

Taxability of Agricultural Income in India: A Study

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doi: <https://doi.org/10.37745/bjmas.2022.0458>

Published March 30, 2024

Citation: Das P.K. (2024) Taxability of Agricultural Income in India: A Study, *British Journal of Multidisciplinary and Advanced Studies: Agriculture*, 5(2),1-14

ABSTRACT: *Tax contributes substantial amount of revenue to the Government. Income Tax Act,1961 exempts agricultural income from taxation. The Act benefits the rural agriculturalists with exiguous income, but large scale farmers and agricultural companies essentially manipulate it and, thus, violate the motive of the clause. While the economists and Government-appointed committees firmly contend for levy of taxes on agricultural income in India on equity and efficacy cogitations, many others withstand cold-bloodedly. There appears monophonic dun to empower the Central Government to levy taxes precisely on agricultural incomes. Apropos the proposed taxation of agricultural income, the present paper examines different aspects of taxation of agricultural income under the Act besides certain primal concerns. Persistent under-taxation of agricultural sector in India precipitates solemn deformity and causes modest overall tax compliance. The researcher, therefore, suggests taxation of agricultural income with others under the Central Government.*

KEYWORDS: agricultural income, tax on income, equity, efficiency

INTRODUCTION

With booming outlay, the Government of India is under incessant pressure to yield revenue without much contortion. Although rural population mostly depend on agriculture, only 20% of agricultural income is held by 4% of the agriculturists. Taxation of agricultural income can yield big return despite its implementation has been a subject of substantive controversy for unwonted socio-economic structure of the Indian population. Untaxed agricultural sector has precipitated the problems of both taxes and tax evasions. Staid disparities in taxation have been observed due to evidence deposition of thriving affluence of the rural agriculturists, the major recipients of non-taxation of agricultural income. These breed incessant demands from diverse facets for imposition of taxes on agricultural income. As against these, many have been withstanding its taxation because of awfully pricy of collecting taxes from this sector which even exceeds tax revenue. A major challenge to taxation of agricultural income is politics. Most of them have been living in poverty and,

Published by European Centre for Research Training and Development-UK therefore, taxing this sector will convey the signals that the Government is pursuing anti-poor policies. Government supports through subsidy like minimum support price (MSP), public distribution system (PDS), etc. for prudence of food economy. These again are accompanied by cogitation of achieving self-support in food production and confirming every individual's adequate supply of food grains for subsistence. Against this background, the present paper attempts to explain the meaning of agricultural income and reviews the available literature on taxation of agricultural income in India. In the end, certain important issues covering taxability of agricultural income at the central level as also state level have been examined and necessary suggestions offered in relation thereto.

METHODOLOGY

The study is descriptive in esse and stewarded by literatures apropos the essence. Further, the paper expresses the author's own opinion and thought. Descriptive study has been well-liked for in-depth knowledge. This study is essentially built on secondary data collection stratagem approached through the Internet and academic databases viz. literature reviews, website, journals, news papers, etc. for the study of taxability of agricultural income in India. All the collected data are staged methodically thereby tectonic eduction have been drawn. Editing and classification of the data have been done as per the desideratum of the study. For the purpose of schematizing the puissance of taxability of agricultural income, the author has employed his own skill. The oeuvre of this paper is circumscribed to originate fundamentally nitty-gritty of agricultural income. In the second place, an appraisal on the cardinal pursuit humping the fruit of taxability of agricultural income in India has been limned. This motif has towed the meticulousness of the author as the macro-economic policy being hounded within our country is administered by both potency and objectivity cogitations to greet the discrete exigencies and dreams of different sections of the Indian society. Mechanism of analysis is constructive for ruminating strength of taxability of agricultural income.

Objective of The Study

The paper avouches to clinch the prologism of taxability of agricultural income in India and also luculent key themes sheeting taxability of agricultural income at the central echelon as also state echelon.

