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Tax Alert - Key announcements of
Union Budget 2024



Union ₹ Budget

2024-25

Budget 2024, steadfast in its pursuit of achieving a Viksit Bharat, has unveiled an extensive set of plans and monetary allocations aimed at empowering farmers, women, poor and youth



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As per the Economic Survey, in the last five years, the agriculture sector has grown at an average growth rate of 4.18% per year, thereby contributing to the growth of the Indian economy. However, with about 55% of its population dependent on agriculture as their primary source of income and a population of 1.4 billion, sustainability in agriculture is highly relevant to securing the long-term productivity of land holdings, ensuring sufficient farm-based incomes and food security for the nation.

In light of the above, India requires dedicated policy efforts for the agriculture sector to grow at a faster pace whilst achieving food security, resolving farmer issues and creating conditions in which their incomes can improve substantially and sustainably, thereby accelerating the pace of accomplishing the goal of Viksit Bharat by 2047.

Building on the approach outlined in the interim budget, the Union Budget 2024 envisages sustained efforts towards productivity and resilience in agriculture, employment and skilling, women-led development, enhancement of digitization and technology, innovation and infrastructure growth, and credit flows, with earmarked allocation of INR1.52 lakh crore for agriculture and allied sector.

The Union Budget 2024 seeks to achieve the above through enhanced focus on transforming agriculture research, release of new varieties of crops, natural farming, use of digital public infrastructure for farmers, access to institutional credit, financial assistance for irrigation programmes, rural land actions and thrust on research, innovation and skilling.

If executed effectively, these measures are poised to progressively foster India's inclusive progress, providing a significant boost to rural regions and thereby potentially elevating India's GDP growth substantially and expediting the journey towards the goal of Atmanirbhar Bharat with respect to food security.

How does the budget impact the Agriculture sector?

The Union Budget 2024 has put forth nine areas as key priorities, with several of them focusing on agriculture, discussed below:

Priority 1: Productivity and resilience in Agriculture

- ▶ **Transforming agriculture research**
 - ▶ Comprehensive review of the agriculture research setup to focus on increasing productivity and developing climate resilient varieties
 - ▶ National Cooperation Policy to be developed for systematic, orderly and all-round development of the co-operative sector
 - ▶ 109 new high-yielding and climate-resilient varieties of 32 field and horticulture crops to be released for cultivation by farmers
- ▶ **Natural farming**
 - ▶ 1 crore farmers to be initiated into natural farming, supported by certification and branding in next two years
 - ▶ 10,000 need-based bio-input resource centres to be established
- ▶ **Digital Public Infrastructure ('DPI')**
 - ▶ DPI to be implemented for coverage of farmers and their lands in three years
 - ▶ Digital crop survey to be undertaken in 400 districts
 - ▶ Jan Samarth based Kisan Credit Cards to be issued
 - ▶ Details of six crore farmers and their lands to be brought into the farmer and land registries
- ▶ **Shrimp production and export**
 - ▶ Financing for shrimp farming, processing and export to be facilitated through National Bank for Agriculture and Rural Development
- ▶ **Mission for pulses and oilseeds**
 - ▶ Strategy to be developed to achieve Atmanirbharta and strengthen production, storage and marketing of oil seeds such as mustard, groundnut, sesame, soybean, and sunflower and pulses
- ▶ **Vegetable production and supply chains**
 - ▶ Promotion of Farmer-Producer Organizations, cooperatives and start-ups for vegetable supply chains including collection, storage, and marketing

Highlights



**INR1.52lakh
crore**

Allotment for agriculture
and allied sectors



10,000

Bio-input resource
centres



6 crore

Farmers and their lands
to be added in farmer
and land registries



Financial support
for irrigation
projects and other
ongoing schemes

Priority 3 - Inclusive Human Resource Development and Social Justice

- ▶ Various programs to be implemented for all-pervasive and all-inclusive development of people with a special focus on farmers, youth, women and poor
- ▶ Allocation of more than INR3 lakh crore towards schemes benefitting women and girls with an aim to enhance women's role in economic development
- ▶ Financing and early completion of the Polavaram Irrigation Project to ensure food security

Priority 4 - Manufacturing and services

- ▶ Financial support for setting up of 50 multi-product food irradiation units in the Micro, Small and Medium Enterprise ('MSME') sector to be provided
- ▶ Credit guarantee scheme to be introduced for facilitating MSMEs to purchase machinery and equipment without collateral or third-party guarantee
- ▶ New assessment model to be developed for MSME credit by public sector banks
- ▶ Credit support to be provided to MSMEs during stress period
- ▶ 100 food quality and safety testing labs with National Accreditation Board for Testing and Calibration Laboratories accreditation to be set-up
- ▶ The services of the Centre for Processing Accelerated Corporate Exit (C-PACE) to be extended for voluntary closure of Limited Liability Partnerships to reduce the closure time

