Taxing the agricultural income

Why in news?

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NITI Aayog member Bibek Debroy’s suggestion to tax agricultural incomes above a certain threshold has met with predictable howls of protests.

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What is the issue?

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- Agriculture is the way of life in India, **the problem here is imposing tax on way of life.**
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- Finance Minister Arun Jaitley says that the Centre neither has powers under the Constitution nor plans to “impose any tax on agriculture income”.
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What is the impact on farmers?

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- The **proposed measure will make no difference to the vast majority** of those engaged in agricultural activity.
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- As per the 2010-11 Agriculture Census, over 95% of India’s 13.84 crore operational holdings are of below four hectares (10 acres) size.
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- Not many farmers falling within this holding limit would be drawing an annual income above Rs 5 lakh, which currently attracts zero personal tax liability with rebate.
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- Farmers can also be **entitled to claim depreciation** on fixed assets from tractors and drip irrigation systems to cattle and carry-forward their losses from year to year.
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- This will not only ensure that the bulk of agricultural incomes remain untaxed, but also incentivize farmers to undertake productivity boosting investments in their land.
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- Farmers who are cultivating less than, say, 10 acres will, thus, have nothing to fear if agricultural incomes are brought under the tax net.
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What is the way forward?

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- Agriculture could be treated as a business for tax purposes, with all expenses relating to it whether on farm inputs, labor, interest, crop insurance premium or leased land rentals being deductible from income.
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- Once we know the real incomes of farmers, it is possible for the government to even supplement schemes through direct payment programs which is how it is in advanced countries, whether or not agriculture is a “way of life” for them.
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Source: Indian Express

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