Agricultural Income-Concept

Agriculture includes horticulture, arboriculture, sylviculture and encompasses cultivation of all commodities of food value like sugarcane, coffee, mangoes, etc., artistic and decorative value like flowers and creepers, housing value like bamboo, timber, medicinal and health value. As per Article 366 of the Constitution of India, 'agricultural income' specifies agricultural income especially for the enactment of the Indian Income tax Act. Agricultural income under the provisions of the Income Tax Act, 1961 becomes relevant as regards levy of tax on such income. As specified u/s 2(1A) of the Act, agricultural income includes: (i) any rent or revenue derived from land; (ii) any income derived from land by agriculture or

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from processing of agricultural produce; (iii) any income from farm building. These three types of income shall be treated as agricultural income only if the following conditions are satisfied:

- 1) Income should be derived from land: It points to source from which income springs and not any secondary or remote source [CIT v Kamakhya Narayan Singh (Raja Bahadur) (1948) 16 ITR 325 (PC)].
- 2) Land should be situated in India: Land should be situated anywhere in India, in urban area or rural area. It may or may not be subject to land revenue or any local rate.
- 3) Land should be used for agricultural purposes: The Supreme Court in CIT v Raja Benoy Kumar Sahas Roy (1957) 32 ITR 466 has held that the land is said to be used for agricultural purposes where both basic operations and subsequent operations are carried out on such land. Basic operations demand expenditure of human labor and skill upon the land and further they are directed to make the crop sprout from the land. Subsequent operations have to be employed by agriculturists for efficacious production of crop like digging soil, weeding, tending, pruning, cutting, etc. Both the basic and the subsequent operations together form the interwoven exertion of agriculturists. However as per Explanation 3 to Section 2(1A) of the Income Tax Act, any income derived from saplings or seedlings grown in nursery shall be deemed to be agricultural income. Accordingly, irrespective of whether the basic operations have been carried out on land, such income will be treated as agricultural income, thus qualifying for exemption u/s 10(1).

Income imputable to farmhouse constrained by the condition that the building is situated on or in the immediate vicinity of land and is used as dwelling house, store house or other out-building and land is levied to land revenue or local rate, or alternatively, the building is situated on or in the immediate vicinity of land which is situated in rural area is also treated as agricultural income u/s 2(1A)(c).

Crucially, agriculture implies raising of food and grains for consumption as also includes all products cultivated through both basic and subsequent operations. These products, may be grain or vegetable or fruits including plantation and groves or grass or pasture for consumption of beasts or articles of luxury such as betel, coffee, tea, spices, tobacco, etc. or commercial crops like cotton, flax, jute, hemp, indigo, etc. (Singhania, 2020). These products also include certain forest products such as Sal and Pyasal trees, Timber, Tendu leaves, etc. However, bare linkage with land is not classified as agricultural activity. Therefore, dairy farming, breeding and rearing of livestock, poultry farming, etc. do not embody agricultural activities.

The Act has stipulated rules to crumble blended business incomes into partly agricultural and partly non-agricultural in nature.

- i) Income from growing and manufacturing of any product other than tea (Rule 7): Rule 7 provides that in determining the partly agricultural income which is chargeable to income tax, market value of agricultural produce lifted by assessee or received as rent-in-kind and used as raw materials in business is deductible from business profits as agricultural income.

ii) Income from growing and manufacturing of rubber (Rule 7A): Under Rule 7A, regarding income derived from sale of centrifuged latex or cenex manufactured from rubber plants grown by seller, 35% of such income shall be treated as taxable business income and the balance 65% as agricultural income.

iii) Income from growing and manufacturing of coffee (Rule 7B): Under Rule 7B, considering income derived from sale of coffee grown and cured by seller, 25% of such income shall be treated as taxable business income; the balance 75% of income as agricultural income which enjoys exemption from tax. However, as regards sale of coffee grown, roasted and grounded by seller in India, with or without mixing chicory or other flavoring ingredients, 60% of such income shall be treated as agricultural income and the balance 40% as taxable business income.

iv) Income from growing and manufacturing of tea (Rule 8): Rule 8 executes only where assessee cultivates tea leaves and manufactures tea in India. In such cases, 60% of the income from such mixed operations shall be treated as agricultural income and the remaining 40% as taxable business income.

LITERATURE REVIEW

Sengupta (2012) discussed the benefits ought to resurrect debate at two different levels i.e., endorsing comprehensive taxation of incomes including agricultural income and presenting necessity for making appropriate exemption based on taxation of agricultural income in India.

Ojha (1969) attempted to discuss taxability of agricultural income in India and identified difficulties in its implementation. Amendments can be framed in the Act following that certain incomes from agriculture will be treated as non-agricultural income and taxed accordingly. In his views, income from letting out of land for agricultural use is not agricultural income.