Priority 5 - Urban development

- ▶ Water supply and sanitation projects announced which shall also consider utilization of treated wastewater for agricultural irrigation

Priority 7 - Infrastructure

- ▶ Financial support for Accelerated Irrigation Benefit Programme and 20 other ongoing and new schemes including barrages, river pollution abatement, flood mitigation and irrigation projects

Priority 8: Innovation, Research and Development

- ▶ Anusandhan National Research Fund for basic research and prototype development to be operationalized
- ▶ A mechanism to be set-up for spurring private sector-driven research and innovation at commercial scale with a financing pool of INR1 lakh crore

Priority 9 - Next generation reforms

- ▶ Rural land related actions to inter-alia, focus on assignment of Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands, establishment of land registry, linking to the farmers registry

Highlights



50

Food irradiation units



Credit guarantee scheme to be introduced for MSMEs



100

Food quality and safety testing labs



INR1 lakh crore

Financing pool for research and innovation

Key tax related proposals

Direct Tax

- ▶ No change in the corporate tax rates for domestic companies. Corporate tax rate for foreign companies reduced to 35% (plus applicable surcharge and cess)

Indirect Tax

- ▶ Changes in Basic Customs Duty ('BCD') rate effective 24 July 2024
 - ▶ **Agricultural products**
 - ▶ BCD rate on Shea nuts reduced from 30% to 15%
 - ▶ **Aquafarming and Marine Exports**
 - ▶ BCD rate reduced for below products such as Live SPF Shrimp, Live Black Tiger Shrimp, SPF Polychaete worms, Oil used in manufacture of aquatic feed (Fish Lipid, Crude fish and Algal), Prawn and Shrimps feed, Fish feed:

Particulars	From	To
Vannamei shrimp, black tiger shrimp	10%	5%
Artemia and Artemia cysts	5%	Nil
SPF polychaete worms	30%	5%
Fish lipid oil, crude fish oil for manufacture of aquatic feed	15%/30%	Nil
Algal oil and Algal prime (flour) for manufacture of aquatic feed	15%	Nil
Mineral and Vitamin Premixes for use in manufacture of aquatic feed	5%	Nil
Insect meal and single cell protein from natural gas for use in research and development for aquatic feed manufacturing	15%	5%
Krill Meal for use in manufacture of aquatic feed	5%	Nil
Pre-dust breaded powder for use in processing of sea-food	30%	Nil
Prawn and shrimps feed	15%	5%
Fish feed	15%	5%

Highlights



15%

Reduction in BCD on Shea nuts



Drop

BCD rate reduced for shrimp and other shrimp feeds

Impact analysis

The agriculture sector has been consistently growing over the last five years and the performance of the sector remains critical for India's economic growth and for achieving food security given the population of our country.

India being a climate-vulnerable country, there has been a need for adaptive strategies in agriculture and conservation efforts to mitigate the detrimental effects of climate change on natural habitats, vegetation and vital bio-resources. To augment the same, an array of comprehensive strategies such as review of agriculture research setup for developing climate resilient varieties of crops, release of 109 high yielding and climate-resilient varieties of 32 field and horticulture crops, financial support for irrigation and flood mitigation projects have been announced.

The Government has sought to promote crop diversification to address sustainability challenges and shift production towards pulses and oilseeds.

India's agricultural sector is undergoing a significant transformation with the integration of digital technologies. Various initiatives to build DPI for agriculture have been laid down in Budget 2024. DPI will enable inclusive, farmer-centric solutions through relevant information services for crop planning, credit and insurance.

Research, development and promotion of digital technologies in agriculture, as well as improving the quality of seeds, including promoting organic and natural farming, can play a significant role in the realization of sustainable agriculture practices that efficiently improve farm income and influence farmer behaviour. Looking ahead, digitalization initiatives shall empower the farmers through better decision-making tools.

The proposals of issuance of Kisan Credit cards, financial support for setting up of multi-product food irradiation units, credit guarantee scheme for MSMEs shall assist the farmers in availing timely, cost-effective, and adequate agricultural credit, through organized channels.

The Government's strategies and measures in the form of assured remunerative prices through minimum selling price, improving access to institutional credit, enabling crop diversification, promoting digitization, encouraging adoption of sustainable practices through organic and natural farming, and emphasis on increasing agricultural efficiency are expected to provide financial inclusion to the farmers, boost the Government's goal of doubling the farmer's income, beneficially influence the industry and consequently positively impacting the Indian economy at large.



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