

Agricultural Income

Not everything related to agriculture is agricultural produce and hence exempt. This article briefs you with the facts of agricultural income. Ind AS 41 distinctly explains every segment of agriculture. This Ind AS covers accounting and reporting requirements. Herein explained is useful in day to day operation.

While assessing agricultural income it is important to identify its nature. The said Ind AS applies to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Let's understand this with a usual example, in manufacturing concern plant and machinery is used to manufacture product which is sold in the market for further consumption. Plant and machinery are classified as fixed asset and product as stock. Similarly, in agriculture biological assets produces agricultural produce.

Tea bushes → Picked leaves → Tea

Tea bushes are bearer plants and Tea is further processed after harvesting. Picked leaves are only agricultural produce. Bearer plants are usually classified as Property, Plant and equipment. Wool, Milk, picked fruits, picked leaves, harvested latex/cotton/cane, etc. are agricultural produce.

Reporting:

Milk is reported on fair value in dairy farm if left as on closing date. Cows are recorded as assets considering physical change and price change. And the gain or loss shall be recognized in Profit and Loss Account.

Indirect Tax:

Unprocessed fruits and vegetables are not taxable. Flowers, plants are NIL rated. Import of seeds of vegetable, fruits, flowers and plants is permitted in accordance with Plant Quarantine Order 2003.

Agriculture related services are exempt from GST :

- Tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but makes it marketable only for the primary market. Rearing of horses is not included in the list.
- Renting or leasing of agro-machinery or vacant land.
- Agricultural extension services (scientific research and knowledge to agricultural practices through farmer education or training).
- Commission agent for sale/purchase of such produce.
- Services by Agricultural Produce Marketing Committee or Board.
- Services by way of fumigation in a warehouse of agricultural produce.
- Services by way of artificial insemination of livestock (other than horses).

Milling of paddy into rice is not exempt from tax. The process is carried out by millers and not cultivators. Processed products such as tea/ coffee beans/ powder, pulses, jaggery, processed spices, processed dry fruits, processed cashew nuts, etc. are not agricultural produce and therefore the exemption from GST is not available to their loading, packing, warehousing etc. as well.

Direct Tax

Agricultural income means –

(a) any rent or revenue derived from land which is situated in India and is used for agricultural purposes;

(b) any income derived from such land by—

(i) agriculture; or

(ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by a cultivator or receiver of rent-in-kind to render the produce raised or received by him fit to be taken to market; or

(iii) the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by him, in respect of which no process has been performed other than a process of the nature described in paragraph (ii) of this sub-clause;

(c) any income derived from any building owned and occupied by the receiver of the rent or revenue of any such land, or occupied by the cultivator or the receiver of rent-in-kind, of any land with respect to which, or the produce of which, any process mentioned in paragraphs (ii) and (iii) of sub-clause (b) is carried on :

Provided that—

(i) the building is on or in the immediate vicinity of the land, and is a building which the receiver of the rent or revenue or the cultivator, or the receiver of rent-in-kind, by reason of his connection with the land, requires as a dwelling house, or as a store-house, or other out-building, and

(ii) the land is either assessed to land revenue in India or is subject to a local rate assessed and collected by officers of the Government as such or where the land is not so assessed to land revenue or subject to a local rate, it is not situated—

(A) in any area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee or by any other name) or a cantonment board and which has a population of not less than ten thousand; or

(B) in any area within the distance, measured aurally—

(I) not being more than two kilometres, from the local limits of any municipality or cantonment board referred to in item (A) and which has a population of more than ten thousand but not exceeding one lakh; or

(II) not being more than six kilometres, from the local limits of any municipality or cantonment board referred to in item (A) and which has a population of more than one lakh but not exceeding ten lakhs; or

(III) not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in item (A) and which has a population of more than ten lakh.

Disintegration of business and agricultural income:

Particulars	Business income	Agricultural Income
Growing and Manufacture of Tea	40%	60%
Rubber manufacturing business	35%	65%
Coffee grown and cured by seller	25%	75%
Coffee grown, cured, roasted and grounded by the seller in India with or without mixing chicory or other flavouring ingredients	40%	60%

For instance, A firm picks up the tea leaves and processes it into the tea and further labels it and sells it in the retail market then such tea leaves is agricultural produce and tea is business product.

Computation of agricultural and business income

Conditions for integration:

- Assessee is HUF/ individual/ BOI/AOP/AJP
- The business income exceeds the maximum amount not chargeable to tax and
- Agricultural income exceeds Rs. 5000

Computation of tax

1. Compute tax on Agricultural plus Business income
2. Compute tax on Net Agricultural income plus maximum amount not chargeable to tax
3. Compute (1) – (2)
4. Tax payable= Tax (3) – Tax rebate if any

FAQs

1. Is revenue or rent from an agricultural land (which qualifies all the conditions) situated in Nepal exempt from tax where agricultural activities are carried out?

No, since the land is situated outside India.

2. Where to show agricultural income in ITR?

Under the EI (Exempt Income) tab

3. How to show Loss in agricultural income in ITR?

Under the EI tab in ITR form, show NIL if loss incurred.

4. Can agricultural loss be adjusted with any other head?

No, since it's an exempt income.

5. Can an agricultural land be let out or sub-let?

Yes.

6. What is the rate of GST on Wheat/Rye/Barley/Oats/Maize/Rice/Jawar/Bajra/Ragi? All the above are exempt only if not put in a container containing registered brand name. Else rate applies as per Chapter 10.

7. What is the rate of GST on aata/maida/besan/flour?

All the above are exempt only if not put in a container containing registered brand name. Else rate applies as per Chapter 11.

8. Are fresh flowers used in bouquets taxable?

No.

Source : Taxguru