Taxing the agricultural income

Why in news?

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

What is the issue?

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

What is the impact on farmers?

- The **proposed measure will make no difference to the vast majority** of those engaged in agricultural activity.
- 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.
- 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.
- 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.

- This will not only ensure that the bulk of agricultural incomes remain untaxed, but also incentivize <u>farmers</u> 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 <u>farmers</u>, 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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