Raj (1973) demonstrated that tax ratios for non-agricultural and agricultural incomes are incomparable. If made comparable, tax revenue from agriculture would be lower than what is now. Farm households pay higher proportion than their competitors in the non-farm sector. Land revenue could be more progressive by introducing graduated scale of surcharge.

Pandey and Ragavan (2016) in their article demonstrated that unlawful and undisclosed incomes spring if agricultural income remains untaxed. Apart from inconvenience precipitated to farmers, agricultural earnings affect tax on food. Taxing farm profits can stimulate food tax drastically. Resultantly, people failing to earn sufficient money find it tough to meet their needs.

Shetty (1971) studied existing difference in tax burdens of farm and non-farm sectors due to their diversity designs. The paper measures inter-class burden of taxation by collocating two sets of data: data on income distribution and data on tax burdens at varied income levels.

Gandhi (1969) found that revenue generated from integration of State agricultural income tax with the Central income tax can finance development plans. It needs to handle certain issues regarding taxpaying entities, renunciation of agricultural income from tax base, deductions, special tax incentives, administration and distribution between the Centre and the States, etc. Further, the author proclaimed necessary amendments in the Act for integration.

Alagh (1961) contended that agricultural income tax can be viewed as significant source of resource mobilization and development schemes. The author found that revenue from agricultural income tax cultivates tax revenues. Although there are certain administrative difficulties, presumptive assessment can assess agricultural income tax liability of small landholders.

Mishra and Kulkarni (2017) studied both tax avoidance and tax evasion in the agricultural sector in India. Many taxpayers distort exemption of agricultural income by treating their non-agricultural incomes as agricultural incomes. Imposing tax on agricultural income can bring large farmers' and agricultural companies' huge incomes from agriculture within tax ambit. Further, there is significant difference between Government's valuation of agricultural land and its market price. Consequently upon sale of land, black money is generated with loss of revenues. The Government should occasionally revise agricultural land values.

Khan (2001) studied the experiences from developing countries like Asia, Africa, Middle East, North America and Latin America about taxation of agricultural income. Although taxes on agricultural products have dwindled, revenues generated have not improved simultaneously. Moreover, he noted that these countries employed presumptive assessment with varying degrees of success. Overall, taxation of agricultural income has possibilities for elevated revenue but administrative and political considerations are obstacles towards implementation.

James (2004) proposed justifications for the levy of agricultural income tax in India. The Central Government should have absolute power to tax all incomes including agricultural incomes. Agricultural income tax can finance investments in agriculture and also address the needs of the rural poor through social security net and improvement of health and education infrastructure.

Pandey (1999) insinuated that everyone engaged in agricultural sector receives subsidies from Government. It is justified for poor and marginal farmers; but wealthy agriculturists receiving benefits from such subsidies do not contribute to the national tax revenues. So following the principles of equity, it requires to mobilize revenues and remove tax shelter being enjoyed by some assesseees to launder their taxable money.

Rajaraman (Rajaraman & Bhende, 1998; Rajaraman, 2005) observed in the study that due to improper book-keeping and cash-based transaction in agricultural sector, conventional system would not work to bring agricultural income under taxation regime. She proposes land-based cum crop-specific levy of tax which includes less information and adapts farmer's ability to pay income tax.

The CAG (Comptroller and Auditor General of India) studied a sample of 6,778 cases in 2019 out of 22,195 scrutiny assessments carried out by the income tax department during 2014-15 to 2016-17 of those having agricultural income claim of more than Rs. 5 lakhs. Agricultural income of Rs. 3,656.25 crores were claimed of which Rs. 2,544.21 crores were allowed. Lack of experience of local authorities in handling such tax and absence of uniform system in each State get obviated by the presence of Central Government machinery which guides them to implement the provisions properly. The CAG recommended that the income tax department should tighten its system in allowing exemption of agricultural income stating that the existing system is porous and open to misuse (CAG, 2019).

RESULTS AND DISCUSSIONS

Agricultural Income Tax at State status

The Government of India makes separate provision for taxation on agricultural income for the States and the provinces incipiently in 1935. Income Tax Act segregates agricultural income from non-agricultural income and empowers States to levy tax on agricultural income. In 1938, Bihar as the first State imposed tax on agricultural income to retract revenue losses and low yield from land revenue. At present, few States like Odisha, Bihar, West Bengal, Assam, Tripura, Karnataka, Tamilnadu and Kerala levy this tax on a limited base. States levy tax on agricultural income to suit local conditions. Assessee's agricultural income is charged tax for each financial year. Rates of tax are fixed under the State-level enactments in some States while in others, the Finance Act fixes rates. Besides, States fix exemption limits below which agricultural incomes are tax-free. Of late, few States do not levy taxes at all while in some other States, levy remains confined to incomes from plantations only.

