

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2918  
ANSWERED ON:24.07.2009  
INCENTIVES FOR FOOD PROCESSING SECTOR  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has decided to extend tax holiday for setting up of food processing units in the country;
- (b) if so, the details thereof;
- (c) the fresh incentives proposed to be given by the Government to encourage setting up of food processing units; and
- (d) the other measures contemplated by the Government to promote food processing industry in the country?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a)&(b) Under sub-section (11A) of section 80-IB of the Income-tax Act, 1961 a deduction from profits upto specified amounts is allowed in the case of an undertaking deriving profit from the business of processing, preservation and packaging of fruits or vegetables or from the integrated business of handling, storage and transportation of foodgrains subject to specified conditions, if such undertaking begins to operate such business on or after the 1st day of April, 2001. Further, full exemption from Central Excise duty is available to many types of processed foods such as processed fruit and vegetables, sauces, ketchups soups and broths etc. In addition to this, the following steps have also been taken in relation to food processing sector in budget 2008-09:

i. Excise duty was fully exempted on:

- (a) Packages tender coconut water
- (b) Paws, mudi (puffed rice) and the like
- (c) Milk containing edible nuts
- (d) Tea/coffee pre-mixes

ii. Excise duty was reduced from 16 percent to 8 percent on:

- (a) Muesli, corn flakes & similar breakfast cereals
- (b) Sharbats
- (c) Packaging material, viz, open top sanitary (OTS) cans, aseptic packaging paper, aseptic bags.

The Excise duty on above items was further reduced from 8 percent to 4 percent by notification no. 58/2008 dated 07.12.2008.

(c) The Finance (No.2) Bill, 2009 proposes to also extend investment-linked tax incentive 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. As per the proposed new section hundred per cent deduction would be allowed in respect of the whole of any expenditure of capital nature (other than expenditure on land or goodwill or financial instruments) incurred, wholly and exclusively, for the purposes of the specified business during the previous year in which such expenditure is incurred subject to specified conditions. This will also give an indirect boost to the setting up of food processing units.

(d) The Ministry of Food Processing Industries (MFPI) has taken various initiatives to strengthen the food processing infrastructure. MFPI has approved a scheme for Mega Food Parks, Cold Chain, Value Added Centres and Modernization of Abattoirs. The Infrastructure scheme envisages a well-defined Agri/horticultural-processing zone containing state of the art processing facilities with support infrastructure and well established supply chain.

Other strategic initiatives during 11th Plan include a scheme for Cold Chain, value addition and preservation infrastructure with an objective to provide integrated and complete cold chain and preservation infrastructure facilities without any break from the farm gate

to the consumer.

The Scheme for Technology Upgradation/Establishment/Modernisation of Food Processing Industries is aimed at creation of new processing capacity and up-gradation of existing processing capabilities, modernization of Food Processing Sector to include Milk, Fruit & Vegetables, Meat, Poultry, fishery, cereal, consumer items, oil seeds, rice milling, flour milling, pulse etc.

Similarly Scheme for Quality Assurance, Codex Standards, R&D and Promotional Activities, is aimed at motivating the food processing industries for adoption of food safety and quality assurance mechanisms such as TQM including ISO 14000, ISO 22000, HACCP, GMP, GHP, and preparing them to face global competition in post WTO Regime. The Scheme for Human Resource Development focuses on developing technologists, managers, Entrepreneurs and manpower for quality management in Food Processing.

The Scheme for Strengthening of Institutions is aimed at strengthening of existing institutes like Indian Institute of Crop Processing Technology & establishing National Institute of Food Technology and Entrepreneurship Management (NIFTEM). Besides above-mentioned institutions, two Boards have been set up under the Ministry i.e. Indian Grape Processing Board and National Meat and Poultry Processing Board under the scheme.