credit society or a primary co-operative agricultural and rural development bank by its member in cash, no penal consequence would arise, if the amount of such loan or deposit in cash is less than ₹ 2 lakh.

For section 269 ST of IT Act 1961, vide CBDT circular No.25/2022 dated 30<sup>th</sup> December 2022 (**Annexure-I**), necessary clarification has already been issued to remove practical difficulties and related penal provisions faced by Co-operative societies engaged in activities specified in the said circular.

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Circular No. 25/2022

F. No. 225/129/2022/  
Government of India  
Ministry of Finance  
Department of Revenue  
(Central Board of Direct Taxes)  
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New Delhi, Dated 30<sup>th</sup> December, 2022

**Subject: Clarification for the purposes of clause (c) of Section 269ST of the Income-tax Act, 1961 in respect of dealership/distributorship contract in case of Co-operative Societies – reg.**

Section 269ST *inter-alia* prohibits receipt of an amount of two lakh rupees or more (*hereinafter referred to as 'the prescribed limit'*) by a person, in the circumstances specified therein, through modes other than by way of an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed.

2. References have been received in respect of Milk Producers' Cooperative as to whether under the provisions of Section 269ST of the Act, receipt(s) in cash in a day of bank holiday/closure of bank day within 'the prescribed limit' from a distributor against sale of milk when payments were through bank on all other days is to be considered as a single transaction or whether all such receipts in cash in a previous year would be aggregated in respect of transactions with a distributor to treat it as one event or occasion.

3. With respect to the reference at Para 2 above, it is clarified that in respect of Co-operative Societies, a dealership/ distributorship contract by itself may not constitute an event or occasion for the purposes of clause (c) of Section 269ST. Receipt related to such a dealership/distributorship contract by the Co-operative Society on any day in a previous year, which is within 'the prescribed limit' and complies with clause (a) as well as clause (b) of Section 269ST, may not be aggregated across multiple days for purposes of clause (c) of Section 269ST for that previous year.

*Ravinder*  
30/12/2022

(Ravinder Maini)

Director to the Government India

**Copy to:**

1. PS to FM/ OSD to FM/ OSD to MoS(R).
2. PS to Secretary (Revenue).
3. The Chairperson, Members and all other officers in CBDT of the rank of Under Secretary and above.
4. All Pr. Chief Commissioners/ Pr. Director General of Income-tax - with a request to circulate amongst all officers in their regions/ charges.
5. CIT (M&TP), CBDT.
6. Web manager for posting on the Departmental website.
7. Database Cell for posting on the irsofficersonline website.
8. Guard File.

Director to the Government India