Agricultural Income at Central status

According to Section 10(1) of the Income Tax Act, 1961, agricultural income is exempted from income tax liability. 'Agriculture' as a subject has been subsumed in the State list under the Constitution of India and, therefore, the Centre cannot levy taxes on agricultural income. Since 1973 on the observation of the Raj Committee, the Central has been adopting partial integration system by adding agricultural income of a person with his/her non-agricultural income for determining the rate of income tax to be applied (Report, 1972). The Center by its typical juridical power can amend the definition of agricultural income and define the boundaries of the States while remaining within the bounds of the Constitution. However, agricultural income is considered for income tax rate purposes subject to satisfaction of the following conditions:

(I) Taxpayer is an individual, an Hindu Undivided Family, a body of individuals, an association of persons or an artificial juridical person; (II) Agricultural income should be more than Rs. 5,000 during the previous year; and (III) Non-agricultural income exceeds the exemption limit in the relevant previous year. A combined reading of Entry # 82 of the Union List and Entry # 46 of the State List explicates that Parliament is incompetent to tax agricultural income. The provision is constitutionally valid [Abdulla vs. ITO 161 ITR 589/Union Home Products Ltd. vs. Union of India (1955)215 ITR 758 (Kar.)].

Taxing Agricultural Income under Central Income Tax

Income Tax Act empowers the Central Government to tax on non-agricultural income only. Rather, State Governments levy and collect agricultural income tax under the Eleventh Schedule of the Constitution. Despite the constitutional limitations, the Center keeps attempting to tax agriculture indirectly. Revenues collected from agricultural incomes are marginal. Tax collected from agricultural income has been less than half of a percent of the tax revenue collected by each of the States (James, 2004). In this context, the Task Force on Direct Taxes under the Chairmanship of Mr. Vijay Kelkar recommended in 2002 the urgency for the Central Government to withdraw power from the State Governments to tax agricultural income (Kelkar, 2002). Nominal taxation by the States causes grim contortions in equity and encourages laundering of taxable non-agricultural income as agricultural income and has been sweeping channel for tax evasion. James suggested that the Central Government should exercise entire power over taxation from all sources of incomes including agricultural income (James, 2004).

Share of agricultural sector in GDP has been declining over the years. This is particularly because agricultural sector employs about 42% of the labor force in India. Therefore, per capita income of people living in rural areas is much lower than those in urban areas. The rich farmers of rural areas have been the leading recipients of the exemption of agricultural incomes. In fact, incomes of one segment of farmers in the rural areas of Punjab, Haryana and Western Uttar Pradesh have been fast-expanding, badly surpassing incomes of the middle class in urban areas. This instituting stern contortions in equity makes the middle class to hoot for the levy of elevated taxes on the rich agriculturists.

At present, taxes levied in the agricultural sector at State level mainly include tax on agricultural income and land revenue that have been less mainly due to low land revenue rates in almost all States while the survey and settlement procedures in land revenue administration have been expensive. Therefore, there is an urgent need to boost revenue collections from taxes through reforms.

Further, there are inadaptable regulatory environment and export restrictions of agrarian structures. Still, agriculture exports have been developing with elevated profitability. India has achieved self-sufficiency in food production; economists propose for reduction of subsidies on agriculture offered to farmers in the guise of fertilizer and power. In contrast, some others have suggested to continue subsidies to the poor farmers and thus enjoy their political supports. These justify for imposition of taxes on agricultural income-tax across the States on uniform basis.

Problems and Solutions of Agricultural Income Tax

Taxing agricultural income is pugnacious in India. Agricultural income gets exemption from tax u/s 10(1). Unfortunately, rich farmers and large corporations dissipate this exemption. Plenty of non-agricultural income is claimed as agricultural income for tax evasion.

There are arduous issues in establishing agricultural income under tax orbit. In a country like India where 80% of the farming community belong to small and marginal farmers,

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imposing tax on farm incomes is as monetary corruption. Agricultural sector is predominantly homey and motivated by cash-settled transactions without account maintaining skeleton.

