

# Taxation On Agricultural Income: Impact Of GST

**Mannava Sumaja**

PhD Scholar, K L University, Guntur, India

**M. Kishore Babu**

Principal, KLUBS, K L University, Guntur, India

*Abstract: The study on taxation of agricultural income clubbing individuals' income or non-individuals income by utilizing exemptions of income tax Act, new GST amendment's but hidden tax paid is to prove with an example difference amount of actual payment and assuming amount need to pay with clubbing of agriculture income with individual or non individual income. The exemption clause is mentioned under Section 10 (1) of the Income Tax Act of India. Section 2 (1A) of the Income tax Act details out the conditions where in sources can be considered to be generating agricultural income. Agricultural income exempted from tax through Section 10 (1), tax on agricultural income still persists in the state level if the mentioned income exceeds Rs. 5000 per year and if the total income excluding agricultural income is more than the basic exemption limit. Limitation of study is not beyond embedment's utilizing to prove hidden taxing exemptions. By proven to finding with concluding Agricultural income is in clause of exempted but taxed with smart way of slab rates by clubbing income of individuals and non-individuals limit. I can suggest as agriculture income not clubbed with total income in form of individuals or non-individuals for unknown tax payment and for helping assuming to who cultivated people as encouragement to developing cultivating land in India by career option when with really exempted.*

*Keywords: Agriculture, non agriculture, Tax, Sections, Exemption, Total cost, individuals, non-individuals, Income.*

## I. INTRODUCTION

### A. INTRODUCTION

The Indian taxation enquiry committee noted at 1925, "There is no historical or theoretical justification for the continued exemption from the income tax of income derived from agriculture. There are, however, administrative and political objections to the removal of the exemption at the present time." Almost a century later, both parts of that observation still hold true. By default, agricultural income is exempted from taxation and not included under total income. The Central Government can't impose or levy tax on agricultural income. The exemption clause is mentioned under Section 10 (1) of the Income Tax Act of India. Section 2 (1A), the Income tax Act details out the conditions wherein sources can be considered to be generating agricultural income. Agricultural income exempted from tax through Section 10 (1), tax on agricultural income still persists in the state level if the mentioned income exceeds INR 5000 per year and if the total income excluding agricultural income is more than the basic exemption limit. For firms, non-individuals and

companies it is easier to pay the associated tax as the tax is charged at a flat rate on the chargeable income. For salaried individuals, it might increase the tax they need to pay because of the aggregation of income. Actually total agricultural income will not but in smart way taxable with clubbing of other incomes.

### B. LITERATURE REVIEW OF THE STUDY

Agriculture is one of the most critical sectors of the Indian economy. Growth and development of agriculture and allied sector directly affects well-being of people at large, rural prosperity and employment and forms an important resource base for a number of agro-based industries and agro-services. The agriculture sector in India has undergone significant structural changes in the form of decrease in share of GDP from 30 per cent in 1990-91 to 17.4 in 2015-16 (Annual Report, 2015-16 Moa & FW) indicating a shift from the traditional agrarian economy towards a service dominated one. However, this decrease in agriculture's contribution to GDP has not been accompanied by a matching reduction in the share of agriculture in employment. About 52 per cent of the

total workforce is still employed by the farm sector which makes more than half of the Indian population dependent on agriculture for sustenance. Value addition in agriculture, thus, holds huge potential for enhancing the living standard of majority of the people. Improved agriculture marketing offers a major opportunity to achieve this objective. Goods and service tax will have both negative and positive impact on agriculture. The price of agricultural commodities will go down, as previously the agricultural commodities are charged with different prices within the state, inter-state and in overall country. GST would lead to efficient allocation of resources. Terms of trade move in the favor of Agriculture as compared to manufacturing sector. This will increase prices of some commodities like milk, tea, etc. thus, boon the millions of farmers in India. In nut shell we can say that it will effect directly and indirectly to agriculture sector. A problem may arise in the sector as the prices of fertilizers may spike under the GST. Previously, fertilizers were at 6% (1% EXCISE+ 5% VAT) now the tax slab rate is 12% but they give exemption for bio-fertilizers, bio-pesticides, bio-control agents(BCA), organic manures, farmyard and others. In poultry farming of dairy products fresh milk nil tax but skimmed milk is kept under 5% and condensed milk is taxed at 18%. Some previous taxes, there are certain food items like rice, sugar, salt, wheat, flour which are exempted from CENVAT. Under the state VAT, cereals and grains are taxed at the rate of 4%. Agricultural products go through a lot of licensing and a number of indirect taxes (VAT, excise duty, service tax) under the current tax laws. State VAT is currently applicable to all the agricultural goods at each state; it passes through prior to final consumption. Although there are certain exemptions available from state VAT for certain unprocessed food products like meat, eggs, fruits, vegetables etc.

