

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2959

ANSWERED ON:26.11.2010

TAX STRUCTURE FOR FOOD PROCESSING INDUSTRIES

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Will the Minister of FINANCE be pleased to state:

- (a) the details of existing tax structure for the food processing industry sector;
- (b) whether the Government proposes to rationalise the same particularly for those units which have begun their business on or after 1.4.2009 in the country;
- (c) if so, the details thereof; and
- (d) the extent to which such measures will boost the food processing industry sector in the country?

Answer

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

(a) to (d) : So far as indirect taxes are concerned, the basic excise duty rate on the processed food items attract Nil, 4% or 10% advalorem and the basic customs duty is 30%, in respect of most of the processed food items. The rates of basic excise and basic customs duty on some of the items are given in Annexure. So far as direct taxes are concerned, under sub-section (11A) of section 80-IB of the Income-tax Act, 1961 a deduction from profits upto 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 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 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 01.04.2009.

The Finance (No.2) Act, 2009 also extended an 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, 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 purposes of the specified business during the previous year in which such expenditure is incurred subject to specified conditions. This will also give an impetus to the setting up of food processing units.