



# Goods And Services Tax (Gst) On Agriculture – A Boon Or Bane

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**Abstract:** The introduction of Goods and Services Tax (GST) is a milestone in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. At the end customer, the most beneficial will be in the reduction in the overall tax burden on goods and services. GST also involves making Indian products most competitive in the domestic and international markets. Though there are certain difficulties in understanding GST, it is clear that GST can enhance the transparency and uniformity might boost up the Indian Economy from all sectors. The withdrawal or reducing GST on Agricultural products and utensils may definitely be beneficial for the agriculture sector. The largest contributor to India's GDP overall is the agriculture and allied industries are approximately 16% of India's GDP is covered. Hence, in the present paper it is being discussed the various disciplines of GST on Agriculture sector and its impact in detail.

## **Index Terms - Goods and Services Tax, Agriculture**

### **I. INTRODUCTION**

The taxes imposed by both the central and state governments will substitute all the indirect taxes levied on goods and services under Goods and services tax. GST taxation is applicable only on value addition i.e., every person who pays tax on his outputs is entitled to get input tax credit on tax paid and hence it is labeled as “One Tax One Country”. Indian agriculture is criticized for poor supply chain and not so easy interstate trade. With introduction of uniform taxes, seamless transport of agricultural commodities is expected. Earlier VAT taxes varies across states that discourage transportation to distant markets. Perishability factor, timeliness and post-harvest losses of horticultural commodities are also taken care of. GST will also strengthen e- Name (National Agriculture Market project) that provides online portal for electronic trading of farm produce to different ‘mandis’ across India.

The agricultural products of country are exempted from tax and there is no high negative impact on the farmers. The fertilizer, seeds, pesticides and Farm machinery including tractor, tillers are things of concern in GST taxation with variable range namely, 18% tax rate on pesticides, 15% on drip and sprinkler irrigation equipment (earlier 5% under VAT), electric motors are taxed at 12% from 7% and pesticide sprayers at 18%

from 6% among farmers and also manufacturers. The tax rate of the tax is subject to revision and can expect a similar reduction in rates for other farm inputs and machinery as and when request from the farmer community.

Short term obstacles in implementation of GST can create inflation and hike in input cost but in long term it might benefit farmers by easy movement of commodities, integrating markets and better prices for produce.

## II. SCOPE OF GST

Goods and Services Tax had been proposed to introduce a single tax on supply of goods and services or both, by admitting all the central indirect taxes (excise duty, countervailing duty and service tax) and state indirect taxes (VAT, luxury tax, entry tax, etc). It seems to be more comprehensive, compliable, simple, harmonized and development oriented tax system.

The GST, unlike the traditional tax system, it is allowed the supplier at each stage to set-off the taxes paid at previous levels in the supply chain. It was essentially a value added tax at each level. The supply chain at the terminal level the customer levied by the GST by the last dealer.

The following beneficial things were noticed over the conventional tax system. The inception of unique tax system, it is expected to subsuming the taxes on agri-products and its commodities which facilitate more flexibility to farmers in exporting business.

The transportation is one of the major challenge in agricultural commodities because they are subjected to decomposition during lapsing of storage period. The unique tax system prevents the unnecessary transportation to long distances and prevents the wastage of food products. It is also understood that there was no uniformity among all states for the implementation of GST of agro-commodities.

## III. BENEFIT TO THE FARMERS FROM GST

India is among the top farming countries in the world, producing a wide array of produce for consumption by the people of India and exports. India is the second largest producer of rice and wheat in the world after China. With the GST set to change the indirect tax system of India, farmers are impacted by GST rollout. In this article, we look at the benefits to farmers from GST implementation in India.

## IV. FARMERS DO NOT NEED GST REGISTRATION

According to the GST Act, the farmers or agriculturists are exempted from GST registration or compliance requirements. The term agriculturists has been defined in the GST Act as: an individual or a Hindu Undivided Family (HUF) who undertakes cultivation of land own, the labor of family, or by the servants on wages payable in cash or kind or by hired person under his supervision or the personal supervision of any member of the family". Hence, it can be inferred the farmers involved in the agriculture of land GST exemption. However, any company or Corporation involved in farming or agricultural activities are not exempted from GST.

- The farmers are to be properly intimated and educated not to collect GST on their products and informed that they are exempted to file the GST to the authorities. However, the farmers are not exempted to pay GST on buying fertilizers (except organic manure) machinery like the tractors and other agricultural instruments from the branded companies (ranges from 5-18%). However, the buying of hand tools, such as spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry is exempted.

## V. GST ON AGRICULTURAL TOOLS

The GST rate for tractors is 12%, while the rate for parts and accessories of agricultural machinery is also 12%. Harvesting and threshing machinery attract a GST rate of 5%, while agricultural implements manually operated or animal driven, including sprayers and drip irrigation systems, have a GST rate of 5%. Milking machines and dairy machinery also have a GST rate of 12%.