Taxing agricultural income at State level is no-win. There is rationale for its integration with the Central income tax and perpetrating it systematic across the States. Integration enhances tax revenues for the Government and ensures fair-mindedness across different sections of the society. It, thus, becomes apposite to discuss certain problems concerning taxation of agricultural incomes by the Central Government and their doable solutions.

Primarily, it becomes imperative to contemplate the question of estimation of agricultural incomes if such incomes need taxable under the Central income tax law. According to Section 145 of the Income Tax Act, 1961, agricultural incomes will be computed based on accounting method regularly exercised by assessee. In the absence of such method, income tax authorities can assess total income according to their best judgment. This provision, however, becomes futile as taxpayers having agricultural income do not generally maintain necessary accounts. Viability of presumptive assessment cannot be ousted for this purpose. Many foreign countries use presumptive technique to evaluate agricultural income. Under this technique, different types of lands are assessed based on income per hectare, fertility of land, utilization of capital equipments on farm, crop yield, family size, cost of marketable surplus, etc. However, farmers discontented with presumptive technique must pay tax on actual income but the onus of furnishing proper accounts needs well-establishment.

Multiple deductions to be allowed from gross agricultural income of an assessee is an important issue. Different States allow varied deductions e.g. land revenue, local rates and cesses, depreciation on capital assets, maintenance cost of assets, interest on borrowed capital, expenses on cultivation, harvesting, transportation, marketing of agricultural produce, etc. Section 37(1) allows, however, general deduction for expenses for the computation of taxable income under the head, 'Profits and gains of business or profession'. This provision becomes redundant because many farmers do not maintain accounts. In such case, certain percentage of estimated agricultural income can be allowed as deduction to obtain net agricultural income of assessee.

Administration of agricultural income tax is another tectonic dilemma. For integrating the State-level agricultural income taxes with the Central, the Centre would be empowered to levy tax on agricultural incomes across different States and Union Territories. In this ballgame, the Kelkar Committee on Direct Tax Reforms (2002) recommended that this can be achieved by asking the States to voluntarily surrender their powers under Article 252 of the Indian Constitution to avoid lengthy Constitutional Amendment (James, 2004). However, the State Governments cannot be obligated to surrender their taxing powers. Alternatively, Constitutional Amendment can bring taxation of agricultural incomes under the purview of the Centre through passing two-third majority in both the Houses of Parliament and also ratification by majority of State Legislatures. But, net tax receipts under the Centre should be apportioned among different States in specific proportion like origin of agricultural incomes or residence of assesseees. Like now, requisite political will to push through with such an amendment is lacking. Hence, to increase the tax payable by

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agricultural sector, another solution would be to apportion agricultural income tax receipts among different States according to the recommendations of the Finance Commission.

The biggest resistance to the taxation of agriculture has been politics. Influential politicians, microscopic public contributions, crappy services and extant load of implicit taxes are largely responsible for meager finance of agricultural producers in India. Resistance is also for cognate absence of social insurance system by the Government. Agriculturists who are marginally above the poverty line and depend on rain for their agriculture would hardly accept any increase in tax liability without protest. Sometimes, rich farmers oppose Governments' venture to abandon land to continue disobeying land ceiling regulations which is crucial for the welfare of the poor. Political and administrative aspects of taxing agriculture in most developing countries hamper rational and equitable tax regime that discomfort rich land owners who are main recipients of public investments, input subsidies and credit programs for agricultural development (Khan, 2001).

Tax Administration machinery in rural areas is basically poor. Considerable amount of agricultural income in these areas are non-taxable under the Central Income Tax. Farmers' tendency to shift from basic crops to cash crops and on to non-farm activities produce problems to tax administrations. Many households fathoming basic rooms for evasion disclose taxable non-agricultural receipts as non-taxable agricultural receipts. Declaration of high yield figures for agricultural crops and artificial depression of expenses to produce outsized figures of non-taxable agricultural income is reverted for circulation. Tax administration acknowledges this stratagem of urban taxpayers for tax planning. Misstatement of income to expurgate black money is applied as equity or working capital margin in business or in real estate investment. Illicit collections like bribes, brokerage for Government contracts are legislated equally (Report, 2001). However, such misrepresentation of income also replicates failure of income tax department to catch evasion. Argument for keeping agricultural income tax outside the domain of the Central due to high cost of collection is outvied by the negatives of retaining the exemption on agriculture and perduring to permit easy route for evasion. Moreover, entrance of large corporations into regularized stratagem with farmers adds fuel. Corporations supply finance, fertilizer, seeds and other inputs to farmers and also retrieves their products at agreed prices. Resultant income is, thus, turned out as agricultural income. Such activities have been stoking and the agricultural sector is breeding crescively commercialized. Hence, it becomes imperative to incorporate the rich farmers in the tax net, otherwise, agricultural sector will turn into conducive mechanism for tax avoidance albeit not tax evasion.

