

# Budget

2020

2021

2022

2023

2024

With a strong focus on accelerating growth in the agriculture sector and rural development, Budget 2023 has announced a slew of policies and outlays aimed at skilling, digitisation and technology infusion, innovation and infrastructure growth



**Aashish Kasad**

*Partner and National Leader -  
Agriculture and Chemicals  
EY - India*

- ▶ As per the Economic Survey, the Indian agriculture sector has been growing at an average annual growth rate of 4.6 per cent during the last six years. In recent years, India has also rapidly emerged as a net exporter of agricultural products.
- ▶ In order to achieve the objective of doubling the income of farmers, accelerated growth of the sector and achieving nutritional security, there was a need to increase focus on aspects such as enhanced access to agricultural credit, creation and application of new technology, superior last and first mile logistics, promote green farming techniques, skilling, digitisation and supporting start-ups, co-operatives and medium and small enterprises.
- ▶ Budget 2023 seeks to achieve the above through enhanced focus on investments and financial support (increased agricultural credit target, set up of Agriculture Accelerator Fund), enhancing infrastructure (decentralised storage facilities, critical infrastructure projects to be undertaken), research and development (setting up of COEs for AI based solutions, labs for developing applications using 5G services for precision farming) skilling of youth, impetus to green farming practices and so on.
- ▶ Further, focus on allied sectors of horticulture and fisheries shall augment sustainable and inclusive development of the sector.

# How does the budget impact the Agriculture sector?

## Key policy announcements

### Investments and financial support

- ▶ Agricultural credit target to be increased to INR20 lakh crores with focus on animal husbandry, dairy and fisheries
- ▶ Agriculture Accelerator Fund to be set up to encourage agri-start ups with an aim to develop innovative and affordable solutions to increase productivity and profitability
- ▶ Outlay of INR2,200 crores towards Atmanirbhar Horticulture Clean Plant Program to boost availability of quality planting material for high value horticulture crops
- ▶ Outlay of INR6,000 crore towards PM Matsya Sampada Yojana to bring value chain efficiency and expand the market for fishermen and MSMEs
- ▶ Assistance of INR5,300 crore to be given to Upper Bhadra Project to provide sustainable micro irrigation and filling up of surface tanks for drinking water

### Infrastructure

- ▶ Digital public infrastructure for agriculture to be built to enable farmer-centric solutions for support and growth of agri-tech industry and start-ups
- ▶ Critical infrastructure projects to be undertaken for improving supply chain logistics of fertilizers and food grains
- ▶ Decentralized storage capacity to be set up to enable farmers to realise sales in a timely manner
- ▶ Multipurpose cooperative societies, primary fishery societies and dairy cooperative societies to be set-up in next five years

### Green growth

- ▶ PM - PRANAM - Incentives to states to promote use of alternative fertilisers and balanced use of chemical fertilizers
- ▶ 10,000 bio-inputs resource centres to be set-up to create a national-level distributed micro-fertilizer and pesticide manufacturing network
- ▶ 500 new 'waste to wealth' plants to be established under GOBARdhan scheme at an investment of INR10,000 crore to promote circular economy
- ▶ Green credit programme to be notified to incentivise environment sustainability

### Skilling and Research and Development

- ▶ Support to be given to develop Indian Institute of Millet Research as a Centre of Excellence for sharing best practices and research to make India a global hub for millets
- ▶ Centres of Excellence to be set-up for developing AI based solutions in agriculture with an aim to achieve the vision of "Make AI in India and Make AI work for India"
- ▶ Labs to be set up in engineering institution(s) to develop applications using 5G services for precision farming

## Highlights



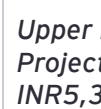
*Agricultural credit increased to INR20 lakh crores*



*Atmanirbhar Horticulture INR2,200 Crore*



*PM Matsya Sampada Yojana INR6,000 crore*



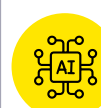
*Upper Bhadra Project INR5,300 Crore*



*10,000 Resource centres and 500 biogas plants*



*5G Labs to be set up for precision farming*



*Centre of Excellence to be set - up for AI based solutions*

## Others

- ▶ National cooperative database to be prepared for country-wide mapping of cooperative societies
- ▶ Public Private Partnership to be adopted to enhance productivity of extra-long staple cotton
- ▶ Mangrove plantation to be developed along the coastline and on salt pan lands