### ***GST APPLICABILITY & TAX RATES ON AGRICULTURE***

- The GST rates on agriculture equipment vary depending on the specific equipment. Here are the applicable GST rates and HSN codes for some common agriculture equipment:
- Tractors: HSN code - 8701; GST Rate - 12%
- Harvesting and threshing machinery: HSN code - 8433; GST Rate - 5%
- Agricultural implements manually operated or animal driven, including sprayers and drip irrigation systems: HSN code - 8201; GST Rate - 5%
- Parts and accessories of agricultural machinery, such as ploughs, harrows, cultivators, seeders, trans planters, etc.: HSN code - 8432; GST Rate - 12%
- Milking machines and dairy machinery: HSN code - 8434; GST Rate - 12%
- It is important to note that certain items such as fresh fruits and vegetables, unprocessed cereals, unprocessed fish, and unbranded atta, maida, besan, and other such items are exempt from GST.

GST is a value-added tax that is levied on the value added at each stage of production, distribution, and sale of goods and services. Therefore, GST is applicable on the sale of agriculture equipment. The rate of GST applicable on agriculture equipment depends on the specific item and its HSN code.

## VI. GST RATE ON AGRICULTURE PRODUCTS

Under the GST law in India, certain agriculture products are exempt from GST while others attract GST at different rates. Here are the GST rates applicable to some common agriculture products:

- Fresh fruits and vegetables: Exempt from GST
- Unprocessed cereals: Exempt from GST
- Processed cereals and cereal products such as flour, rice, and bread: GST Rate - 5%
- Milk and dairy products: GST Rate - 5%
- Eggs and honey: Exempt from GST
- Meat and poultry products: GST Rate - 5%
- Sugar and jiggery : GST Rate - 5%

- Edible oils and fats: GST Rate - 5%
- Spices: GST Rate - 5%

It is important to note that while some agriculture products are exempt from GST, others are subject to GST at different rates. In addition, certain items such as unbranded atta, maida, besan and other such items are exempt from GST. GST is a value-added tax that is levied on the value added at each stage of production, distribution, and sale of goods and services. Therefore, GST is applicable on the sale of agriculture products. The rate of GST applicable on agriculture products depends on the specific item and its HSN code.

## VII. IMPACT OF GST ON THE AGRICULTURE SECTOR

The implementation of GST has had both positive and negative impacts on the agriculture sector in India. Here are some of the key impacts of GST on the agriculture sector:

### **POSITIVE IMPACTS:**

1. Increased Transparency: GST has improved transparency in agriculture sector by bringing more players under the tax net. This has helped to reduce tax evasion and increase tax compliance.
2. Streamlined Supply Chain: The introduction of GST has helped to streamline the supply chain in the agriculture sector by reducing the number of checkpoints and improving the speed of transportation.
3. Removal of Cascading Effect: The removal of the cascading effect of taxes, i.e., tax on tax, has helped to reduce the overall tax burden on the agriculture sector. This has made it easier for farmers to buy inputs and machinery.
4. Improved Efficiency: GST has helped to improve the efficiency of the agriculture sector by reducing the time and cost involved in tax compliance and transportation.

### **NEGATIVE IMPACTS:**

1. Higher Costs: The increase in tax rates on some items has led to higher costs for farmers and traders in the agriculture sector. This has had an adverse impact on their profitability.
2. Complex Procedures: The complex GST procedures and compliance requirements have led to confusion and increased compliance costs for farmers and small traders.
3. Lack of Clarity: There is still a lack of clarity regarding the applicability of GST on some agriculture products and services. This is led to uncertainty and confusion among farmers and traders.

Overall, while GST has had some positive impacts on the agriculture sector, there are also some challenges that need to be addressed to ensure that the sector can fully benefit from the new tax regime.

## VIII. CONCLUSION

The agriculture is backbone of Countries economy and millions of farmers are directly or indirectly depend on farming and they primarily belongs to low income families and below poverty line. In addition the life of the farmers are always depends on the Weather conditions which always not favour the crops cycles and makes agriculture as gambling business and tests the fate of farmer. The farmers are unaware of recent trends in agriculture and mostly follow traditional methods of cultivation which may not be profitable in many times. Though the GST on the agricultural products were exempted, the cost and GST on branded fertilizers or pesticides, processing of raw agri-products in to fine and consumable products and on the machinery is

very high which is certainly increase the input cost and decrease the overall profit on the produce. Hence it is recommended that government policies on the implementation of GST on the farmers who are depending on the modern systems of agriculture and hire the machinery from the private parties (also part of agriculture) has to void the GST in order to improve and make agriculture as more profitable and attractive to young generation and to reduce the unemployment in youth. Proper education on the GST and government policies to the youth and farmers on the agriculture and its allied business which make the farmers a Boon.

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