

THE PULSES CONCLAVE 2020

14 February 2020

A hand holding a glowing lightbulb in a field of tall grass at sunset. The lightbulb is held in the foreground, and the sun is visible in the background, creating a warm, golden glow. The field of grass is in the middle ground, and the sky is a mix of blue and orange.

Pulse processing

***- unveiling the attractive Indian income-tax
and fiscal opportunities***

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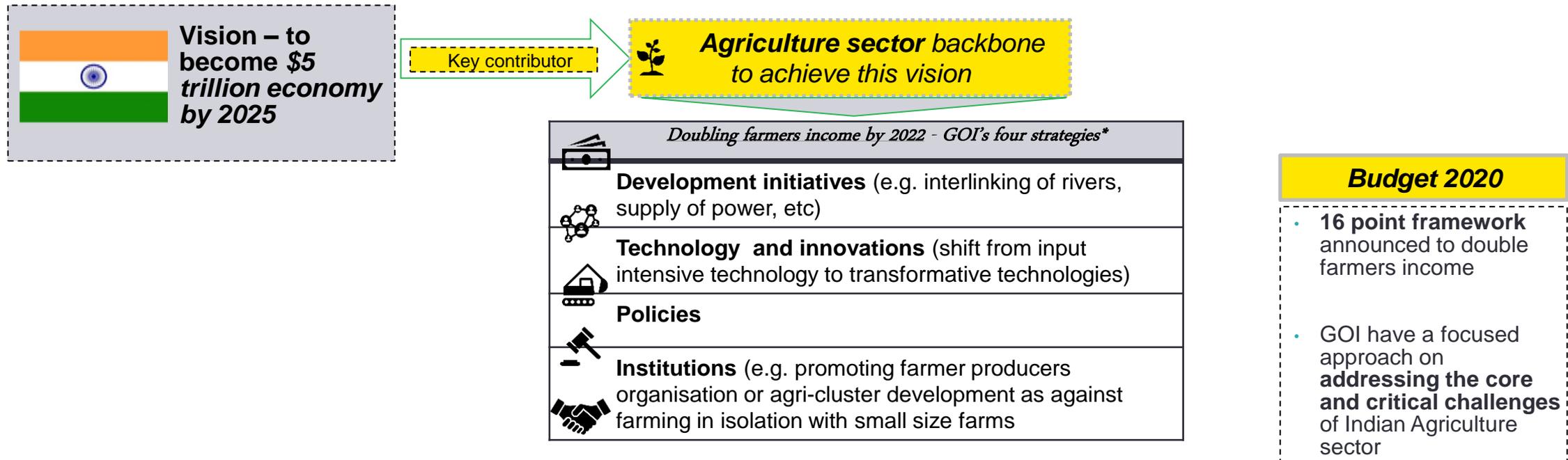
India Region Diversity & Inclusiveness Leader



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Government of India - focus on agriculture sector for 'aspirational India' – A macro perspective



*“Innovation, teamwork and technology are the three factors that will fuel India’s transformation into a \$5-trillion economy” – Prime Minister of India***

*“Commerce and Industry Minister urged industry to adopt and encourage innovation by funding research and development and work closely with academia so that India may become a true innovation nation where start-ups can flourish and become positive disruptors in industry by creating more jobs for the youth of the country.”****

*NITI Ayog Policy Paper – Doubling farmers income – Rationale, Strategy prospects and Action Plan

**https://www.business-standard.com/article/current-affairs/innovation-team-work-and-technology-to-fuel-india-s-5-trn-dream-pm-modi-119093000463_1.html

