

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5022
ANSWERED ON:02.09.2011
TAXES ON FARMERS
Bajwa Shri Partap Singh

Will the Minister of FINANCE be pleased to state:

- (a) the details of Central Taxes applicable to the farmers in the country;
- (b) whether the Union Government has proposals to reduce the tax burden of the farmers; and
- (c) if so, the details thereof?

Answer

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

(a): So far as direct taxes are concerned, in case of Farmers in country, as per Income-tax Act, 1961(the Act), the agricultural income is exempt from taxation as per section 10(1) of the Act. Other income in case of farmers is taxable as per the provisions of the Act like any other citizen of the country. Section 2(1A) of the Act defines following income as agricultural income. -

Any rent or revenue derived from land which is situated in India and is used for agricultural purposes;

Any income derived from such land by—

i. agriculture ; or

ii. the performance of any process ordinarily employed to render the produce raised, fit to be taken to market; by a cultivator or receiver of rent-in-kind, or

iii. the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by him, in respect of which no process has been performed other than a process of the nature described in part

(ii) above;

Any income derived from any building owned and occupied by the receiver of the rent or revenue of any such land, or occupied by the cultivator or the receiver of rent-in-kind, of any land with respect to which, or the produce of which, any process ordinarily employed to render the produce raised, fit to be taken to market is carried on subject to specified conditions.

Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

So far as indirect taxes are concerned, most of the primary products such as fresh fruits, vegetables, milk, sugarcane, cotton etc. are either fully exempted or do not attract central excise duty. Goods such as saplings, seeds, organic manure, agricultural machinery, tractors, hand tools etc. are already at Nil rate of excise duty. While fertilizer attracts a nominal excise duty of 1%, DG pump sets, pipes 65 tubes attract 10% excise duty. As regards customs duty, inputs required for agricultural operation such as saplings, seeds, fertilizers, pump sets, pipes and tubes, irrigation system are chargeable to basic custom duty at rates ranging from 2.5% to 10%.

(b): There is no such proposal.

(c): Does not arise in the light of (b) above.