

**GOVERNMENT OF INDIA
MINISTRY OF COOPERATION**

**LOK SABHA
STARRED QUESTION NO. 304
TO BE ANSWERED ON 17th DECEMBER, 2024**

GST ON ARTICLES BY COOPERATIVE SOCIETIES

***304 SHRI T R Baalu:**

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

- (a) whether the States and Cooperative Societies are demanding exemption of articles manufactured by Cooperative Societies from GST and other concessions to improve their commercial viability;
- (b) if so, the details thereof and decision of the Government thereon; and
- (c) the details of financial assistance extended by the Central Government to support the success of Cooperative institutions?

ANSWER

**THE MINISTER OF COOPERATION
सहकारिता मंत्री (SHRI AMIT SHAH)**

(a) to (c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (c) IN RESPECT OF LOK SABHA STARRED QUESTION NO. 304 “GST ON ARTICLES BY COOPERATIVE SOCIETIES” ASKED BY SHRI T R BAALU, HON’BLE MEMBER OF PARLIAMENT DUE FOR REPLY ON 17TH DECEMBER, 2024.

(a) to (b): Since its inception on 6th July 2021, it is endeavour of Ministry of Cooperation to encourage states/UTs & cooperative societies to submit their proposals including those related to tax, which are not in parity with the benefits available to other business entities. In this regard, a memorandum dated 25.11.2024 from Minister of Cooperation, Tamil Nadu was received seeking, inter-alia, GST exemption for cooperative products and services of the cooperative societies. The proposal related to GST are examined by GST Council (a constitutional body). Recently the GST on molasses was reduced from 28% to 5% which will benefit Cooperative Sugar Mills. Details of tax relief/benefits provided to cooperatives are at **ANNEXURE I.**

(c): Government has taken following initiatives to extended financial assistance to support the success of cooperative institutions are as:-

I. Strengthening of PACS through Computerization- To strengthen PACS, project for Computerization of functional PACS with a total financial outlay of ₹2,516 Crore has been approved by the Government of India, which entails bringing all functional PACS in the Country onto a common ERP based national software, linking them with NABARD through StCBs and DCCBs. A total of 67,930 PACS from 30 States/ UTs have been sanctioned under the project. A total of 40,727 PACS have been onboarded on ERP Software and hardware has been procured by 29 States/UTs. the state-wise details of PACS approved and released amount under this project is at **ANNEXURE-II.**

II. Computerization of Agriculture and Rural Development Banks (ARDBs): To strengthen the long-term cooperative credit structure, the project of computerization of 1,851 units of Agriculture and Rural Development Banks (ARDBs) spread across 13 States/ Union Territories has been approved by the Government. NABARD is the implementing agency for the project. So far, proposals from 10 States/UTs have been received and sanctioned. Further, GOI share amounting to Rs 4.26 crore has been released to 8 States/UTs in FY 2023-24 and FY 2024-25 for procurement of hardware, digitization and setting up of support system. The State-wise details of ARDBs approved and released amount under the project Computerization of Agriculture and Rural Development Banks (ARDBs) is at **ANNEXURE III.**

III. Rs.10,000 crore loan scheme launched for strengthening of Sugar Cooperative Mills: Government has launched a scheme through NCDC for setting up ethanol plants or cogeneration plants or for working capital or for all three purposes. So far, the Ministry has released Rs. 750 crore to NCDC (Rs. 500 crore in FY 2022-23 and Rs. 250 crore in FY 2024-25) under the scheme and NCDC has so far sanctioned ₹.8040.38 crore to 58 CSMs.

IV. National Cooperative Development Corporation (NCDC), a statutory Corporation under the Ministry of Cooperation, Government of India was established on 14.03.1963 under an Act of Parliament (NCDC Act of 1962) for economic development through cooperative societies. The major objective of the NCDC is to promote, strengthen and develop cooperatives for increasing production and productivity and instituting post harvest facilities. NCDC provides financial assistance for various activities and under various schemes as detailed at **ANNEXURE-IV**. NCDC has cumulatively provided ₹3,78,544.60 crore for the development of the cooperatives. Activity-wise and State-wise disbursement during the last 5 years is enclosed at **ANNEXURE- V**.

ANNEXURE I

- (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 with in 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.