***Press Information Bureau – Government of India – 20 December 2019

Budget 2020 – Overview on 16 point action plan

16-point action plan announced for doubling farmer's income by 2022

Highlights

Allocation for agriculture, and irrigation and allied activities

INR 1.60 lakh crore

Allocation for rural development and Panchayati Raj

INR 1.23 lakh crore

Agriculture credit target increased

12 Lakh crores 2019-20 → 15 Lakh crore 2020-21

Increase in fishery exports by 2024-25 to

INR 1 lakh crore

- 1) Encourage States to implement central Model Agriculture Laws
- 2) Comprehensive measures for 100 water-stressed districts
- 3) Incentivize farmers to go solar by setting up solar pumps, and new scheme to set up solar power generation units
- 4) Encourage balanced use of all fertilizers to reduce excessive use of chemical fertilizers
- 5) Agricultural warehouses, cold storage and other inventory storages:
 - ▶ mapping and geo tagging
 - ▶ Viability Gap Funding at block/ taluka level
- 6) Village Storage Scheme to help farmers store more and reduce logistics costs
- 7) Introduce Kisan Rail through PPP arrangement for transportation of perishable goods
- 8) Krishi Udaan scheme for agri-exports on international and national routes
- 9) Focus on One Product – One District in horticulture sector
- 10) Focus on Zero budget farming and expansion of integrated farming systems in rainfed areas
- 11) Integration of financing of negotiable warehousing receipts with e-NAM
- 12) NABARD Refinancing Scheme to further expand with Kisan Credit Card scheme
- 13) Elimination of Foot and Mouth disease and doubling of milk production by 2025
- 14) Framework for Blue economy
- 15) Promotion to growing of algae, seaweed and cage culture and raising of fish production in India through 3477 Sagar Mitras and 500 Fish Farmer Producer Organisations
- 16) DeenDayal Antyodaya Yojana for further expansion of Self Help Groups for alleviation of poverty

