

Solapur Distt Cooperative Milk Producers

BHC has dismissed revenue's appeal against ITAT order and ***has answered an important tax question in favor of assessee***. That is, in this case, BHC has held that rate difference paid at the year end on basis of quantity of milk supplied to assessee cooperative society by its members and non members, cannot be said to be distribution of profits as:

"Coming to our case, (as we have noted this is not the case of distribution of profits) as the amount to be paid was not out of the profits ascertained at the annual general meeting. It is not paid to all shareholders. The amount which is the subject matter is paid to members who supply milk and in some case also to non-members. The payment is for the quantity of milk supplied and in terms of the quality supplied. The commercial expediency for payment of this price are the market conditions, and the need to procure more milk from the members and non-members to the assessee. To our mind, therefore, the amount paid, by no stretch of imagination can be said to be dividend to the members or shareholders or payment in the form of bonus as bonus also has to be paid from the accrued profits."