ANNEXURE II

State-wise details of PACS approved and released amount under the project Strengthening of PACS through Computerization-

Serial No.	State	No. of packs approved	Government of India's share released (Rs. in crore)
1	Andhra Pradesh	2,037	18.67
2	Arunachal Pradesh	14	0.27
3	Assam	583	12.16
4	Bihar	4,495	32.95
5	Chhattisgarh	2,028	25.07
6	Goa	58	0.45
7	Haryana	710	7.29
8	Himachal Pradesh	1,789	16.88
9	Jharkhand	1,500	18.54
10	Karnataka	5,491	55.64
11	Madhya Pradesh	4,536	58.65
12	Maharashtra	12,000	121.60
13	Manipur	232	2.55
14	Meghalaya	112	1.23
15	mizoram	25	0.71
16	Nagaland	231	2.82
17	Punjab	3,482	25.52
18	Rajasthan	6,781	67.08
19	Sikkim	107	2.08
20	Tamil Nadu	4,532	45.68
21	Tripura	268	5.59
22	Uttar Pradesh	5,686	53.58
23	West Bengal	4,167	30.54
24	Uttarakhand	670	3.69
25	Gujarat	5,754	80.49
26	Jammu and Kashmir	537	8.62
27	Puducherry	45	0.61
28	Andaman and Nicobar	46	0.69
29	Ladakh	10	0.12
30	Dadra and Nagar Haveli and Daman and Diu	4	0.12
31	Chandigarh	,	,
32	Odisha	,	,
33	Telangana	,	,
34	Kerala	,	,
Total		67,930	699.89

ANNEXURE III

State-wise details of ARDBs approved and released amount under the project Computerization of Agriculture and Rural Development Banks (ARDBs)-

S.no.	State	Total No. of UNITS (ARDBs) Sanctioned	Total GoI Share released (FY 2023-24 and 2024-25)
1.	Puducherry	2	389630
2.	Punjab	113	4675558
3.	Jammu & Kashmir	51	2635731
4.	Tripura	6	386765
5.	Uttar Pradesh	342	12720267
6.	Karnataka	207	8027519
7.	Tamil Nadu	216	8192106
8.	Haryana	90	0
9.	Himachal Pradesh	88	5610032
10.	Gujarat	195	0
11.	Rajasthan		0
12.	West Bengal		0
13.	Kerala		0
	Total	1310	42637608

PART A: NCDC SPONSORED SCHEME

ACTIVITIES ASSISTED:

NCDC provides financial assistance in the form of loans (both Term Loans and Investment Loans) and subsidy to the cooperative societies for their development. The loan component is provided from out of NCDC's own funds while the eligible subsidy is provided after dovetailing from other Central Sector Schemes. The list of activities assisted by NCDC is as under:-

- a) **Marketing;**
- b) **Processing;**
- c) **Storage;**
- d) **Cold Chain;**
- e) **Industrial;**
- f) **Distribution of essential consumer articles through cooperatives;**
- g) **Credit & Service Cooperatives/ Notified Services;**
- h) **Cooperative Banking Unit;**
- i) **Agricultural Services;**
- j) **District Plan Schemes;**
- k) **Weaker Section Cooperatives;**
- l) **Assistance for Computerization of Cooperatives;**
- m) **Promotional and Developmental programmes.**

FOCUSSED PRODUCTS OF NCDC

- a) **YUVA SAHAKAR - Cooperative Enterprise Support and Innovation Scheme:**
The scheme aims at encouraging newly formed cooperative societies with new and/or innovative ideas.
- b) **AYUSHMAN SAHAKAR:** The scheme has a comprehensive approach to cover hospitals, healthcare, medical education, nursing education, paramedical education, health insurance and holistic health systems such as AYUSH.
- c) **NANDINI SAHAKAR:** The scheme aims to improve the socio-economic status of women and supports the entrepreneurial dynamism of women through women's cooperatives. It will converge critical inputs of women's enterprise, business plan formulation, capacity development, credit and subsidy, and/ or interest subvention of other schemes.
- d) **DAIRY SAHAKAR:** It is a cooperative dairy business focused framework of financial assistance for encouraging cooperatives to achieve higher outcomes in ESG (environmental, social, governance) linked activities. It includes the creation of

infrastructure by cooperatives for new projects and modernization and/or expansion of existing projects.