As per Rule 114C of the Income Tax Rules, 1962, non-taxability of agricultural income causes anxiety to tax administration. Average taxpayers' exposing principles are not protracted to those earning tax free agricultural income. Arresting laundering of non-agricultural income as agricultural income rests on tax administration itself (Chelliah, 2002). Discerning evasion and raising penalty can uplift tax compliance for persons reaping income from specific sector, but huge untaxed sector interdicts the strength of tax administration to encounter evasion. Penalty outweighs deficiency but it needs moderations because penalty can broadly foster corruption without lessening compliance (Sebastian, 2003).

SUGGESTIONS

- ❖ There should be a high basic exemption limit expecting to tax only the rich farmers. Limit can then reasonably be downed to align it with other sectors and provide sector specific exemptions to obviate negative impact on investment.
- ❖ Expenditure on social insurance schemes can be escalated for small farmers and farm labourers in rural areas to lessen adversity to the elevated taxation of agricultural income.
- ❖ Distinct delineation should be made in the income status of different groups viz. large income, small income and corporations so that the higher tax bracket is charged agricultural tax.
- ❖ Agriculture taxation can be based on land area, agriculture produce, rental income, etc. In Asia, Middle East and Europe, it is based on either land area or value or quantity of output from land.
- ❖ Criterion of equity, ability to pay, etc. are best served when tax is based on actual income of an individual.
- ❖ Presumptive tax widens tax base by expanding number of taxpayers besides their payments at low administrative cost in countries like Argentina, Brazil, Chile and Mexico.
- ❖ The Indian Government should analyse the transition to Direct Tax Code with special focus on taxation of agricultural income, corporate tax and agricultural tax to prevent tax evasion (Alagh, 1961, Khan, 2001).
- ❖ All political heads can arrange conclave to examine the issues on taxation of agricultural income and bring it under taxation like any other normal income of taxpayer. Focus of the discussion cannot be on one's personal interest or of a certain political party but on the direction of the country.
- ❖ Agricultural income tax like indirect tax on goods can be incorporated into GST after discussion with the States.
- ❖ Before approaching to refashioning agricultural income tax, procurement policy, price policy, public distribution system, etc. exact forethought. Taxation policy, if rationally treated, will not disdainfully smite the average farmer.
- ❖ Developing technique of agricultural income above a particular threshold is necessary. Income tax necessitates payment if agricultural income and regular income exceed certain threshold.
- ❖ Agriculture must be reckoned as business for tax purposes. Expenses concerning farm inputs, labor, interest, crop insurance premium or leased land rentals should be deducted from income.
- ❖ Governments may amplify schemes through direct payment programs with exposure of farmers' real incomes like advanced countries. Governments' specific programmes can upgrade work efficiency and income levels.
- ❖ Agricultural income can be taxable with slab rates and basic exemption to ensure progressive tax collection. Progressive tax can be certain for farmers and prohibits those farmers having meagre land revenue.

- ❖ The Government can significantly lower its regressive tax on commodities and services by collecting taxes on agricultural income. Further, exorbitant tax rates, the highest rate of tax in the world, can be lowered to benefit the tax payers.
- ❖ Definition of 'agricultural income' needs amendment. Income uncovered by the revised definition can then be subject to tax to ensure that only the high-income farmers come under the purview of taxation and the interest of small-scale and mid-scale farmers is protected.
- ❖ To tackle evasion, tax administration at rock-bottom needs to generate database to incorporate details of agriculture holdings and crop productions of all persons for estimating their accurate income, and also for arresting misrepresentation of ownership of agricultural land.
- ❖ Routine audit of tax returns and deterrent punitive action can address large amount of evasion.
- ❖ Every citizen by law are required to comply with the reporting essentials irrespective of sources of income (Rajaraman, 2003). In favor of equity, the rural rich who chiefly extract income from agriculture should afford more in the shape of taxes.
- ❖ The Central Government be empowered complete power over taxation of all forms of income.
- ❖ Public resistance can be lessened if resources from taxing agricultural income is kept in a special fund for the development of agricultural sector.
- ❖ There is a need to strengthen local Governments and contract their dependence on grants from the State and Central Government.
- ❖ Yield-based tax can be imposed in the interim or incorporated into the Central presumptive tax formula.
- ❖ Benefits from taxation of agriculture should be applied to finesse the needs of the indigent by proposing exhaustive social security net and also by bettering the health and education infrastructure for the poor in rural areas.
- ❖ With comprehensive tax and expenditure package, there is a plausibility of political support to the elevated taxation of agriculture that can successively boost the economy at large.
- ❖ The Central Government should remove restrictions of export controls on marketing and transportation of agricultural products as these controls usually outlive their utility.
- ❖ Policies offering more freedom to farmers can be packaged with a proposal to tax agricultural sector by the Center for increasing the scope of the latter's acceptance by the public.

