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Jan 05 2012 **Should agriculture be taxed in India?**

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India, not by plans but by default is a mixed economy often leading to a conflict between what the state and the corporate demand. One of the many decisions resting with the government is that of taxation. Indian agricultural income, with the motive of promoting agriculture is currently exempt from income tax.



In my opinion, agricultural income should be taxed like any other business income even in an agri-dominated country like India. The largest segment of the economy should not be left out of the tax net on the pretext that they grow food for the country. If a farm shows a profit it should be subject to corporate or at least lesser tax rates. A major chunk of Indian farmers are fragmented and have small land holdings. These incomes would anyway fall below the exempted threshold and hence there is no question of impacting

the livelihood and employment. It is people earning above the exempted limit and not paying taxes only because the nature of business is supportive of agriculture who should be thought about. Both in Agriculture and other types of businesses, the motive remains profit. I see no reason why one should be left out of the tax ambit.

The irony is that about one third of the parliament members are landlords holding hundreds of acres of agricultural land. Keeping the sector untaxed only indicates that 19% of the Indian GDP would still be untaxed and farmers earning billions of 'green income' would contribute zero to the country's tax revenues. What worsens it further is the proposed subsidy bill of about \$24 Billion which is being given out to these farmers, further adding to the income of the landlords. This doling out of billions of rupees of subsidy on the agriculture sector is with a view to support the small farmers and help boost their incomes hoping for a high production. But, in reality it is the big landlords who have been the real beneficiaries in the name of small farmers and have contributed zilch to the national exchequer.

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and, not very different from a company can be talked about introduction of an inheritance tax that will hinder agricultural growth and make it impossible for the heir to continue farming after the farm is passed on to them. This is the tax that is unfair to the farmer, not income tax.

I fail to see why a person with an agriculture business should not pay for roads and infrastructure which is most needed in any agricultural area to ensure distribution which also happens to be a reason for price fluctuations of agri based commodities. Taxing agriculture could be the beginning of a rationalisation at a macro level, no matter what the political fallout is.

*[The article has been written by **Poorva Oberoi** . She is a final year MBA student at Christ University, Bangalore majoring in Finance prior to which she did her graduation from*

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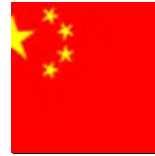
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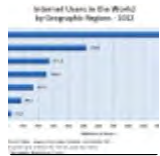
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