- e) **DIGITAL SAHAKAR:** Aligned with the principles of Digital India, NCDC has conceived a focused financial assistance framework for Digitally Empowered Cooperatives for handholding and credit linkage by NCDC, dovetailed with grant, subsidy, incentives, etc. from the Government of India / State / UT / agencies with the objective of cooperatives actively partaking in Digital India.
- f) **SWAYAM SHAKTI SAHAKAR YOJNA:** - Scheme for providing NCDC's financial assistance to Agricultural Credit Cooperatives for providing loan/advances to Women Self Help Groups (SHGs).
- g) **DEERGHAVADHI KRISHAK PUNJI SAHAKAR YOJNA:** Scheme for extending NCDC's long-term financial assistance to Agricultural Credit Cooperatives towards their onward lending of long-term loans/advances for activities/commodities/services under the purview of NCDC.

PART B: SCHEMES OF MOC and OTHER MINISTRIES / DEPARTMENTS BEING IMPLEMENTED BY NCDC

- a) **Grant in aid to NCDC for strengthening of the Cooperative Sugar Mills-** Ministry of Cooperation.
- b) **Agricultural Marketing Infrastructure (AMI)** sub-scheme of Central Sector Integrated Scheme on Agriculture Marketing (CSISAM) for Storage and other than Storage Infrastructure - Ministry of Agriculture & Farmer's Welfare.
- c) **Mission for Integrated Development of Horticulture (MIDH) – Integrated Post Harvest Management** - Ministry of Agriculture & Farmer's Welfare.
- d) **Interest Subvention & Credit Guarantee through Financing Facility under Agriculture Infrastructure Fund** scheme - Ministry of Agriculture & Farmers' Welfare.
- e) Assistance for Boosting the Seed Production component under the Sub-Mission for Seed and Planting Material (SMSP) of the **National Mission on Agricultural Extension and Technology (NMAET)**.
- f) **PM Matsya Sampada Yojana (PMMSY)** – Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying.
- g) **PM Formalisation of Micro Food Processing Enterprises (PMFME)** - Ministry of Food Processing Industries.
- h) **Scheme for Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs)** – Ministry of Agriculture & Farmer's Welfare.
- i) (i) **Pradhan Mantri Kisan Sampada Yojna (PMKSY)** – Scheme for Food Processing and Value Addition - Ministry of Food Processing Industries.
(ii) **Pradhan Mantri Kisan Sampada Yojna (PMKSY) - Integrated Cold Chain and Value Addition Infrastructure Scheme** - Ministry of Food Processing Industries.
- j) **National Scheduled Tribes Finance and Development Corporation (NSTFDC)** - Ministry of Tribal Affairs.

- k) **National Livestock Mission (NLM) and Rashtriya Gokul Mission (RGM)** - Department of Animal Husbandry and Dairying, Ministry of Fisheries, Animal Husbandry & Dairying.
- l) **Re-aligned Animal Husbandry Infrastructure Development Fund (AHIDF)**, Ministry of Fisheries, Animal Husbandry & Dairying

ANNEXURE V**Activity Wise Disbursement Since 2019-20 to 2024-25 (as on 10.12.2024)****Rs. In Crore**

S.No.	Activity	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (as on 10.12.2024)
1	Marketing	15235.42	19576.38	26705.60	27984.74	52916.88	56336.79
	Inputs	462.24	29.41	74.05	46.96	2.75	
2	Processing						
2(A)	Sugar Factories	1821.14	1542.44	1316.71	694.25	2176.31	2493.56
2(B)	Textile	129.32	96.40	24.94	104.25	44.35	107.41
2(C)	Other Processing Units						
	i Foodgrains	1.06	1.07		0.85	1.44	1.15
	ii Plantation Crops	7.56	2.21	2.14	-	1.31	0.38
	iii Fruit & Vegetables	1.03	0.14	0.05	-	0.12	0.16
	iv Oilseeds	3.25	1.65		0.68	0.17	0.54
	v Small scale industries				0	0.00	0.00
	Sub total 2(C)	12.89	5.07	2.19	1.53	3.04	2.23
	Total (2)	1,963.36	1,643.91	1,343.84	800.02	2223.70	2603.20
3	Storage	17.25	7.29	7.72	4.84	8.08	32.02
4	Cold Chain	7.36				11.06	10.20
5	Weaker Section Prog.						
	i Fishery Cooperative	163.63	119.18	168.76	298.91	41.33	22.42
	ii Dairy/Lives tock	415.33	168.50	569.16	264.70	301.45	26.52
	iii Poultry	4.61				0.00	0.00
	iv Tribal, S/C Cooperative	3.15				1.69	0.56
	v Handloom Cooperative	2.39	0.90	102.46	28.57	0.23	0.52

