



INTERNATIONAL LAW
JOURNAL

**WHITE BLACK
LEGAL LAW
JOURNAL
ISSN: 2581-
8503**

Peer - Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

WWW.WHITEBLACKLEGAL.CO.IN



WHITE BLACK
LEGAL.

DISCLAIMER

No part of this publication may be reproduced or copied in any form by any means without prior written permission of Editor-in-chief of White Black Legal

– The Law Journal. The Editorial Team of White Black Legal holds the copyright to all articles contributed to this publication. The views expressed in this publication are purely personal opinions of the authors and do not reflect the views of the Editorial Team of White Black Legal. Though all efforts are made to ensure the accuracy and correctness of the information published, White Black Legal shall not be responsible for any errors caused due to oversight or otherwise.

WHITE BLACK
LEGAL

EDITORIAL **TEAM**

Raju Narayana Swamy (IAS) Indian Administrative Service **officer**



Dr. Raju Narayana Swamy popularly known as Kerala's Anti Corruption Crusader is the All India Topper of the 1991 batch of the IAS and is currently posted as Principal Secretary to the Government of Kerala . He has earned many accolades as he hit against the political-bureaucrat corruption nexus in India. Dr Swamy holds a B.Tech in Computer Science and Engineering from the IIT Madras and a Ph. D. in Cyber Law from Gujarat National Law University . He also has an LLM (Pro) (with specialization in IPR) as well as three PG Diplomas from the National Law University, Delhi- one in Urban Environmental Management and Law, another in Environmental Law and Policy and a third one in Tourism and Environmental Law. He also holds a post-graduate diploma in IPR from the National Law School, Bengaluru

and a professional diploma in Public Procurement from the World Bank.

Dr. R. K. Upadhyay

Dr. R. K. Upadhyay is Registrar, University of Kota (Raj.), Dr Upadhyay obtained LLB , LLM degrees from Banaras Hindu University & Phd from university of Kota.He has succesfully completed UGC sponsored M.R.P for the work in the ares of the various prisoners reforms in the state of the Rajasthan.



Senior Editor

Dr. Neha Mishra



Dr. Neha Mishra is Associate Professor & Associate Dean (Scholarships) in Jindal Global Law School, OP Jindal Global University. She was awarded both her PhD degree and Associate Professor & Associate Dean M.A.; LL.B. (University of Delhi); LL.M.; Ph.D. (NLSIU, Bangalore) LLM from National Law School of India University, Bengaluru; she did her LL.B. from Faculty of Law, Delhi University as well as M.A. and B.A. from Hindu College and DCAC from DU respectively. Neha has been a Visiting Fellow, School of Social Work, Michigan State University, 2016 and invited speaker Panelist at Global Conference, Whitney R. Harris World Law Institute, Washington University in St.Louis, 2015.

Ms. Sumiti Ahuja

Ms. Sumiti Ahuja, Assistant Professor, Faculty of Law, University of Delhi,

Ms. Sumiti Ahuja completed her LL.M. from the Indian Law Institute with specialization in Criminal Law and Corporate Law, and has over nine years of teaching experience. She has done her LL.B. from the Faculty of Law, University of Delhi. She is currently pursuing Ph.D. in the area of Forensics and Law. Prior to joining the teaching profession, she has worked as Research Assistant for projects funded by different agencies of Govt. of India. She has developed various audio-video teaching modules under UGC e-PG Pathshala programme in the area of Criminology, under the aegis of an MHRD Project. Her areas of interest are Criminal Law, Law of Evidence, Interpretation of Statutes, and Clinical Legal Education.



Dr. Navtika Singh Nautiyal

Dr. Navtika Singh Nautiyal presently working as an Assistant Professor in School of law, Forensic Justice and Policy studies at National Forensic Sciences University, Gandhinagar, Gujarat. She has 9 years of Teaching and Research Experience. She has completed her Philosophy of Doctorate in 'Intercountry adoption laws from Uttranchal University, Dehradun' and LLM from Indian Law Institute, New Delhi.



Dr. Rinu Saraswat

Associate Professor at School of Law, Apex University, Jaipur, M.A, LL.M, Ph.D,

Dr. Rinu have 5 yrs of teaching experience in renowned institutions like Jagannath University and Apex University. Participated in more than 20 national and international seminars and conferences and 5 workshops and training programmes.

