

F.NO.173/146/2021/ITA-I
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, Dated 25th October, 2021

Subject: Clarification regarding Section 36(1)(xvii) of the Income-tax Act, 1961 inserted vide Finance Act, 2015 – reg.

The Finance Act, 2015 inserted the following clause (xvii) in sub-section (1) of section 36 of the Income-tax Act, 1961 (the Act) to provide for deduction on account of the amount of expenditure incurred by a co-operative society engaged in the business of manufacture of sugar –

“(xvii) the amount of expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane at a price which is equal to or less than the price fixed or approved by the Government;”

This clause took effect from 01.04.2016 and accordingly applied to assessment year 2016-17 and subsequent assessment years.

2. The issue of treatment of additional payment for sugarcane price by Cooperative sugar mills as an income distribution to farmer members and the resultant tax liabilities has been brought to the notice of the Central Board of Direct Taxes (the Board).

3. The matter has been examined by the Board and in this regard, it is clarified that the phrase ‘price fixed or approved by the Government’ in clause (xvii) in sub-section (1) of section 36 of the Act includes 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.




(Sourabh Jain)

Under Secretary to the Government of India

Copy to:

1. PS to F.M./ PS to MoS (F).
2. PS to Revenue Secretary.
3. Chairman (CBDT) & All Members of CBDT.
4. All Pr. CCsIT/CCsIT/Pr. DGsIT/DGsIT.
5. All Joint Secretaries/CsIT, CBDT.

6. Directors/Deputy Secretaries/Under Secretaries of CBDT.
7. Web Manager, with a request to place the order on official Income-tax website.
8. CIT (M&TP), Official Spokesperson of CBDT with a request to publicize widely.
9. JCIT, Data Base Cell for placing it on irs.officersonline.gov.in.
10. The Institute of Chartered Accountants of India, IP Estate, New Delhi.
11. All Chambers of Commerce.
12. The Guard File.



25/10/2021

(Sourabh Jain)

Under Secretary to the Government of India