

Dairy Coops Seek Tax Parity With Cos

Cooperatives paying a higher rate than companies after corporate tax cuts

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New Delhi: Dairy cooperatives, led by the maker of Amul butter, have asked finance minister Nirmala Sitharaman to tax them on a par with companies, after last month's reduction of corporate tax left them paying a higher rate. "Amul and other cooperative organisations feel that the sector should also be charged on a par with corporates as they are farmer-oriented," said Gujarat Cooperative Milk Marketing Federation (GCMMF) director

RS Sodhi, in a letter to the finance minister. ET has seen a copy of the letter.

While corporate tax has been slashed to 22% from 30%, the

farmer-led dairy cooperatives continue to be taxed at the earlier 30% rate.

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In a Bind

Dairy cooperatives, led by GCMMF, write to FM

Seek level playing field with corporates

Cooperatives taxed at 30%

Corporates taxed at 22% (after tax cut)

(Effective tax: 25.17%)

Amul's Competitors

HUL
(ice-cream)

Nestle
(packaged milk, yogurt)

Britannia
(Butter, yogurt, cheese)



Dairy Industry

India world's leading milk producer

Forecast to grow at a CAGR of 14.8% till 2023 & reach sales of ₹2.45 lakh crore

Source: Research & Markets

Growing at a Fair Clip

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This puts GCMMF, the maker of Amul butter, chocolates and ice cream, as well as other dairies at a disadvantage over their rivals such as Nestle, Britannia, and HUL.

"The farmer-oriented sector, which is core to the economy, is now paying more tax than corporates. We have requested the government that the cooperative sector be taxed on a par with corporates, to fuel growth and investments, and (for) a level playing field," Sodhi told ET.

The government had, on September 20, announced a steep cut in corporate taxes, enabling domestic companies to pay income tax at the rate of 22%, with the effective tax rate, inclusive of surcharge and cess, working out to 25.17%.

GCMMF reported 13% increase in standalone turnover to ₹33,150 crore for the year ended March 31, 2019. Apart from Gujarat, Maharashtra, Punjab and Kerala too have large-scale dairy cooperatives.

The dairy industry in India is growing at a fair clip and India was the leading milk producing country in the world last year. According to a March 2019 report by global research firm Research and Markets, the country's milk processing industry is estimated to grow at a CAGR of 14.8% till 2023, and reach sales of ₹2.45 lakh crore by then.

The report attributes increase in demand for milk in the country to higher population, and lists lack of sufficient availability of cold storage facilities and inefficient distribution as deterrents to further growth of the sector.