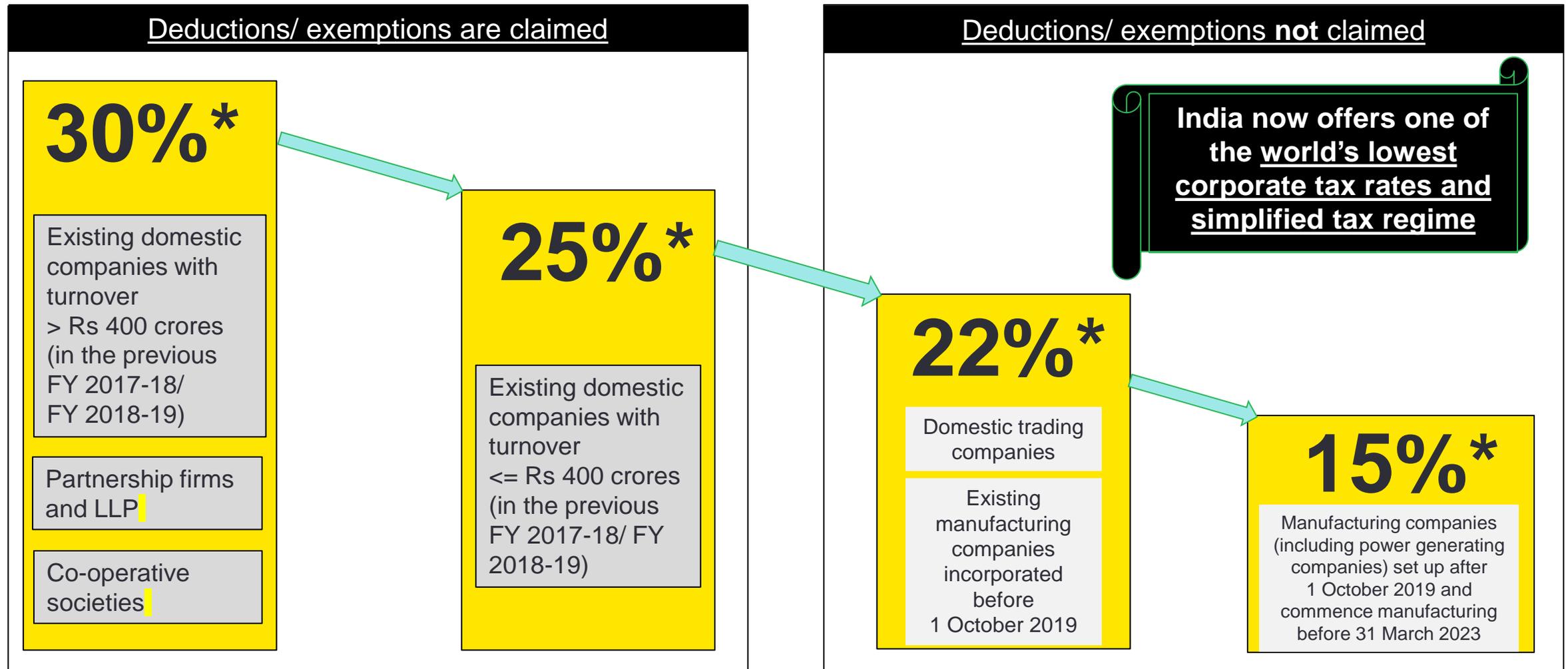
Impact

- ▶ Push for uniform agriculture laws across the country
- ▶ Hand-holding to farmers at 100 water-stressed districts
- ▶ Reduction of cost through use of solar technology
- ▶ Sustainable farming
- ▶ Boost for warehouses, cold storage facilities
- ▶ Storage facilities near villages to reduce logistics cost and reduction in post-harvest losses
- ▶ Perishable goods inclusive of milk, meat and fish to get faster access to market through Indian Railways
- ▶ Boost to agri-exports and better connectivity within India agri-markets through Krishi Udaan scheme
- ▶ Increase in better marketing and export for horticulture sector
- ▶ Improve credit facilities for farmers
- ▶ Framework for development of marine fishery resources



India's corporate tax
rate regime – A high
level overview

India's corporate tax regime – A high level overview



**For simplicity surcharge and cess are not included in tax rates above. For availing 15% tax rate, additional conditions would need to be satisfied.*

Both the regimes should be evaluated given there are some attractive income-tax deductions still available

India's corporate tax regime – A high level overview

Key income-tax deduction relevant for food value chain are highlighted below

Business activities

Deduction/ exemption (no sunset date)

Integrated business of handling, storage and transportation of foodgrains



Deduction of profits

- 100% for first 5 years and
- 25% (30% for companies) for next 5 years

Collecting and processing of bio-degradable waste for generating power or producing bio-fertilizers, bio-pesticides, biological agents or producing bio-gas or making pellets or briquettes for fuel or organic manure



Deduction of 100% profits from business of collecting and processing of bio-degradable waste

Setting-up and operating a cold chain facility
Setting-up and operating a warehousing facility for storage of agricultural produce



Deduction for capital expenditure that has been incurred wholly and exclusively for specified businesses – 150% deduction

India's corporate tax regime – A high level overview

Key income-tax deduction relevant for food value chain are highlighted below

Business activities

Deduction/ exemption

Setting up new Unit in SEZ on or before 31 March 2021 for manufacture or rendering services for exports



Deduction in respect of export profits

- 100% for first five years
- 50% for years 6 to year 10.
- 50% for years 11 to 15 subject to creation of Special reserve and use for specified purposes

Profit linked deduction for agricultural producer companies with turnover of less than INR 100 crores and following business:

- Marketing of and processing of agricultural produce of members
- Purchase and supply to members of agricultural implements, seeds, etc for agricultural purpose



100% profits of eligible business for FY1 April 2018 to 31 March 2025



India's patent box tax regime – An overview

India's patent tax box regime – An overview

10%

- Concessional rate on gross royalty income from eligible patents
- No MAT for companies on qualifying royalty income

- Resident in India being 'true and first inventor' of the eligible patent and whose name is entered on the patent register as the "patentee".
- Subsequent assignee not eligible

