

Budget 2023: Tax sops will provide much-needed impetus to agri-tech, agri-finance, warehousing

Tax incentives to agriculture value-chain players will help enhance business operations, which will in turn help the government achieve its goal of doubling farmer incomes.

SANDEEP SABHARWAL | DECEMBER 13, 2022 / 10:24 AM IST



Sandeep Sabharwal, Group CEO of Sohan Lal Commodity Management Pvt. Ltd. (SLCM) Group

It is encouraging to see that the Finance Minister has already started deliberations on the upcoming **union budget** with industry leaders across sectors. The points that were taken up for discussion related to job creation and growth acceleration, and broadening the tax base by rationalising GST and personal income tax slabs to provide a much-needed impetus to consumption.

Ratings firm S&P recently revised the 2022 global growth rate from 3.1 percent to 2.4 percent, while keeping India's at 7.3 percent for the current fiscal, but reduced it to 6.5 percent for the upcoming fiscal year (2023-24).

The regulatory mechanism across sectors will need to maintain India's growth momentum. In this regard, impetus to the agriculture value chain through proactive policy support is critical. Some of the much-needed policy and regulatory initiatives in this domain are:

1. Tax sops for capex in agri-tech

Agri-businesses have embraced agri-tech and agri-fintech in a much larger way than anticipated. With the help of the cloud, internet-of -things (IoT), big data, blockchain, artificial intelligence (AI), and machine learning (ML) these businesses are collecting, predicting, analysing, and monitoring farm-related data in real-time.

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These technologies have led to the emergence of new agri-business segments like Farming-as-a-Service (FaaS), Farm-to-Fork (offering local produce in restaurants and markets), Delivery-as-a-Service (DaaS), etc.

FaaS offers tech solutions for agriculture via a subscription or pay-per-use model, which makes the services more affordable for smaller farmers.

It is necessary to provide tax incentives to agriculture value-chain players to enhance and improve business operations through the use of technology. The industry believes such tax incentives in the upcoming budget will encourage investment in new technology.

Like the government had announced that certain exports would be exempt from income tax, in order to promote the same, the agri sector also expects likewise. Companies that provide services which enhance the life of the produce (e.g., cold chains), foster financial inclusion of the agri fraternity through micro loans, etc., help mechanise farming and automate monitoring should be incentivised with reduced taxation slabs to enhance their productivity as also attract new players to the sector.

2. Exclusion of GST in warehousing

GST is currently applicable to the warehousing business as an input cost for providing the service. Considering the role of these businesses and their value addition to the agriculture supply chain, the government should exempt warehouse rentals from GST.

3. Subsidised credit

The government provides subsidised capital to NABARD for enhancing farm sector credit. Similarly, NBFCs also play an important role in providing finance to small farmers, and also help provide last-mile disbursement. Such NBFCs should also get subsidised capital, like NABARD. The government should also offer tax benefits to the agri-NBFC sector, as it will help the sector flourish and also help the government achieve its goal of doubling farmer incomes.

The author is Group Chief Executive Officer, Sohan Lal Commodity Management Pvt. Ltd. (SLCM Group)