	vi	Powerloom					0.00	0.00
	vii	Women Cooperative	-	-	-	-	0.00	0.00
	vii	Coir	80.00		30.00	-	0.00	0.00
	viii	Jute	-	-	-	8.76	0.05	0.06
		Total (5)	669.11	288.57	870.38	600.94	344.75	50.08
6		Computerisation of Coop.	36.52	30.87	25.06	45.02	0.42	0.00
7		Consumer Coop.	3.39	0.89	2.69	1.40	4.13	0.00
8		ICDP	175.14	152.61	283.06	177.87	23.26	0.07
9		C,IC&SC						
	i	Industrial Cooperative				-	0.00	0.00
	ii	Credit & Service	9,129.28	2,996.23	4,894.20	11,322.3 0	5000.77	6256.93
		Total (9)	9,129.28	2,996.23	4,894.20	11,322.3 0	5000.77	6256.93
10		Yuva Sahakar		0.27		0.10	0.84	0.04
11		P&D	4.38	4.48	6.45	6.15	6.75	0.00
12		FPO		2.32	8.04	38.25	48.33	38.08
13		FFPO				2.81	26.73	18.76
		GRAND TOTAL (1 to14)	27,703.43	24,733.2 4	34,221.0 8	41,031.4 0	60,618.4 7	65,346.17

**Rs. In
Crore**

State-wise Disbursement Since 2019-20 to 2024-25 (as on 10.12.2024)

S.No.	Name of the State	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (As on 10.12.2024)
1	A & N	10.28	-		0	1.69	0.56
2	Andhra Pradesh	405.62	603.98	2,831.59	9734.7	13,280.13	13,332.55
3	Arunachal Pradesh	7.56	1.44	0.25	0.38	-	0.07
4	Assam	14.34	5.59	3.57	17.48	0.89	1.71
5	Bihar	454.40	1,633.60	2,857.90	4053.75	815.83	5.49
6	Chandigarh			0.03	0.03	-	-
7	Chhattisgarh	5,500.35	12,000.07	12,400.87	8502.24	18,991.35	12,130.81
8	Daman & Diu				0	0.11	-
9	Goa	0.11	0.19		0	-	0.03
10	Gujarat	118.34	52.25	37.40	370.8	586.99	259.75
11	Haryana	6,608.58	6,645.11	12,827.75	6655.24	9,887.36	12,380.50
12	Himachal Pradesh	59.69	36.90	14.74	12.91	1.85	3.38
13	J&K	-	-	0.13	0.58	0.71	0.75
14	Jharkhand	8.25	0.92	1.79	4.63	2.54	27.77
15	Karnataka	151.67	170.69	164.49	112.54	261.35	430.98
16	Kerala	363.89	303.54	371.85	704.74	275.89	582.34
17	Lakshadweep						0.02

18	Madhya Pradesh	1,081.70	208.36	477.10	284.4	322.86	153.42
19	Maharashtra	1,015.07	1,145.59	688.07	751.16	2,101.42	2,482.71
20	Manipur	4.79	-	0.04	30.38	6.60	0.39
21	Meghalaya	-	57.80	0.04	0.14	0.22	0.12
22	Mizoram	-	2.16	1.06	4.23	3.24	1.16
23	Nagaland	13.37	6.07	0.17	1.2	0.67	0.50
24	Odisha	3.75	0.80	4.06	1.61	3.24	3.11
25	Punjab	135.28	22.77	0.13	0.42	1,650.44	2,000.22
26	Puducherry				0.06	-	-
27	Rajasthan	7,256.74	157.80	7.79	4.91	66.09	66.65
28	Sikkim			-	0.14	0.22	0.05
29	Tamil Nadu	21.24	21.58	50.75	30.49	4.28	17.98
30	Telangana	3,568.83	739.88	1,092.20	9304.97	12,174.11	20,982.02
31	Tripura	3.05	3.20	3.00	12.35	1.55	0.86
32	Uttar Pradesh	673.10	827.95	252.33	350.24	13.04	207.15
33	Uttarakhand	12.34	17.22	80.36	10.5	149.13	3.88
34	West Bengal	128.35	59.13	44.16	63.36	4.96	2.69
35	Delhi + Others	82.74	8.61	7.46	10.82	9.71	266.55
	Total	27,703.43	24,733.24	34,221.08	41,031.40	60,618.47	65,346.17
