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**KISSAN VIKAS CHAMBER PUNJAB (Regd.)**

Mandi Bhawan, Punjab Mandi Board, Sector 65-A, Mohali - 160062

Kulwant Singh  
President  
Mob.: 98147-48648

Village Chhauni Kalan, P.O. Ram Colony,  
Hoshiarpur - 146001 Tel : 01882-237419

To

Arjun Ram Meghwal  
Minister of State (Finance)  
Govt. of India (New Delhi)

Sub: - GST on Agriculture

The proposed provisions concerning agriculture, of the recently passed GST act which is very likely to come in to force next year e.g. 2017, may prove to be very detrimental to this sector. As all of us are aware that Punjab is endeavoring hard to diversify its agriculture in a considerable proportion from its traditional crops of paddy and wheat to horticulture (fruits & vegetables), forestry, dairy, poultry, fisheries, bee-keeping and Honey products and it is now genuinely feared that the proposed provisions may prove to be a big impediment in this process. Proper analysis of these provisions reveals the following startling facts.

- ✓ 1) The mere cutting of wood or grass, gathering of fruit, raising of manmade forest or rearing of seedlings or plants have been specifically kept out of the definition of agriculture and will be taxable under GST. It will have the following affects.
- a) This will retard the rate of forestation by farmers causing not only economic injury to the farmers, but also endanger environment. Farmers do forest plantations and incur a lot of investments on them in the form of irrigation, fertilizers and other plant protection measures as of now the forest trees are reared like crops. Moreover the gestation period of any forest plantation is not less than seven years and this period is too long and many a times may elude an assured remunerative income to exceed the already incurred investments.
- b) A good plantation of fruit or forest trees require good plants from nurseries which are disease free, vigorous in initial growth and of good and known progeny and in the same manner to grow good vegetables good seedlings from good nurseries are required. To achieve these objectives many states including Punjab and Haryana have established centre of excellence with the collaboration of Israel to get good plants and seedlings for growing both fruits and vegetables respectively. According to a data, the production of fruits from 2001-02 to 2011-12 has risen by 80 percent, vegetables by 69 percent and grains by only 17 percent. GST on them may prove to be very counterproductive as it may discourage investments in this field and we will not be able to cope with the growing demands for both fruit and vegetables and will face an acute food inflation.





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c) Most of the orchardists of fruit sell their total produce to contractors (the kedars), and the GST on "gathering of fruit" by contractors may reduce the prices of the orchards which farmers receive from such contractors.

✓ 2) GST has also proposed that agriculture by cultivating the land on crop share basis is kept out of the definition of "to cultivate personally" and it seems that this arrangement will also be taxable.

This provision may prove to be very injurious to tenants on the land and may also adversely affect the lease holder which in turn will affect the absentee owners especially the members of armed forces and Para military forces who often lease out their land when on active service.

3) Proposed provisions also exclude dairy farming, poultry farming and stock breeding from the ambit of the definition of agriculture. This may affect agriculture in the following ways.

a) By doing this, the GST act has not been able to define the agriculture in its totality and has limited its scope to a very narrow sphere. Even in the Service act which GST is going to replace the agriculture under its section 65B clause(3) has been defined as "agriculture means the cultivation of plants and rearing of all life-forms of animals, except the rearing of the horses, for food, fibre, fuel, raw material or other similar products." Keeping this definition in mind the service tax was never imposed on dairy, poultry or stock breeding. Moreover the gist of all the definitions of agriculture in many spheres in the world whether literary, legal or any of the court judgment is the same as very vividly explained in the Merriam-Webster dictionary where agriculture has been defined as "the science, art or practice of cultivating the soil, producing crops, and raising live stock and in varying degrees the preparation and marketing of the resulting products."

b) As we are proceeding towards "white revolution" or "operation flood" and trying to increase the production of milk manifolds. But this can be done by increasing the yield of our milch animals to the international standards and for this purpose the stock breeding is very essential and should not come under the purview of GST.

4) It is also proposed that agriculture by persons other than individual and HUF are also kept out of the definition of "to cultivate personally."

a) This will discourage the movement of co-operative farming.

b) At many places the marginal and small farmers are forming societies to consolidate their holdings so that these holding may become economically viable for both production



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and marketing. This trend is still in its infancy and needs encouragement. Moreover a task force formed under Sumitra Chaudhary by then planning commission had recommended the formation of companies by private capitals for remunerative marketing of farmers produce in which farmers would also be stake holders. The proposed provision of GST may discourage this move also which was meant to curtail the numbers of intermediaries in the marketing of agriculture especially the horticulture produce.

5) It has also been proposed that agriculture by persons other than individual and HUF has also been kept out of the definition of "To cultivate personally, hence it seems that these will be taxable under GST regime"

This provision will have a very disturbing effect on the very fabric of our rural society as it will limit the concept of self cultivation to very impractical and emotional hazards. The self cultivation in the Punjab land reforms act 1973 has been described as "self cultivation means cultivation by a land owner either personally or through any member of his family or through his brothers, or through a servant of hired labor under the personal supervision of the land owner or supervision of a member of his family, subject to the condition that the servant of the hired labor is paid wages in cash or in kind or partly in cash or partly in kind but not as a share of produce"

6) It is also worth mentioning here that agriculture is a state subject under article 246 in the seventh schedule of the Indian constitution. Not only agriculture which is on the serial number 14th of the state list, but the taxes on the income from the agriculture has been included in the state list at serial no. 46 and this clearly shows that only a state has the legal right to tax any income from agriculture. Since agriculture and its income lies completely in state's domain, so it becomes a moral obligation to consult States before arriving at any definition of the agriculture and leaving imposition of any tax on agriculture income in the sphere of the states. It will be strictly according to the federal spirit of the constitution.

7) It will be better and may be of a great help if some farmers and the representatives of farmers' bodies may be invited for further consultation.

At the end I humbly request you to consider all the facts which have been detailed above in very sympathetic manner to ameliorate the lot of peasantry.



Kulwant Singh,  
President,  
Kissan Vikas Chamber, Punjab