## II. NEED OF STUDY

May help to separate forms for agricultural income and non agricultural income on tax returns., they needs shown for reducing payable amount as prove without clubbing incomes as reflect on slab rates, which is reduce hidden tax payment are help to former. When earns more those field are attract by common man to choose as career option by reducing former turns to daily wage based workers in near cities and towns they lived and reducing suicide of farmers with the reason of borrowings to cultivate on loss.

## III. SCOPE OF STUDY

By enhancing with three examples are shown the tax payment differences on slab rate usage of before and after clubbing of income with pictorial presentation to easily identify burden of hidden taxation to former.

## IV. OBJECTIVES OF THE STUDY

To impact of GST amendment as cancelled 87A is affected in slab rate defined for individuals or non individuals on clubbing agricultural and non agricultural income.

To evaluate slab rate changes on clubbing of agriculture and non agriculture income.

To observe need for agriculture and non agriculture separate on tax returns.

## V. SIGNIFICANCE OF STUDY

### A. TAX ON AGRICULTURAL INCOME, UNDER SECTIONS 2(1A) AND 10(1)

Section 10(1) of the Income tax Act, 1961 exempts' agricultural income from income tax and net agricultural income is added to the total non agricultural income, for the purpose of determining the income tax on nonagricultural income but agricultural income will remain fully exempt. As per Section 2(1A) agricultural income including any rent or revenue derived from land such land must use for agriculture or from processing of agricultural produce and any income from farm building. Section 2(1A) (a),(b),(c) are clearly explains. Rule 7, income from growing and manufacturing of any product other than tea, Rule 7A for income from growing and manufacturing of rubber, Rule 7B for income from growing and manufacturing of coffee, Rule 8 for income from growing and manufacturing of tea.

### B. TAX ON NON AGRICULTURAL INCOME WHEN ASSESSEE EARNS AGRICULTURAL INCOME

As per above sections and rule agricultural income is exempt or no tax on it but if an assessee has non agricultural income as well as agricultural income, such agricultural income is included in total income for the purpose of computation of income tax on non agricultural income. This is also known as partial integration of agricultural income with non agricultural income or indirect way of taxing agricultural income. Such partial integration which done only in case of (a) individual, (b) Hindu Undivided Family and AOP/BOI, (c) Artificial judicial person. It is not done in case of (a) Firm, (b) company, (c) Cooperative society, (d) local authority. The partial integration is done to compute the tax on non agricultural income only when the following two conditions are satisfied, which is non agricultural income of the assessee exceeds the maximum exemption limit which is rupees 2,50,000 in the case of an individual and HUF, the net agricultural income exceeds rupees 5,000. In case of an individual who is resident in India and who is the age of 60 years or more but less than 80 years at any time during the previous year, the maximum exemption limit shall be rupees 3,00,000 and in case of an individual who is resident in India who is the age of 80 years or more at any time during the previous year, the maximum exemption limit shall be rupees 5,00,000.

**C. THREE STAGES IN EXAMPLE TO PROVE HIDDEN TAX ON AGRICULTURAL INCOME AND NON AGRICULTURAL CLUBBED, AS FOLLOWS**

- To calculate the tax
- ✓ Add agricultural income and non agricultural income and calculate tax on the aggregate as if such aggregate income is the total income.
- ✓ Add agricultural income to the maximum exemption limit available in the case of the assessee and compute tax on such amount as if it is the total income.
- ✓ Deduct the amount of income tax as computed under step2 from the tax compute step1.Then the amount so arrived at shall be total income tax payable by the assessee.
- ✓ Add surcharge if applicable + education cess and SHEC (2+1) is 3%

**PROBLEM:**

Gross total income of Hari aged 40 years as computed under income tax Act, for assessment year 2017-18 is rupees 3,00,000. He deposits rupees 20,000 in PPF account. Compute the tax payable by Hari assuming that he has agricultural income of (a) Nil, (b) 5,000, (c) 3,50,000

**SOLUTION:**

(a) And (b) since the agricultural income is either nil or does not exceed rupees 5,000, there will be no partial integration and income tax will be calculated on 2,80,000 (3,00,000-20,000) deduction U/S 80C as u/s. Tax on 2,80,000 will be 3,000-2000 rebate u/s 87A is Rs.1,000 +30= rupees 1,030.

