

GOVERNMENT OF INDIA
MINISTRY OF COOPERATION

RAJYA SABHA
UNSTARRED QUESTION NO. 2086
TO BE ANSWERED ON 19TH MARCH, 2025

Strengthening of the Cooperative Sugar Mills:

2086# Shri Shambhu Sharan Patel:

Will the Minister of COOPERATION be pleased to state:

- (a) whether any step has been taken by the Ministry to strengthen the cooperative sugar mills which are contributing significantly in sugar production;
- (b) whether Government has taken any step to help the cooperative sugar mills for ethanol production; and
- (c) if so, the details thereof?

ANSWER

THE MINISTER OF COOPERATION
(SHRI AMIT SHAH)

(a) to (c): The Government of India has taken the following steps for strengthening of Cooperative Sugar Mills (CSMs):-

(i) Relief from Income Tax to Cooperative Sugar Mills: Sugar factories operating in the co-operative sector in certain States of India pay to sugarcane growers a final amount, often referred to as Final Cane Price (FCP) which is over and above the Statutory Minimum Price (SMP) fixed by the Central Government under the Sugarcane Control Order, 1996.

The payment of FCP by the co-operative sugar factories over and above the SMP for purchase of sugarcane had resulted into tax litigation. The co-operative sugar factories were claiming this excess payment as business expenditure whereas the same has been disallowed in the assessment on the ground that the excess price paid for purchase of sugar cane over and above SMP is in the nature of appropriation/distribution of profit and hence not allowable as deduction.

In order to provide certainty in this matter and to encourage co-operative movement in sugar sector, a new clause (xvii) was inserted to amend sub-section (1) of section 36 of

the Income-tax Act to provide that the amount paid for purchase of sugarcane by the co-operative societies engaged in the manufacture of sugar at a price which is equal to or less than the price fixed by or fixed with the approval of the Government, including price fixation by State

Governments through State-level Acts/Orders or other legal instruments that regulate the purchase price for sugarcane, including State Advised Price, which may be higher than the Statutory Minimum Price/Fair and Remunerative Price fixed by the Central Government shall be allowed as deduction for computing business income of the sugar co-operative factories w.e.f. 01.4.2016.

(ii) Resolving decades old pending issues related to income tax demand on Cooperative Sugar Mills: The provision at SI. No (i) above resolved the issue of treatment of additional payment for sugar price by CSMs as an income distribution to farmers w.e.f.01.04.2016. However, pending demands and litigation still persisted in respect of assessment years (AYs) prior to 2016-17. Therefore, to conclude the matter logically and to extend the benefit of the abovementioned relief to all the applicable years, section 155 of the Act has been amended to insert a new sub-section (19) vide Finance Act, 2023, w.e.f. 01 April 2023. It provides that in the case of a sugar mill cooperative, where any deduction in respect of any expenditure incurred for the purchase of sugarcane has been claimed by an assessee and such deduction has been disallowed wholly or partly in any previous year commencing on or before the 1st day of April, 2014, the Assessing Officer shall, on the basis of an application made by such assessee in this regard, recompute the total income of such assessee for such previous year. The Assessing Officer shall allow such deduction to the extent such expenditure is incurred at a price which is equal to or less than price fixed or approved by the Government for that previous year. CBDT has also issued Standard Operating Procedure in this regard on 27.07.2023.

(iii) Rs 10,000 crore loan scheme through NCDC for strengthening of Cooperative Sugar Mills: Ministry of Cooperation has launched a new scheme named 'Grant-in-aid to NCDC for Strengthening of Cooperative Sugar Mills', under which Government of India has provided grant of Rs.1,000 crore to NCDC during financial year 2022-23 and 2024-25. NCDC will use this grant to provide loans up to Rs. 10,000 crores to Cooperative Sugar Mills, for setting up ethanol plants or for setting up cogeneration plants or for working capital or for all three purposes. NCDC has so far sanctioned 87 loans of ₹ 9893.12 crore to 48 CSMs.

For ease of CSMs availing loan for setting up of ethanol plants under the scheme, NCDC has revised its funding pattern from 70:30 to 90:10 wherein the society has to raise only 10% of the project cost and 90% of the project cost will be provided by NCDC subject to technical and financial viability of the project. Further, for benefit of the Cooperative Sugar Mills, NCDC has reduced its floating rate of interest for term loan to 8.50% under the scheme.

(iv) Preference in purchase of ethanol to Cooperative Sugar Mills: Oil Marketing Companies (OMCs) are according top priority to CSMs participating in ethanol procurement cycles. So far, 24,650 KL ethanol worth ₹ 25.50 crore have been procured by OMCs from 11 CSMs.

(v) Enhancing ethanol production of Cooperative Sugar Mills by converting their molasses-based ethanol plants into multi feed ethanol plants: Ministry of Cooperation has taken initiative for conversion of existing molasses-based ethanol plants of CSMs into multi feed ethanol plants. As that they can operate their distilleries through out the year, under this initiative CSMs will get following benefits:

(i) NCDC will provide a term loan under funding pattern of 90:10, with 90% from the society and 10% from NCDC.

(ii) On March 6, 2025, the Department of Food and Public Distribution issued a Gazette Notification notifying the revised scheme titled "*Scheme for Financial Assistance to Cooperative Sugar Mills (CSMs) for Converting Their Existing Sugarcane-Based Feedstock Ethanol Plants into Multi-Feedstock-Based Plants to Utilize Grains Such as Maize and Damaged Food Grains (DFG) for Enhancing and Augmenting Ethanol Production Capacity*", exclusively for cooperative sugar mills. Under the scheme, Central Government will bear the interest subvention on the loan availed by them at a rate of either 6% per annum or 50% of the interest rate charged by the lending institution, whichever is lower, for a period of five years, including a one-year moratorium.

(iii) Cooperative sugar mills availing the benefit of interest subvention will be given Priority-1 by OMCs to facilitate their transition from single-feed ethanol plants to multi-feed ethanol plants.