## Key direct tax amendments

- ▶ New co-operatives set up after 1 April 2023 and that commence manufacturing activities by 31 March 2024 to get the benefit of concessional tax rate of 15 percent, as is presently available to new manufacturing companies
- ▶ Extension in sunset date for incorporation of start-ups from 31 March 2023 to 31 March 2024, for availing 100% deduction of profits and gains from business for 3 consecutive years out of 10 years
- ▶ Carry forward of losses on change of shareholding of eligible start-ups increased from 7 years of incorporation to 10 years
- ▶ Payments made by sugarcane co-operatives to sugarcane farmers for the period prior to Assessment Year 2016-17 allowable as expenditure
- ▶ Presumptive taxation turnover limits to be enhanced to INR3 crores and INR75 lacs for micro enterprises and professionals respectively from ease of doing business perspective
- ▶ Payments made to MSMEs to be allowed as deduction only on actual payment basis
- ▶ Threshold for withholding taxes by co-operative society on payment of any sum increased to INR3 crores
- ▶ Threshold limit for deposit accepted by Primary Agricultural Credit Societies ('PCAS') and Primary Co-operative Agricultural and Rural Development Bank ('PCARD') from its member or obtaining a loan from PACS and PCARD by its members has been increased from INR20,000 to INR2 lacs under section 269SS of the Income-tax Act, 1961 ('Act'). Similarly, the threshold limit for repayment of such loan or deposit to/by its members has also been increased to INR2 lacs under section 269T of the Act. The said amendment has been introduced to provide relief to low income group and facilitate ease of doing business

## Key indirect tax amendments


- ▶ BCD rate reduced for various products as under with effect from 2 February 2023

HSN	Description	From	To
0802 99 00	Pecan nuts	100%	30%
1504 20	Fish lipid oil for use in manufacture of aquatic feed	30%	15%
1520 00 00	Crude glycerine for use in manufacture of Epichlorohydrin	7.50%	2.50%
2102 20 00	Algal Prime (flour) for use in manufacture of aquatic feed	30%	15%
2207 20 00	Denatured ethyl alcohol for use in manufacture of industrial chemicals	5%	Nil
2301 20	Fish meal for use in manufacture of aquatic feed	15%	5%
2301 20	Krill meal for use in manufacture of aquatic feed	15%	5%
2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	15%	5%
2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	15%	5%

- ▶ Changes to Agriculture Infrastructure and Development Cess rate on various products such as coal, gold bar with effect from 2 February 2023
- ▶ The concessional BCD rate not further extended from 31 March 2023 on machinery / capital goods used in agriculture such as cotton picker, sugarcane harvester, paddy transplanter. As per the present notification, the concessional BCD rate is valid till 31 March 2023.

### 1 Year

*Extension in sunset date for incorporation of start-ups*



## 15%

*tax rate*

31.03.2024

*Concessional tax regime extended to co-operatives set-up on or after 1 April 2023*

## 7

years

→

## 10

years

*Extension in time line for carry forward of losses for start-ups*

## Impact analysis

The Budget proposals towards investment in this sector by way of set up of the Agriculture Accelerator Fund, increased agricultural credit and outlays towards allied sectors of animal husbandry, dairy, horticulture, and fisheries will lead to sustainable and inclusive development of the sector.

The aforesaid proposals towards financial inclusion, better infrastructure for storage and transportation, green farming, skilling, research and development, technology infusion, 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.

A renewed impetus has been provided towards the co-operatives to envision the 'Sahakar Se Samriddhi' initiative of the Government, such as extension of the concessional tax rate of 15% to co-operatives engaged in manufacturing. These proposals shall provide a boost to the 'Make in India' initiative of the Government.