| Particular   | Amount                  |
|--|-------------------------|
| Step 1:<br>Aggregate of agricultural income and non agricultural income (Rs. 3,50,000+2,80,000)<br>tax on Rs 6,30,000                        | 6,30,000<br>51,0000     |
| Step 2:<br>Add Rs 2,50,000 (maximum exemption limit) to agricultural income of Rs.3,50,000<br>Tax on Rs 6,00,000                             | 6,00,000<br>45,000      |
| Step 3:<br>Deduct tax on step2 from tax under step 1 (Rs 46,000-40,000)<br>Such that, tax on non agricultural income<br>Less: Rebate u/s 87A | 6,000<br>6,000<br>2,000 |
| Step 4:<br>Add education cess and SHEC (2+1) 3%  | 4,000<br>120            |
| <b>Total tax payable</b>   | <b>4,120</b>            |

Table 1

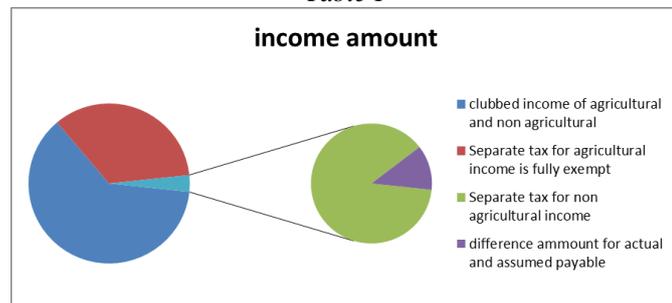


Figure 1

**D. STATISTICAL ANALYSIS OF THE STUDY**

The axiomatic theory of probability is an honest attempt at constructing a theory of probability. The primary purpose of the development of an axiomatic theory lies in the fact that it makes available to the inquisitive mind a large body of abstract mathematical concepts, tools and techniques with which to identify, model, study and infer about real world chance phenomena of interest. In this approach, some concepts are laid down and certain postulates, commonly known as axioms are defined and from these axioms alone, the entire theory is developed by logic of deduction.

Here, Separate Form for agricultural income possibility is probability at which is the reason without clubbing of agricultural and non agricultural comparing with clubbed income of agricultural and non agricultural. Hidden income paid by using exemption on agricultural income with clubbing of non agricultural income is primary purpose. Three examples tools and techniques and identified difference shown with graphical, the entire theory developed by logic of without clubbing income of agricultural and non agricultural. The real world chance phenomenon of interest is if considered by government positively may it help to farmers.

**VI. LIMITATIONS OF THE STUDY**

- ✓ Indian Law of rules and regulations must follow by Indians.
- ✓ Sections and form if we change is unlawful practice, then must follow sections 2(1A) and 10, as per club the income of agricultural and non agricultural.
- ✓ May it loop to higher income pupil but help to lower income gained pupil in agricultural field.

**VII. FINDING AND SUGGESTIONS**

Now GST impact, 87A is cancelled but it helps more in slab rates defined which they related and 87A is necessary for agricultural income holders when clubbing of agricultural and non agricultural income. By the GST for individual Slab rate change to 10% to 5% is good help to individuals lower income pupil requesting to continue new amendments without change. After analyzing agricultural and non agricultural income for individuals or non individuals, need separate 'form' for agriculture income is help to enjoy fully exemption agricultural income by who have agricultural and non agricultural income holders.

**VIII. CONCLUSION**

By analyzing taxation of agricultural and non agricultural income for individuals or non individuals unknown tax payment with graphically is considered for changing amendments' as to separate forms shown on agricultural income and non agricultural income for individuals or non-individuals, is help to enjoy fully exemption on agricultural income holders, reduced hidden payment. By this number of

formers are felt happy to gain more income as of profit maximization and some are attract to choose cultivating as they career when cultivation is more profitable. As this concept is helps to economical development of cultivator through country development.

- [2] Impact of GST on Agricultural Sector by AuthorsSAPNA1 Source: CLEAR International Journal of Research in Commerce & Management. Jun2017, Vol. 8 Issue 6, p75-79. 5p. Document Type: Article
- [3] BOOK: Bharath publications, 'Tax Laws and Practice'

#### REFERENCES

- [1] 'Impact of GST on Agriculture: A Review' by Arti, Vinita Kanwal, Divya Pandey, Chandan Kumar Rai and Priyanka Lal

IJIRAS