

Ailing co-ops need more than reduced tax, say experts

TEAM TOI

The ailing co-operatives sector needed much more than the reduction in alternate minimum tax (AMT) and surcharge as announced on Tuesday in the Union Budget, said state-based experts.

They were hoping that the FM will announce a package to restructure loans, which would have been a sure way to keep the co-operative societies afloat. However, Finance Minister Nirmala Sitharaman chose to bring down AMT from 18.5% to 15% and the surcharge for societies with total income between Rs1 crore to Rs10 crore to 7% from 12%.

Vijay Autade, co-operative industry expert, said, "The measures announced will not help sudden revival of the co-operatives nor will it make a significant change. Co-operatives are reeling under severe financial stress which cannot be resolved by bringing down taxes and surcharges. The co-operatives need major structural reforms and restructuring of the debts. Infusing more money directly or indirectly will save the co-operatives instead of providing a little relief in the taxes to be paid at the end of the year."

Maharashtra has highest number of over 2 lakh registered co-operative societies spanning across industries to banking, marketing institutes and other segments.

Most of the co-operatives

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Vijay Autade | CO-OPS EXPERT

are from rural areas and the rural folks are connected with them for selling produce or to get financial help at cheaper rates.

AMT is calculated over the book profits of the institutes, even when the depreciation factor is high and reflect into category of zero income tax establishment.

Shreyas Alatkar, a Kolhapur-based chartered accountant, said, "The disparity between the corporates and co-operatives in terms of payment of AMT has been done away with. Now, both private companies and co-operative societies have to pay equal rate of AMT. The securing of the cooperatives seems to be on the agenda as many co-operatives would get privatised if the disparity would have persisted for long time which we have witnessed in recent years."

The experts claim that the interests of the shareholders who are mostly the farmers and other rural folks have been protected by the provision in the budget.