



Expectations from Budget: Offer tax benefits to agri-NBFC sector; need to boost farm mechanization

As the Union Budget day approaches fast, the list of expectations appears to grow longer. A demand has cropped up before the government that it should consider offering tax benefits to the agri-NBFC sector, as it will help the sector flourish and also help the government achieve its goal of doubling farmers' incomes. For the agriculture sector to strengthen and achieve the next level of growth, there is a need to boost farm mechanization to enhance operating efficiency.



Team RuralVoice

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A demand has cropped up before the government that it should consider offering tax benefits to the agri-NBFC sector, as it will help the sector flourish and also help the government achieve its goal of doubling farmers' incomes.

The demand has come from Sandeep Sabharwal, Group Chief Executive Officer, Sohan Lal Commodity Management Pvt Ltd (SLCM Group).

On the exclusion of GST in the storage space in the agriculture value chain, he says, "We as a business entity are an integrated part of the entire agriculture value chain primarily operating in the post-harvest segment in logistics and warehousing.

"We are acting as intermediaries while ensuring longevity and quality of the agri produce during storage for future consumption, thus providing financial inclusion to farmers and farm traders. When we provide our services from a rented godown/warehouse such rentals are subject to GST whereas our output services that are agri services are exempted from GST, thereby meaning that the input of rental GST becomes a cost to us which gets passed on to the consumer."

Sabharwal says this suggestion is being made since the time of the implementation of GST that the GST applicable to lease rentals of godowns should be exempted. "Considering our role as a value addition in the entire agri supply chain, any such exemption would be a much-needed relief," he says.

On tax benefits for CapEx/OpEx in technology applications in agriculture, he says, "It is necessary to provide tax incentives to agriculture value-chain players and members of the agriculture fraternity to enhance business operations through the use of technologies in mechanized systems for agriculture value chains and agriculture fraternities."

The industry expects such tax incentives in the upcoming Budget to encourage investment in new-age technology applications like IoT, AI & ML, Blockchain and the like, he says.

In the past, when the Government was promoting exports from India, it had announced that the income generated from certain exports will be devoid of income tax.

Similarly, in the agri arena, for companies that are providing services at the input/output level which enhances the storage life of produce, initiates financial inclusion to the agri fraternity and ensures supply chain stability, such incentives in the fashion of reduced taxation slabs would be a very welcome move that would enhance the productivity of such players and also attract newer players to this sector.

On SLCM's NBFC arm Kissandhan Agri Financial Services Pvt. Ltd (Kissandhan), he says concerning agricultural credit, the government is providing subsidized capital to NABARD for enhancing farm sector credit.

"Similarly, NBFCs like us play an important role in providing access to finance for smallholder farmers and operating as intermediaries in providing last-mile disbursement. We should also be getting similar subsidized capital like NABARD or a cheaper pool of credit from the Government. We are optimistic about the fact that other players in the industry will also echo our views on this."

Voicing his expectations from the Union Budget 2023, Mrityunjaya Singh, Managing Director, CLAAS India Pvt Ltd, says for the agriculture sector to strengthen and achieve the next level of growth, there is a need to boost farm mechanization to enhance operating efficiency for doubling farmers' income.

The subsidy schemes, guidelines and budgetary support of the Central Government are interpreted and implemented by State Governments in varying degrees. However, matching the budgetary support of the State Government and hence the timely release of subsidy funds for farm machinery schemes vary from state to state.

In some states, the subsidy schemes are perfectly implemented and payments to farm equipment suppliers are made within a reasonable time. But in several other states, not all subsidy schemes are implemented, thereby denying farmers of those states the accruable benefits of improving farming efficiency and thus their income.

In addition to erratic implementation, payments to machine suppliers are severely impacted, leaving suppliers no option but to approach the law for redressal.

In order to address this, Singh recommended that the Central Government issue a list of mandatory farm mechanization schemes to be implemented by the State.

"It is also recommended that these schemes should be under (the) reserved budget of both Central and State as per contribution ratio and payments should be made within seven days of receiving verified claims by the State Treasury," he said.

He suggested promoting domestic manufacturing of Combine Harvester under 'Make In India' programme.

"The Make In India programme is seeing uneven movement in the agriculture sector because of (the) conflicting situation created by free-for-all imports of farm equipment that are already being built in India to global quality standards.

"The Combine Harvester executes a key farming operation for the farmer and they are being short-changed by cheap, poor-quality imports from China, Thailand, etc. that do not have a proper warranty or aftermarket support," he noted.

This has led to the creation of a lot of NPAs and bankruptcy for thousands of farmers who got lured to buy such machines by their initial cost and then could not get any support from importing agents or their manufacturers for spare parts and service support, he pointed out.

Singh also referred to the "sharp rise" in imports at the cost of continually reducing domestic installed capacity utilization.

He said that in the last four years, India has increased the import of combine harvesters, impacting the Make In India story. In order to encourage local manufacturing, the upcoming Union Budget should levy customs duty on imported combine harvesters of 75 per cent to bring a level playing field for imported and domestic options at the farmgate level.

It should, at the same time, deny enlistment of such imported equipment by any state in their approved subsidy list of equipment so as to deny any subsidy support for imported equipment, as done by many democracies in the world.

These changes will help in substantially increasing domestic production of the same type and class of equipment by the SME sector in India.

The Budget should also enhance the export incentives for farm equipment in order to make India a world factory, he added.

MK Dhanuka, Managing Director, Dhanuka Agritech, says, "We expect that the government will take a view on reducing the custom duty on import of pesticides. This move will enable our farmers to buy pesticides at reasonable prices.

"Apart from this, the GST on agrochemicals should be reduced to either 5 per cent or be eliminated completely so that companies like Dhanuka can pass on the benefits to the farmers," he added.

