

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

UNSTARRED QUESTION NO:1185

ANSWERED ON:26.11.2009

TAX EXEMPTION TO FPI

Owaisi Shri Asaduddin;Singh Shri Uday Pratap

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

- (a) whether new food processing units for perishables items have 100 percent tax exemptions;
- (b) if so, the details thereof;
- (c) whether in spite of that the progress aimed at has not been achieved by this sector; and
- (d) if so, the reasons therefor and main hurdles being faced by the Industry?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI SUBODH KANT SAHA)

(a) & (b): Yes, Sir. 100 percent tax exemption for first five assessment years beginning with the initial assessment year is available under section 80-1B(11A) of Income Tax Act,1961 to undertakings deriving profit from the business of processing, preserving and packaging of fruits or vegetables and new units in the business of processing, preservation and packaging of meat or meat products or poultry or marine or dairy products. Under sub-section (11A) of section 80-1B 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. With a view to preserving perishable food items like milk, poultry and meat, the Finance (No.2) Act 2009 has amended sub-section (11A) of section 80-1B with effect from 1.4.2010 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 1st April,2009. The amount of deduction in a case of an undertaking deriving profit from the business of processing, preservation and packaging of fruits or vegetables or meat and meat products or poultry or marine or dairy products or from the integrated business of handling, storage and transportation of food grains,is hundred per cent of the profits and gains derived from such undertaking for five assessment years beginning with the initial assessment year and thereafter, twenty-five per cent (or thirty per cent where the assessee is a company) of the profits and gains derived from the operation of such business in a manner that the total period of deduction does not exceed ten consecutive assessment years and subject to fulfillment of the condition that it begins to operate such business on or after the 1st day of April, 2001.

(c) & (d) There has been substantial increase in rate of growth of the food processing industry from 7% in 2003-04 to 13.14% in 2006-07 and the increase in total investment in food processing sector to 40,000 Crores in 2006-07 which has contributed to reduction of wastages and better value addition. Main hurdles being faced by the industry are certain provisions in Agricultural Produce Marketing (Development & Regulation) Act, lack of adequate post-harvest infrastructure such as cold chain facilities, transportation, proper storage facilities, inadequate R&D etc. The loss due to wastages could be reduced by promoting the development of food processing industries, strengthening of post-harvest infrastructure and filling the gaps in the supply chain, strengthening HRD, Technology Development etc.