

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

UNSTARRED QUESTION NO:64
ANSWERED ON:22.11.2011
TAX EXEMPTION TO FOOD PROCESSING UNITS
Rani Killi Krupa

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

- (a) whether the Government has any proposal to provide 100 per cent tax exemptions to food processing units;
- (b) if so, the details thereof;
- (c) whether inspite of the tax exemption, the progress aimed for Food Processing Industry has not been achieved; and
- (d) if so, the reasons therefor alongwith the main hurdles being faced by the industry?

Answer

THE MINISTER OF STATE FOR FOOD PROCESSING INDUSTRIES (DR.CHARAN DAS MAHANT)

(a)&(b): Under Sub-section 11A of Section 81B 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 the another 5 assessment years] is allowed in the case of an undertaking deriving profits 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 first day of April 2001. With a view to encourage 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.

Further, 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 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.

(c) & (d): The food processing sector is continuously growing, however, there appears to be a lot of scope for further growth, which is often affected by constraints like perishability of products, seasonal availability of raw material, non-availability of processable variety of fruits/vegetables, inadequate infrastructure both at farm-gate level and at secondary/tertiary level combined with huge supply chain constraints.