



Sugar Manufacturing Co-operatives may now get their old IT demands dropped by filing applications u/s 154 and u/s 155(19) [Sec 154 & 155 of ITA'61 – Sec 287 & 288 of ITA'25]

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The recent amendments in the Income Tax Act have provided much-needed relief to co-operative sugar factories operating in India by allowing deductions for sugarcane purchases made at or below the government-approved price. The Finance Act 2023 amended section 155 to allow AO to recompute the total income of a sugar mill co-operative and allow the deduction for sugarcane purchase expenditure that was equal to or less than the Government fixed price. The new section 155(19) empowers the Assessing Officer to recompute the total income for previous years with disputed deductions, resolving long-standing tax litigation. By following the SOP provided in Circular 14 of 2023 dated 27th July 2023, co-operative sugar factories can make applications to the JAO with the prescribed documents to resolve their tax disputes amicably.

Section 155(19) 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 1st 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 the price fixed or approved by the

Government for that previous year. The application needs to be made u/s 154. Most importantly, for the purposes of Section 154 the period of four years specified in I-T section 154(7) shall be reckoned from the end of previous year commencing on the 1st day of April, 2022. Hence sugar co-operatives still have much time for making the applications. The JAO shall recompute the total income of such co-operative society under the provisions of section 155(19) read with section 154 of the Income Tax Act. The rectification under these sections can only be made till 31st MARCH 2027. However, The JAO Officer shall pass an order u/s 155(19) read with section 154 within a period of six months from the end of the month in which the application is received.

The co-operative society seeking relief under I-T section 155(19) should file an application to the JAO for AY 2015-16 or any earlier assessment year (AYs) with the following documents –

- (i) Computation of tax, audit report u/s 44AB, audited Profit & Loss Account and Balance Sheet.
- (ii) Assessment Order/Appellate Order(s) of various appellate fora, as applicable, with respect to the disallowance made on account of excess price paid for purchase of sugarcane above the Statutory Minimum Price (SMP).
- (iii) Notice of Demand issued under section 156.
- (iv) Challan of taxes paid, if any.
- (v) Copy of Order(s)/Other legal instrument(s) regarding price fixation by Government based on which excess price was paid for purchase of sugarcane over and above Statutory Minimum Price (SMP).
- (vi) Documentary evidence regarding registration of co-operative society under State/Central Act.
- (vii) Any other document as considered necessary by the JAO for the purposes of recomputation of total income under section 155(19).

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