In conclusion, Budget 2023 focuses on 7 priorities (Saptarishi) being Green growth, Youth power, Inclusive development, Reaching the last mile, Infrastructure and investment, Unleashing the potential and launching digital platforms, guiding us through the Amritkaal. A raft of policies and outlays have been announced as part of the 7 priorities which are aimed at skilling, digitisation and technology infusion, innovation and infrastructure growth. These proposals and policies will certainly accelerate the pace of growth of this sector, thereby bolstering the rural economy and consequently spurring consumption, which in turn will contribute to the sustained GDP growth of the Indian economy at large !



For details on other sectors and solutions visit our website [https://www.ey.com/en\\_in/tax/union-budget-2022](https://www.ey.com/en_in/tax/union-budget-2022)

Download the [EY India Tax Insights App](#) for detailed insights on tax and regulatory reforms.

# Our offices

## Ahmedabad

22nd Floor, B Wing, Privilon  
Ambli BRT Road, Behind Iskcon  
Temple, Off SG Highway  
Ahmedabad - 380 059  
Tel: + 91 79 6608 3800

## Bengaluru

12th & 13th floor  
"UB City", Canberra Block  
No.24 Vittal Mallya Road  
Bengaluru - 560 001  
Tel: + 91 80 6727 5000

## Ground Floor, 'A' wing

Divyasree Chambers  
# 11, Langford Gardens  
Bengaluru - 560 025  
Tel: + 91 80 6727 5000

## Chandigarh

Elante offices, Unit No. B-613 &  
614  
6th Floor, Plot No- 178-178A  
Industrial & Business Park,  
Phase-I  
Chandigarh - 160 002  
Tel: + 91 172 6717800

## Chennai

Tidel Park, 6th & 7th Floor  
A Block, No.4, Rajiv Gandhi Salai  
Taramani, Chennai - 600 113  
Tel: + 91 44 6654 8100

## Delhi NCR

Golf View Corporate Tower B  
Sector 42, Sector Road  
Gurugram - 122 002  
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1  
IGI Airport Hospitality District  
Aerocity, New Delhi - 110 037  
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B  
Tower 2, Sector 126  
Gautam Budh Nagar, U.P.  
Noida - 201 304  
Tel: + 91 120 671 7000

## Hyderabad

THE SKYVIEW 10  
18th Floor, "SOUTH LOBBY"  
Survey No 83/1, Raidurgam  
Hyderabad - 500 032  
Tel: + 91 40 6736 2000

## Jamshedpur

1st Floor, Shantiniketan Building  
Holding No. 1, SB Shop Area  
Bistupur, Jamshedpur - 831  
001  
Tel: + 91 657 663 1000

## Kochi

9th Floor, ABAD Nucleus  
NH-49, Maradu PO  
Kochi - 682 304  
Tel: + 91 484 433 4000

## Kolkata

22 Camac Street  
3rd Floor, Block 'C'  
Kolkata - 700 016  
Tel: + 91 33 6615 3400

## Mumbai

14th Floor, The Ruby  
29 Senapati Bapat Marg  
Dadar (W), Mumbai - 400 028  
Tel: + 91 22 6192 0000

5th Floor, Block B-2  
Nirlon Knowledge Park  
Off. Western Express Highway  
Goregaon (E)  
Mumbai - 400 063  
Tel: + 91 22 6192 0000

## Pune

C-401, 4th floor  
Panchshil Tech Park, Yerwada  
(Near Don Bosco School)  
Pune - 411 006  
Tel: + 91 20 4912 6000

Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit [www.ey.com/en\\_in](https://www.ey.com/en_in).

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at 9th Floor, Golf View Corporate Tower B, Sector 42, Golf Course Road, Gurugram, Haryana - 122 002

© 2023 Ernst & Young LLP. Published in India.  
All Rights Reserved.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

[ey.com/en\\_in](https://ey.com/en_in)

[@EY\\_India](https://twitter.com/EY_India) [in](https://www.linkedin.com/company/ey) [YouTube](https://www.youtube.com/channel/UCYUwv11111111111111111111) EY India [f](https://www.facebook.com/EY Careers India) EY Careers India [ig](https://www.instagram.com/ey_indiacareers) @ey\_indiacareers