- Patent should be developed and registered in India
- 75% of expenditure on the patent should be incurred in India



**‘Start-up India’ -
scheme and
income-tax incentive**

Start up India – An overview

Recognition of 'Start-up' by DIPP

The Government has issued revised guidelines *vide* Notification dated 19th February 2019, on obtaining recognition as a Start-up superseding all the earlier notifications. An entity fulfilling the following conditions can be recognised as 'start-up' by DPIIT-

- ▶ an entity* which has not completed more than 10 years from the date of its incorporation/ registration in India,
- ▶ turnover since incorporation not exceeding INR 100 crore in any preceding financial year,
- ▶ working towards innovation, development or improvement of products or processes or services, or should be a scalable business model with a high potential of employment generation or wealth creation,
- ▶ not have been formed by splitting up, or reconstruction, of a business already in existence.

**entity means incorporated private limited company, registered partnership firm or LLP.*

An entity would cease its status as start-up on completion of 10 years from date or incorporation/ registration or if turnover exceeds 100 crores for any previous year.

Start up India – benefits under Central Government Scheme and income-tax benefits

What are the key benefits available once recognised as start-up?

Benefits under Start up India Scheme

- ▶ **Equity funding** support by GOI – Fund of funds
- ▶ **Highly liberalised procedures** to avail foreign borrowings upto US\$ 3 mn in a year wherein start-up can avail borrowings with no restriction on end-use restrictions, debt : equity ratio, all cost ceiling, etc.
- ▶ Start-ups avail **benefit of self-certification** (through the Start-up mobile app) with 9 labour and environment laws (including Provident Fund, Employee State Insurance, etc). **No inspections under labour law will be conducted for a period of 3 years.**
- ▶ **Fast-tracking of start-up patent applications.** Also, start-ups are provided an 80% rebate in filing for patents and 50% rebate in case of trademark application
- ▶ Relaxation in public procurement norms for GOI undertakings
- ▶ Start-up **ecosystem** for networking and global market access and knowledge exchange
- ▶ **Faster exit** (90 days vs 180 days for other companies)

Start up India – benefits under Central Government Scheme and income-tax benefits

What are the key tax benefits available once recognised as start-up?

Key income-tax benefits

- ▶ **Tax benefit for Start up (company or LLP) set up between 1 April 2016 to 31 March 2021**
- ▶ **100% Tax holiday benefit** – a separate registration should be obtained from income-tax department
 - ▶ Time limit to avail 100% tax holiday by eligible start-ups has been extended from any **3 consecutive years**, out of a block of 7 years, to 3 consecutive years out of block of 10 years
 - ▶ In line with the start-up policy, the annual turnover threshold criteria for availing income tax holiday has been increased from INR 25 crore to **INR 100 crore**
 - ▶ **Deferral of ESOP taxation:** - 5 years from the year in which the specified security or sweat equity share is allotted or transferred to the employee; (2) Date of the sale of specified security or sweat equity shares; (3) Date of cessation of employment
- ▶ **Non-applicability of angel tax provisions** – start-ups are allowed to raise capital from investors with no valuation requirement under tax law – subject to certain conditions no tax on investments received above fair market value
- ▶ A dedicated 'start-up' Cell within the tax department to redress grievances

Start up India – State level policy also provides for support

Apart from Central Government Schemes for Start up, State Government schemes should also be considered

Each state policy on start up would need to be evaluated separately

- ▶ Each state have their own start up policy and conditions to encourage innovation and to provide state level fiscal benefits and support to start-ups
- ▶ E.g. Maharashtra State Innovative Start-up policy 2018 sets out policy for a period of 5 years i.e. 2018 to 2023:
 - ▶ Start up should not have crossed INR 25 crores;
 - ▶ Policy also specifically states that the Government of Maharashtra also lays emphasis on start-ups in social sector which includes agriculture, food security, clean energy, water sanitation and conversation, etc
 - ▶ “LEAPFROG” support i.e.

