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# Union Budget 2022

Tax Alert - Agriculture sector

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Budget 2022 is oriented towards "access to" innovation, collaboration and technology and provides an impetus to fast-track the growth of the agriculture sector



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- ▶ The Economic Survey highlights that the agriculture sector has been resilient amidst the adverse environment of the COVID-19 pandemic and has grown at the rate of 3.9%.
- ▶ In order to achieve the objective of doubling the income of farmers, there was a need to increase focus on aspects such as financial inclusion, better logistics support, use of new technology, supporting start-ups for innovation and research and development.
- ▶ Budget 2022 seeks to achieve the above through financial inclusion (through multiple levers such as Anytime - Anywhere Post Office Savings scheme), enhancing rural infrastructure and connectivity to markets (through the PM Gati- Shakti scheme), deployment of drones, technology upgradation through Public-Private Partnership, impetus to green farming practices, and transition to carbon-neutral economy.
- ▶ These proposals will provide a fillip to the Indian agriculture sector and allied sectors such as agro-chemicals, water treatment chemicals, infrastructure, eco-friendly chemicals, food processing and also promote the 'Make in India' initiative of the Government.

# How does the budget impact Agriculture sector?

## Key policy announcements

### *Financial Inclusion*

- ▶ New fund to be set-up through NABARD to finance start-ups for agriculture and rural enterprise.
- ▶ INR 2.37 lakh crore direct payment of MSP value to the farmers thereby increasing the disposable income in the hands of farmers.
- ▶ Financial inclusion of farmers and senior citizens is proposed through linkage of bank accounts and post office accounts vide the Anytime - Anywhere Post Office Savings scheme.
- ▶ Allocation of funds of INR 45,000 crores for promotion of scientific organic farming in North-eastern states.
- ▶ Financial support to be provided to farmers belonging to Scheduled Castes and Scheduled Tribes to promote agro-forestry.
- ▶ Aspirational Districts Program to be launched to provide better quality of life to citizens in backward areas and the same will support the small farmers in these areas.

### *Upgradation of technology*

- ▶ Use of 'Kisan Drones' to be promoted for crop assessment, digitization of land records, spraying of insecticides, and nutrients.
- ▶ Digital and hi-tech services to be provided to farmers through Public Private Partnership Scheme.
- ▶ Comprehensive package along with participation of State Governments to be launched to promote adoption of suitable production and harvesting techniques for varieties of fruits and vegetables.

### *Impetus to green farming practices*

- ▶ Chemical-free Natural Farming will be promoted throughout the country with a focus on corridor alongside Ganga river.
- ▶ Focus on transition to a carbon neutral economy through use of biomass pellets in thermal power plants, thereby also providing an additional source of income to farmers.

### *Accessibility and infrastructure support*

- ▶ PM Gati Shakti Scheme will support farmers with better connectivity to the market places.
- ▶ Ken-Betwa Link Project to be implemented for providing irrigation benefits and increased drinking water supply.
- ▶ Support to be provided for post-harvest value addition, enhancing domestic consumption, and for branding millet products.

## Highlights



**Chemical free  
natural farming to  
be promoted**



## Other measures

- ▶ With an objective of optimally utilizing available infrastructure and enhancing competitiveness of exports, centres of manufacturing clusters to be introduced in place of Special Economic Zones which could benefit several agriculture sector companies who are evaluating setting up new manufacturing sites.
- ▶ Rationalized and comprehensive scheme to increase domestic production of oilseeds to be implemented.
- ▶ States to be encouraged to revise the syllabi of agricultural universities to include organic farming and modern-day farming.
- ▶ Deep Ocean Mission to be launched with a budget outlay of more than INR4,000 crores, over five years to promote deep ocean survey exploration and projects for the conservation of deep sea bio-diversity.

## Key direct tax proposals

- ▶ No change in personal and corporate tax rates.
- ▶ To create a level playing field for organized farming, Alternate Minimum Tax for co-operative societies is now reduced from 18.5% to 15%.
- ▶ Surcharge on co-operative societies reduced from 12% to 7% where the income exceeds INR 1 crores and is up to INR 10 crores.
- ▶ Extension in sunset date for incorporation of start-ups from 31 March 2022 to 31 March 2023, for availing 100% deduction of profits and gains from business for 3 consecutive years out of 10 years.
- ▶ Extension in sunset date for commencement of manufacturing operations from 31 March 2023 to 31 March 2024 to avail the concessional income-tax rate of 15% (plus surcharge and cess) for new manufacturing companies, is welcomed by the agro chemical and allied industries expanding manufacturing capacity in India, to become more competitive in the global market.

## Key indirect tax proposals

- ▶ No change in the Goods and Service Tax rates.
- ▶ Time limit extended by 2 months i.e. from 30 September to 30 November of subsequent financial year for, input tax credit availment, issuance of credit notes and rectification of errors or omission.
- ▶ Power to restrict maximum proportion of output tax to be paid through credit utilization introduced.
- ▶ Retrospective amendment to levy interest only in case of wrong availment and utilization of ITC.
- ▶ If supplier has not paid tax, recipient required to reversed input tax credit with applicable interest.

(The above GST amendments would be effective from a date to be notified)

- ▶ Simplification exercise for certain key agriculture products effective 1 May 2022 whereby changes to BCD rate is made in the Tariff schedule and the corresponding entries to be withdrawn in the concessional notifications such as specific inorganic chemicals, organic chemicals and fertilizers covered under Chapter 28, 29 and 31, respectively. As a result, effective BCD rate would remain unchanged.
- ▶ BCD exemption for specific agricultural implements and parts used for their manufacture that include paddy transplanter, sugarcane harvester, cotton picker etc to be withdrawn effective 1 April 2023, which will support domestic manufacturers under the make in India initiative.

## Highlights



Revision in syllabi of agricultural universities



Allocation of INR45,000 crores for scientific organic farming

Launch of Anytime - Anywhere Post Office Savings Scheme



Focus on carbon neutral economy

## Impact analysis

Budget 2022 seeks to envision the objective of doubling farmers' income through a multi-pronged approach centred around access to finance, access to the marketplace and access to new age technology and better farming practices related to organic farming, drone technology, and transition to carbon-neutral economy.

The aforesaid proposals towards financial inclusion, better accessibility and green farming practices will enable farmers to have better liquidity, increase their opportunities and command a better price for their produce, thereby positively impacting the economy at large.

Further, the proposal for extending the sunset date for incorporation of start-ups for availing tax holiday, will support and encourage the much required innovation in this sector, on a sustainable basis. Reduction in Alternate Minimum Tax for co-operatives will propel organized farming.

The proposals for rationalization of customs duty and extension in the sunset clause for commencement of business for new manufacturing companies to avail the concessional tax regime will further augment the 'Make in India' initiative of Government.

On an overall basis, Budget 2022 shall accelerate the growth of the Indian agriculture and allied sectors along with fuelling new age agriculture practices, optimum utilization of resources and innovation.

## Glossary

**MSP** - Minimum Support Price

**NABARD** - National Bank for Agriculture and Rural Development

**BCD** - Basic Customs Duty



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