Dr. Nitesh Saraswat

E.MBA, LL.M, Ph.D, PGDSAPM

Currently working as Assistant Professor at Law Centre II, Faculty of Law, University of Delhi. Dr. Nitesh have 14 years of Teaching, Administrative and research experience in Renowned Institutions like Amity University, Tata Institute of Social Sciences, Jai Narain Vyas University Jodhpur, Jagannath University and Nirma University.

More than 25 Publications in renowned National and International Journals and has authored a Text book on Cr.P.C and Juvenile Delinquency law.



Subhrajit Chanda

BBA. LL.B. (Hons.) (Amity University, Rajasthan); LL. M. (UPES, Dehradun) (Nottingham Trent University, UK); Ph.D. Candidate (G.D. Goenka University)

Subhrajit did his LL.M. in Sports Law, from Nottingham Trent University of United Kingdoms, with international scholarship provided by university; he has also completed another LL.M. in Energy Law from University of Petroleum and Energy Studies, India. He did his B.B.A.LL.B. (Hons.) focussing on International Trade Law.

ABOUT US



WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

TAXATION OF AGRICULTURAL INCOME IN INDIA

AUTHORED BY- VANSHIKA NAGPAL & NAYANIKA TALHAN

ABSTRACT

Agriculture is a way of life and activity that has influenced the thinking, outlook, culture and economic life of more than 70% of India's population for generations. In the Indian context, agriculture means ensuring the right to livelihood and food for many people living in rural areas. The right to life is different for each person; for us, "these rights are the fulfilment of basic needs such as food, housing, health services, education, etc." The government imposes a tax, called a tax, under its sovereignty. The main purpose of taxation is to raise funds for the welfare of society. In a democratic framework, the two main principles are equality and freedom. The truth is that in terms of equality, everyone in society should enjoy the same environment; however, there are people who do not have enough skills or are unable to acquire the skills. Therefore, when society rewards individuals based on merit, many people are unable to meet their needs. Therefore, as a welfare state, India has a legal obligation to protect the welfare of the people. To fulfil this responsibility, the government has only one source of income, which is to collect money from the upper classes of society through taxation. Agriculture plays a larger role in direct taxation than any other sector of the economy. Because two-thirds of India's population is engaged in agriculture. In this context, agriculture has become the backbone of the Indian economy and is a globally recognized force. In addition, agriculture provides significant resources to the non-agricultural sector, especially the industrial sector. Therefore, our policymakers should consider this important point: No country can sustain growth unless all sectors of the economy advance simultaneously like soldiers. Equity is a direct agricultural income tax system based on ability to pay.

Agricultural taxation in India is fraught with political, economic and social challenges. Every time there is a proposal to tax the agricultural sector, there is always a backlash, regardless of the economic impact of the proposal. Generally, taxes in the agricultural sector include direct taxes and indirect taxes paid by farmers. Agricultural direct taxes are mainly land revenue, excise, and agricultural income taxes. The concept of ability to pay has become the basis of tax policy and affects taxation throughout the world. This principle is also recognized in Article 14 of the Constitution of India which says "All persons shall be equal", meaning equal before the law.

INTRODUCTION

Section 2 (1) of the Income Tax Act, 1961 defines agricultural income. This definition first encompasses any rent or revenue earned from land that is utilized for agricultural purposes and the land is located in India. Regarding the phrase “agricultural purposes,” the Supreme Court in *C.I.T. v Raja Benoy Kumar SahasRoy* 2 determined that unless there are certain measures employed for the cultivation of the land, along with some investment of skill and labour on it, it cannot be classified as land used for “agricultural purposes.” And, any income obtained from any agricultural product or from the processing of a product, by the methods outlined in section 2(1)(B)(ii) and (iii), is also considered agricultural income. Also, income from agricultural house property is also regarded as agricultural income, assuming the property meets some conditions. Agriculture is an unstructured sector where a majority of individuals are impoverished and uneducated, surviving on a day-to-day basis; imposing taxes on these individuals would be cruel and unjust. The Central Government lacks the authority to levy taxes on agricultural earnings since agriculture falls under the jurisdiction of state legislation in the Constitution of India.