Lighten regulatory compliance	Funding start-ups
E-connect the Ecosystem	Realizing Human Potential
Augment Infrastructure	Organise competition and events
Partner with Industry	Governance



Modernization of existing or setting up a new food processing unit

-An insight into Government of India's scheme

GOI schemes promoting food processing sector

Pradhan Mantri Kisan Sampada Yojana (PMKSY)

In 2017 various schemes were restructured to form a new central government scheme comprehensive package to give a renewed thrust to the food processing sector in the country

Objective of PMKSY

- ▶ Providing a boost to the growth of Indian food processing sector
- ▶ Creating modern infrastructure, with efficient supply chain infrastructure and management, from the farm gate to the retail outlet
- ▶ Increasing the processing level and reducing wastage of agricultural produce
- ▶ Improving the availability of safe and convenient processed foods at affordable prices and enhancing the exports of the processed foods from India
- ▶ Providing better prices to farmers, and helping in doubling farmers' income
- ▶ Promote research and innovation

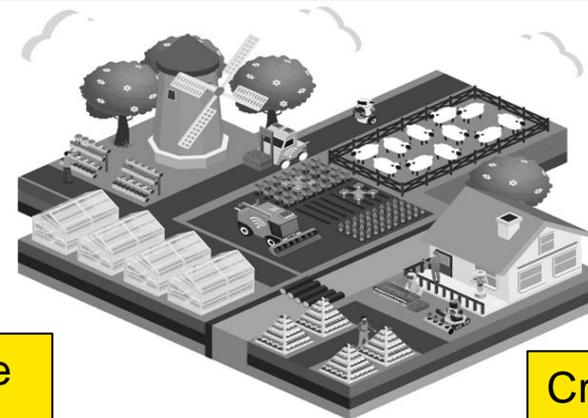
Schemes for

Mega food parks

Integrated cold chain and Value addition infrastructure

Food, Safety and Quality Assurance infrastructure

Human Resources and Institutions



Operation Green

Infrastructure for agro-processing clusters

Creation of backward and forward linkages

Creation/ expansion of food processing/ preservation capacities

A birds eye view on scheme for creation/ expansion of food processing/ preservation capacities

Scheme Creation/ Expansion of Food processing and preservation capacities

Objective of the scheme

Creation of processing and preservation capacities and **modernisation/ expansion** of existing food processing units which will help in:

- increasing the level of processing,
 - value addition and
- thereby lead to reduction of wastage and enhancement of farmers income

Sectors included in scheme

Sectors include food processing sectors eligible under the scheme (few examples):

- Grains/ pulses, oil seed milling and processing based on modern technology
- Modern rice milling
- Ready to eat/ ready to cook food products/ breakfast cereals/ snacks/ bakery and other food products including nutritional health foods

Scheme specifically recognises importance of innovation in food processing

“Food processing industry is fast growing industry and **several innovative processing technologies** are being developed day by day which can also be considered under this Scheme if deemed fit”

The Scheme envisages grants-in-aid:

Grand in aid (% of eligible project cost)	Areas
35% upto to maximum of 5 crores	General areas
50% upto to maximum of 5 crores	North East States including Sikkim and difficult areas namely Himalayan States (i.e. Himachal Pradesh, Jammu & Kashmir and Uttarakhand), State notified ITDP areas & Islands

Specific State policies and income-tax benefits should also be evaluated

Apart from the Central Government Scheme, various State level scheme also need evaluation

- Income-tax incentives/ deductions available for food processing sector
- Critical to also evaluate eligibility criterias and conditions and to avail the highly concessional income-tax rate regime:
 - for manufacturing companies incorporated after 1 October 2019 taxable at 15% (excluding surcharge and cess) and
 - for existing manufacturing/ trading companies incorporated before 1 October 2019 tax rate of 22% (excluding surcharge and cess)

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Thank you..!!