

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:2656
ANSWERED ON:28.08.2012
TAXES ON FOOD
Panda Shri Prabodh;Viswanathan Shri P.

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the Government provides subsidy on foodgrains in order to make them available to the poor consumers at cheaper rate;
- (b) if so, the details thereof;
- (c) whether there has been an increase in this subsidy owing to taxes levied by the State Governments on procurement of foodgrains;
- (d) if so, the details thereof along with the reaction of the Government in this regard; and
- (e) the steps the Government proposes to take to regulate these taxes and rein in subsidy?

Answer

MINISTER OF THE STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a) & (b): Foodgrains procured by the Government through Minimum Support Price (MSP) operation is released for distribution at subsidised prices under Targeted Public Distributed System (TPDS) and Other Welfare System (OWS). The difference between the economic cost of procured foodgrains and the Central Issue Prices (CIPs) is borne by the Central Government as food subsidy. The amount of food subsidy released during last three years are as under:-

Year Amount in crore

2009-10 58242.45

2010-11 62929.56

2011-12 72370.90

(c) & (d): The rise in food subsidy is mainly attributable to increase in economic cost of foodgrains on account of increase in MSP whereas Central Issue Prices (CIPs) of subsidized foodgrains have remained unchanged since 2002. Besides MSP, the economic cost of foodgrains consists of taxes levied by State Governments on procurement, and other procurement incidentals. Since taxes levied by State Governments are ad valorem and linked to MSP, they also increase with increase in MSP and contribute to increase in food subsidy. Statements indicating the taxes levied by State Governments on procurement of foodgrains are at Annexures I & II.

(e): The Government has taken up the matter with concerned State Governments to reduce taxes. Further, the Government has taken other measures also to contain the food subsidy, which are as follows:-

- (i) Encouraging Decentralized Procurement and distribution of Foodgrains.
- (ii) Borrowing of short terms loans by FCI for its operational requirement at lower interest rates as compared to interest rates on cash credit.
- (iii) Improving the operational efficiency of the FCI.