

Agriculture and allied - Key Features (Union Budget 2016-17)

Focus areas:

- First Pillar is Agriculture - focus on doubling farmers' income in five years.
- Enhancing expenditure in priority areas of farm and rural sector, social sector, infrastructure sector employment generation.

Agriculture and Farmers' Wellbeing:

- Thanks to farmers, we can think beyond Food Security. Need to bring income security. Govt. interventions to be reoriented so as to double the income of farmers by 2022.
- Optimal use of water – bring 28.5 lakh hectares under irrigation under mission mode implementation of PMKSY.
- Initial corpus of approx Rs. 20,000 crore under NABARD to create a dedicated Long Term Irrigation Fund.
- Multilateral funding for implementing major programme for sustainable management of ground water resources, estimated cost of Rs. 6,000 crore.
- Soil health card scheme has target to cover all 14 crore farm holdings by March 2017.
- 2000 model retail outlets of Fertilizers to be provided soil and seed testing facilities in 3 years.
- Fertilizer companies to co-market city compost – a policy to convert city waste into compost approved under *Swachh Bharat Abhiyan*.
- 5 lakh farm ponds and dug wells in rain fed areas to be taken up under *MINREGA*.
- Creation of 10 lakh compost pits for organic manure to be taken up under *MINREGA*.
- Promotion of organic farming with *Paramparagat Krishi Vikas Yojna (PKVY)* and value chain development in North East. Total provision of Rs 412 crore made for both.
- Assigned Rs 500 crore for enhancing production of pulses under National Food Security Mission (NFSM). Number of districts to be covered increased to 622.
- Common e-market platform in wholesale markets for a Unified Agricultural Marketing to be dedicated to Nation on 14-April-2016. States require to amend APMC Acts to join this platform.
- Provision of Rs 19,000 crore made to target adding of 2.23 lakh kms of roads under *PMGSY (PM Gram Sadak Yojna)* to connect remaining 65,000 habitats by 2019.
- Target for Agricultural credit increased to Rs 9 lakh crore. Provided Rs 15000 crore BE for interest subvention for farmers.
- Provision of Rs 5500 crore made for *Pradhan Mantri Fasal Bima Yojana (PMFBY)*.
- Promoting the use of refrigerated containers, by reducing basic custom duty (BCD) to 5% and excise duty to 6%.
- Promoting pack-houses and ripening chambers – concessional BCD of 5% for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers'.
- 100% FDI through FIPB route for marketing of food products that are produced or manufactured in India. To make food trade and processing industry more efficient.





Allied Provisions:

- All remaining villages to be electrified within next 1000 days. As of 23-Feb-2016, a total of 13,000 villages are not electrified.
- 89 irrigation projects languishing under *Accelerated Irrigation Benefit Programme (AIBP)* to be fast tracked. Ensure 23 of these completed before March 2017.
- Farmers to be encouraged to take up allied activities. Rs 850 crore over next few years for *Pasudhan Sanjivini, Nakul Swasthya Patra, E-Pashudhan Haat* and *National Genomic centre*.
- Online Procurement System to be undertaken by FCI. States to be encouraged to take up decentralised procurement.
- To improve efficiency and performance of *Krishi Vigyan Kendras (KVKs)* - National Level Competition for KVKs with award of Rs 50 lakhs.
- Modernisation of land records with a revamped program from 1-April-2016.
- On the whole, for rural development, total of Rs 87,765 crore provided.
- New ports to be created and works expedited in National Waterways.
- Every new scheme being sanctioned will have a sunset date and outcome review.
- National Centre for Cold-chain Development (NCCD) exempted from Service Tax for its knowledge dissemination activities.

