

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

UNSTARRED QUESTION NO:2393

ANSWERED ON:03.12.2009

TAX STRUCTURE IN FPI

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

- (a) whether the primary agricultural commodities are mostly exempted from taxes and the processed foods are subjected to multiple levies;
- (b) if so, whether the Government is contemplating to rationalize and simplify the tax structure for the food processing industry;
- (c) if so, the details thereof;
- (d) whether most of the units engaged in the food processing industries are unorganized; and
- (e) if so, the steps taken by the Government to enhance the participation level in this sector?

**Answer**

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

(a) to (c): The Government has taken necessary steps to rationalize and simplify the tax structure for the food processing industry.

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 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 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 01.04.2010 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.

(d) to (e): The Food Processing Units are both in organized as well as unorganized sector. The Small scale and unorganized sector constitutes about 70% of the food processing sector. Several steps have been taken by the Government to enhance the participation level in this sector. The Ministry has schemes for promotion of the food processing industry.

The Scheme for Technology Upgradation/Establishment/ Modernisation of Food Processing Industries is aimed at creation of new processing capacity and up-gradation of existing processing capabilities, modernization of Food Processing Sector to include Milk, Fruit & Vegetables , Meat , Poultry, fishery , cereal, consumer items , oil seeds, rice milling, flour milling, pulse etc. The Ministry under the Scheme extends financial assistance to food processing units in the form of grant-in-aid @ 25% of the cost of plant and machinery and technical civil works subject to a maximum of Rs. 50.00 lakh in general area or 33.33% subject to maximum of Rs. 75.00 lakh in difficult areas such as Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North Eastern States, A&N Islands, Lakshadweep and ITDP areas. In addition, under the Technology Mission for Integrated Development of Horticulture in North Eastern and Himalayan States, higher levels of assistance @ 50% upto Rs. 4.00 crore for setting up and Rs. 1.00 crore for Upgradation of fruit and vegetables processing is available. A National Horticulture Mission has been launched with an objective to boost the horticulture sector.

The Scheme for Human Resource Development focuses on developing technologists, managers, Entrepreneurs and manpower for quality management in Food Processing. The scheme also aims at development of rural entrepreneurship and transfer of technology for processing of food products by utilizing locally grown raw material and providing "Hands- on" experience at such production cum training centres, while according priority to SC/ST/OBC / minorities and women candidates.

