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# Co-op sugar mills may soon start wiping off ₹10,000 cr tax liability

**SANJEEB MUKHERJEE**  
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The Centre has started the process of adjusting the ₹10,000 crore tax liability from balance sheets of the 140-odd cooperative sugar mills across the country through the publication of a standard operating procedure (SOP).

The SOP, published by the Central Board of Direct Taxes (CBDT) on July 27, will kickstart the process through which individual cooperative sugar mills will be able to wipe off the tax dues from its balance sheet.

Finance Minister Nirmala Sitharaman, in her 2023-24 Budget speech, announced that sugar co-operatives have an opportunity to claim payments made to sugarcane farmers for the period prior to assessment year 2016-17 as expenditure. Sources in the cooperative sugar sector said the matter pertains to 1985.

Before 1985, additional sugarcane prices paid by cooperative sugar mills to the farmers over and above the statutory minimum price (SMP) or the fair and remunerative price (FRP) was treated as business expenditure in their annual tax assessment. However, the department of Income Tax, through an amendment made in 1985, decided to treat this additional sugarcane price paid to farmers as profit distributed.

The cooperative sugar mills jointly challenged this, and the matter moved from the IT Commissioner to the Supreme Court, via Income Tax Appellate Tribunals and the High Court, whose verdicts were more or less in favor of the sugar mills.

A bench of the Supreme Court finally decided the issue after 17 years, keeping the interest of both the parties in mind.

At the field, the assessing officers were



**140 cooperative mills across the country are expected to benefit from the move**

required to compute the exact profits and charge tax only for that amount.

As limited infrastructure was available for these old cases at the field level, mills started getting huge tax notices which they had to pay to ward off future litigation.

Meanwhile, after the new ministry of cooperation was formed under Home Minister Amit Shah in 2021, the matter was taken up again by cooperative sugar mills. After several rounds of meetings, the issue was finally settled with the finance minister's Budget announcement.

But, without an SOP and clear indications, there was a lot of ambiguity and confusion on ground about the process to be followed which now will be sorted out, the millers said.

"In the next year or so, every cooperative sugar mills will make the application according to the SOP to the tax authorities to clear their books and henceforth, all extra payment made to sugarcane farmers over and above the FRP or SMP will be treated as business expenditure and not profits," Prakash Naiknavare, managing director, National Federation of Cooperative Sugar Factories told *Business Standard*.