CONCLUSION

Levy of taxes on agricultural income in India under the Central income tax is justifiable on cost-effective grounds as also from objectivity and efficacy. Restricting the tax powers of the Central Government exclusively to non-agricultural income is likely to minimize their efficacy and feeds a handy roadway to evasion. However, benefits of ballooning agricultural incomes have enriched chiefly large farmers, specific farm owners and corporations who have been cropping bulk of the benefits of public investment, subsidies and credit facilities

Published by European Centre for Research Training and Development-UK from the agricultural sector. Poor farmers are not real beneficiaries from illimitable tax-free income. There are high intrigue for fully exemption of agricultural income. The present system has fizzled to arrest the growing disparities in the distribution of agricultural income and wealth within the farming community and also across different sections of the society. Strong resistance to its taxation has been from the political front. People living in rural areas are directly or indirectly dependent on agriculture. There is robotic necessity of social insurance scheme which the Government offers to farmers dependent on rains for agricultural products and living barely above the poverty line. These farmers object against increase in tax liability. Intention of the Government to provide entire benefactions to farmers would be better by restoring threshold for tax-free agricultural income.

Research Comment

The central objective of AIT should breed reforms in the taxation system to widen tax base, remove tax shelter and, of course, generate revenues to demote fiscal deficit of Governments. Subject of AIT is daedal and choice of policy option ultimately rests on the objectives Governments' intention to consummate. Revenue generation is not the sole objective of Government. Government must design policies to bring reforms for equitable growth (Gupte, 1949). Two key pillars for selecting any policy option for AIT in India are 'reforms and revenue'. Issue of accepting the best mix of policy options needs simplification into the conundrum of why to tax, whom to tax, what to tax, how-to tax and who will tax.

Implication of The Study

The study forasmuch as this bird's eye survey and also for scrimping the abidance of gleaming Indian economy meticulously stipulates and intuits the taxability of agricultural income for ecstatic congruence and revenue generation. An appraisal on the cardinal pursuit humping the fruit of taxability of agricultural income in India which portrays in the paper will manifestly yank the meticulousity of the readers as the macro-economic policy dogged inside India is sustained by both hardihood and essence phantasms to accost the distinct dilemma and dreams of disparate segments of the Indian society. Thus, the study would buttress the readers with intellection of all the magpie cogency of taxability of agricultural income beyond dogmatic canniness to be venerated. Further, Indian economy being stymied by Covid-19 epidemic challenges backing for infrastructure projects, placement, dent of pauperism, and also for perpetuating substantial revenue generation through taxing agricultural income with others to make India ATMA NIRBHAR. The study would succor the readers with insight of all the discrete desiderata beyond the problems and cocksure palladiums to be nurtured.

Future Study

The study is circumscribed to diaphanous taxability of agricultural income only and forbends microenvironment like politics. With the ballooning of tangential aspects to taxability, there is spectrum for further groundwork, first abutment among disparate particulars on the topic. The results of this study show that having taxability of agricultural income is welcome for

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revenue generation. Kinships should be cultivated with other disciplines, such as political environment, to detect how taxability veritably reckons crescively important political environmental issues. Researchers could address on the explicit consequences of having agricultural income at how they better dexterously to Indian economy. As the lack of taxability to agricultural income is an international phenomenon, the field would benefit from further international study. More proclivity and interaction among the researchers are required for limpidity about governance systems, methodologies and decisions. Future research should contemplate multipartite strata of examinations –individual, corporate and political environment.

ACKNOWLEDGEMENT

The paper is devoted to **ALMIGHTY GOD** who shows **HIS** blessings in all walks of my life.

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