

Exempt cooperatives from transfer pricing provisions: Amul

Tomojit Basu

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The roughly 200 dairy cooperatives engaging 16 million producer members across 1,62,000 dairy cooperative societies in the country will heave a sigh of relief if the Budget exempts them from transfer pricing under the Income Tax Act (1961).

“We sent a presentation earlier this month to the Finance Minister that dairy cooperatives should be exempted from transfer pricing,” said Rs. Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation’s (GCMMF), which owns ‘Amul’, Asia’s largest milk brand.

The letter said that the UPA-II government had brought major cooperatives registered as Association of Person under transfer pricing provisions of the Income Tax Act in the 2012-13 Budget with the specific transactions having a threshold limit of ₹5 crore on an annual basis.

“The object of transfer pricing is to prevent evasion of tax by entering into transactions with associated persons. This is applicable where the motive of the organisation is earning profit,” it said.

Sodhi told *BusinessLine* that for cooperatives, such as GCMMF, farmers were prioritised over profit and served as members. Hence, subjecting cooperatives committed to the welfare of their members to transfer pricing provisions served no purpose. “Cooperatives are hurt by these provisions, particularly in other States and penalties affect their working. Our farmers are paid well and the results can be seen in the villages there. We don’t work with only profit as a motive,” he said.

Challenges ahead

The industry would face challenges over the next four or five months with drought conditions affecting production in New Zealand, the world’s largest exporter of dairy goods, and Australia, and Russia scaling back on imports by 50 per cent due to the rouble depreciation, Sodhi said. These factors, alongside lower Chinese purchases and the European Union set to abolish national production quotas in April, are likely to impact GCMMF’s global operations. Its proposed partnership with Russia’s Galactika Group also appears to be held up with Russian inspectors yet to provide regulatory approvals.

“I don’t think these challenges will affect us greatly due to a growing domestic demand for which we are constantly expanding our operations. Besides, prices here are higher than the export market although it’s picking up now,” he said.

Dairy prices plunged by as much as half in 2014 but showed signs of recovery last week with a 10 per cent increase. To meet the growing demand in India, GCMMF is investing ₹50,000 crore to set up 10 new processing plants over the next three years.

“Our procurement should rise by 15 per cent. The plant in Rohtak (Haryana) started operating last month, the one in Faridabad (Haryana) will also start soon while we are in the process of setting up units in Lucknow, Kanpur and near Kolkata,” said Sodhi.

He said the company’s turnover will be ₹22,000 crore this fiscal and will continue to grow at more than 20 per cent, as it has over the last five years.

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