

**GOVERNMENT OF INDIA  
FOOD PROCESSING INDUSTRIES  
LOK SABHA**

UNSTARRED QUESTION NO:566  
ANSWERED ON:11.11.2010  
TAX HOLIDAY  
Tirkey Shri Manohar

**Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:**

- (a) whether the Government proposes 10 years tax holiday for the food processing sector;
- (b) if so, the details thereof and the reaction of the Planning Commission on this;
- (c) whether this sector is the key for generation of the jobs for the rural population in the country; and
- (d) if so, details thereof?

**Answer**

MINISTER OF FOOD PROCESSING INDUSTRIES(SHRI SUBODH KANT SAHA)

(a): No, Sir.

(b): Although there is no proposal for 10 years tax holiday for the food processing sector, presently Govt. have already extended the following concessions:

Under sub-section (11A) of section 80 IB of the Income Tax Act, 1961 a deduction from profits up to specified amounts [100% for the first 5 assessment years and thereafter, 25%(30%in the case of a company) for another 5 assessment years] is allowed in the case of a n undertaking deriving profit from the business o f processing, preservation and packaging of fruits or vegetables o r from the integrated business of handling, storage and transportation of food grains subject to specified conditions, if such undertaking begins to operate such business on or after the 1st day of April, 2001.

With a view to encouraging preserving perishable food items like milk, poultry and meat, the Finance (No.2) Act, 2009 amended sub-section (11A) of section 80 IB to also provide tax holiday in respect of the business of processing, preserving and packaging of meat and meat products and poultry, marine and dairy products for units which begin to operate such business on or after 01.04.2001.

Further, Finance (No.2) Act, 2009 also extended an investment- linked tax inventive by way of insertion of a new section 35AD in the income tax Act, 1961 to the business of setting up and operating cold chain facilities for specified products and to the business of setting up and operating warehousing facilities for storage of agricultural produce, commencing operations on or after 01.04.2009. As per this section 100% deduction would be allowed in respect of the whole of any expenditure of capital nature (other than on land, goodwill or financial instruments) incurred, wholly and exclusively, for the purpose of the specified business during the previous year in which such expenditure is incurred subject to specified conditions in order to give an impetus to the setting up of food processing units.

The Planning Commission is not aware of any proposal of 10 years tax holiday scheme for food processing sector.

(c): Yes, Sir.

(d): The Food Processing Sector is an important sector for generation of jobs, especially for the rural population. The food processing units generate significant employment opportunities in creating both, direct as well as indirect employment, as large number of labour force, from landless labour to highly skilled functionaries, is required for the sector. Food Processing Industry is highly employment intensive. It is estimated that for every Rs. One Crore invested, it creates 18 jobs directly and 64 jobs indirectly in the organized sector and 20 jobs in the unorganized sector across the supply chain. Direct employment provided during the last five years has grown from 3.9 million to 4.4 million and indirect employment has grown from 6 million to 9 million.