

**GOVERNMENT OF INDIA  
MINISTRY OF COOPERATION**

**LOK SABHA  
UNSTARRED QUESTION NO. 3036  
TO BE ANSWERED ON 08/08/2023**

**Issues of Cooperative Sugar Mills**

**3036. SHRI PARVESH SAHIB SINGH VERMA:**

Will the Minister of Cooperation be pleased to state the steps taken by the Government to resolve various pending issues of Cooperative Sugar Mills including income tax related issues?

**ANSWER**

THE MINISTER OF COOPERATION  
सहकारिता मंत्री (SHRI AMIT SHAH)

To realize the vision of 'Sahakar se Samridhi' through expanding business and increasing the profit of Cooperative Sugar Mills (CSMs), the Government has taken several steps to resolve various pending issues of CSMs including those related to income tax. They are as under:

**1. Relief to sugar cooperatives by providing deduction on account of the amount incurred for purchase of sugarcane.**

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. 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.

**2. Resolving decades old pending issues related to income tax of Cooperative Sugar 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.

### **3. ₹10,000 Crore loan scheme through National Cooperative Development Corporation (NCDC) for strengthening of Cooperative Sugar Mills**

Ministry of Cooperation has launched a new central sector scheme named 'Grant-in-aid to NCDC for Strengthening of Cooperative Sugar Mills' for implementation during financial year 2022-23 and 2023-24 with total outlay of ₹1,000 crore. The NCDC is implementing agency of the scheme. Under this scheme grant of ₹1000 Cr. will be provided to NCDC, who will leverage the grant up to 10 times to provide loans up to ₹10,000 crore to Cooperative Sugar Mills for purpose of setting up ethanol plants or setting up cogeneration plants or for working capital or for all three purposes.

### **4. Preference in purchase of ethanol to Cooperative Sugar Mills**

Cooperative Sugar Mills will be put at par with private companies for ethanol procurement by the Ministry of Petroleum under the Ethanol Blending Programme (EBP).

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