Allocations of Important Ministries, Sectors:

MINISTRY/DEPARTMENT	Actual 2014-15	RE 2015-16	BE 2016-17
Ministry of Agriculture and Farmers Welfare	25917	22958	44485
Ministry of Drinking Water and Sanitation	12091	10907	14010
Ministry of Health and Family Welfare	32154	34957	39533
Ministry of Housing and Urban Poverty Alleviation	2728	1961	5411
Ministry of Human Resource Development	68875	67586	72394
Ministry of Micro Small and Medium Enterprises	2767	3021	3465
Ministry of Minority Affairs	3089	3736	3827
Ministry of New and Renewable Energy	515	262	5036
Ministry of Road Transport and Highways	33048	47107	57976
Ministry of Rural Development	69817	79279	87765
Ministry of Skill Development and Entrepreneurship	0	1038	1804
Ministry of Social Justice and Empowerment	5784	6580	7350
Ministry of Urban Development	13254	18340	24523
Ministry of Water Resources, River Development and Ganga Rejuvenation	5480	7032	6201
Ministry of Women And Child Development	18539	17352	17408

Figures in Rs crore

SECTORS	Actual 2014-15	RE 2015-16	BE 2016-17	IEBR 2016-17	Total for 2016-17
Agriculture and Irrigation	31497	25988	47912	6300	54212.3
Social Sectors including Education, Health	136431	139619	151581
Rural Development and Drinking Water	81908	90185	101775
Infrastructure & Energy	185139	180610	221246	25000	246246.4

Figures in Rs crore



Agriculture related Indirect and Direct Taxes

Extracts of the changes to Taxes, including phasing out of exemptions as proposed in the Union Budget 2016-17

INDIRECT TAX

The Table below summarises the changes in Customs, Central Excise and Service Tax rate structures and law and procedure.

#	Changes	Existing	Proposed
I	Promoting Agriculture and food processing		
1.	Krishi Kalyan Cess proposed to be levied on all taxable services to finance and promote initiatives to improve agriculture, with effect from 01.06.2016.	-	0.5%
2.	Services provided by National Centre for Cold Chain Development (NCCD) under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination, being exempted from service tax, with effect from 01.04.2016.	14%	Nil
3.	Excise duty on electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump being reduced. More than 50% of such pumps are used in agriculture.	12.5%	6%
4.	Concessional 5% Basic Customs Duty as presently available under project imports for cold storage, cold room (including for farm level pre-cooling) being extended for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers' also.	10%	5%
5.	BCD on refrigerated containers being reduced	10%	5%
6.	Excise duty on refrigerated containers being reduced	12.5%	6%
7.	Excise duty on micronutrients [covered under S. No. 1(f) of Schedule 1 Part (A) of the Fertilizer Control Order, 1985 and manufactured by the manufacturers which are registered under the FCO, 1985] being reduced.	12.5%	6%
8.	Excise duty on physical mixture of fertilizers, made out of chemical fertilizers on which duty of excise has been paid, by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertilizer Control Order 1985, for supply to the members of such Co-operative Societies, being exempted.	1% (without ITC or 6% (with ITC)	Nil

DIRECT TAX

4. Measures to Phase Out Deductions

4.1 It proposed to phase out the following deductions available in the Income-tax Act:-

(ii) Depreciation.

It is proposed to amend Rule 5 of Income-tax Rules, 1962 to restrict the highest rate of depreciation under the Income-tax Act to 40% for all the assets (whether old or new) falling in the relevant block of assets with effect from 01.4.2017

(iv) Section 35AD of the Income-tax Act: Investment linked deduction for specified business.

It is proposed to amend section 35AD of the Income-tax Act so as to reduce the deduction from 150% to 100% in the case of a cold-chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertilizer and building and operating hospitals with effect from 01.04.2017.

(vi) Section 35CCC of the Income-tax Act: Deduction for expenditure on agricultural extensions project.

It is proposed to amend section 35CCC of the Income-tax Act to restrict the deduction to 100% from financial year 2017-18 (Assessment Year 2018-19).

(vii) Section 35 CCD of the Income-tax Act: Deduction for expenditure on skill development project.

It is proposed to amend section 35CCD of the Income-tax Act so as to provide that the weighted deduction of 150% shall be available upto financial year 2019-20 (assessment year 2020-21). However, the deduction under the said section shall be restricted to 100% from financial year 2020-21 (Assessment Year 2021-22).