The Income Tax Act demonstrates a protective stance towards the agricultural sector, while simultaneously, the taxation of agricultural income has been included in the state list. Thus, the issue of agricultural tax has undeniably become a significant concern and has captured considerable attention. The clear implication of this situation is that when it comes to direct taxes, agricultural income and wealth are nearly free from taxation. This raises the question of whether such income should remain untaxed while 1.2 crores of urban taxpayers are compelled to shoulder the extra burden of welfare expenditures. A great deal of consideration has been given to this question by individuals, committees, and commissions, and it is now our goal to outline these perspectives and share our own opinions regarding this contentious issue. The question of whether agricultural income should be included in the tax framework was addressed by the “Indian Taxation Inquiry Committee” in 1925. This committee believed that there is neither historical nor theoretical justification for the ongoing exemption of income derived from agriculture from income tax. It proposed that agricultural income should be considered when determining the tax rate applicable to other income.

HISTORICAL ASPECT

The government established a committee in March 1970 to propose suggestions and recommendations to address the issue of black money. This committee extensively discussed

the requirement for taxing agricultural income. It highlighted that the existing system of agricultural income provided ample opportunities for concealing black money. The committee emphasized the immediate necessity for agricultural income to be subjected to a standardized tax.

The concern that taxing agricultural income may negatively impact agricultural productivity, the committee believed that levying a tax on this income would encourage farmers to increase output by utilizing informed technology to enhance their earnings in order to accommodate the tax obligation. Regarding the constitutional barriers, the committee suggested that either an amendment should be made to omit Entry 82 from the Union List and Entry 46 from the State List, or state legislatures should be empowered to allow Parliament to legislate on agricultural income, or Article 269 of the constitution could be modified to incorporate taxes on agricultural income within the category of taxes imposed and collected by the Union.

Following the Wanchoo Committee's recommendations, the Government acknowledged the necessity of including agricultural income within the tax framework in a just and reasonable manner. Moreover, this taxation system must not hinder the desired level of agricultural production. Consequently, a new committee was established for the following objectives:

To assess the current system of direct taxation concerning agricultural income and propose strategies that would enhance its effectiveness in generating additional resources for development and support the goal of self-sufficiency.

The direct tax laws committee established by the Government of India in 1977 advocated for the partial merging of agricultural and non-agricultural income for income tax purposes. The committee additionally believed that constitutional provisions could be revised to allow the central Government to impose taxes on agricultural income.

The plan for partial integration has certain disadvantages, primarily that under this approach, if an individual earns income solely from agricultural sources, it would remain exempt from income tax. Thus, regrettably, this insufficient and unsatisfactory situation will persist.

Currently, the exemption of agricultural income and wealth from taxation has excluded a significant portion of the population from the tax system. Dr.

Chelliah noted in his report that income tax could become a very unfair means of generating revenue if the tax regulations lead to biased and unequal treatment of individuals in comparable economic situations, or if the law is not enforced uniformly across all taxpayer segments. Hence, integrating the rural sector into the tax base is essential. However, this appears to be a daunting challenge as the Budget 2008-2009 highlighted the plight of marginal and small farmers. A notable aspect of the union budget was the cancellation of loans for small and marginal farmers exceeding Rs 60,000 crore. The budget offers little else in terms of enhancing agricultural productivity in rainfed regions, making it evident that this decision is unlikely to significantly alleviate the recession. The Economic Survey released before the budget had urgently called for a “second Green Revolution, especially in rainfed areas, to boost the income of those reliant on agriculture.” Unfortunately, this plea was not reflected in the 2008-09 budget. The Planning Commission has generally advocated for the introduction of a highly progressive agricultural income tax based on the following reasons.

The government has made considerable financial investments in revenue through income or wealth tax.

WHAT IS AGRICULTURAL INCOME?

Under section 2(1A) of the Income Tax Act, 1961, the expression agricultural income means:- Rent or revenue should be derived from land which is situated in India and is used for agricultural purposes.

Any income derived from any such land by agricultural operations including processing of the agricultural produce, raised or received as rent-in-kind so as to render it fit for the market or sale of such produce.

Income attributable to a farm house subject to certain conditions.

Agricultural Income is free from taxation as per Section 10(1) of the Income Tax Act 1961. It is not only exempt from income tax but is also to be excluded when calculating the total income that determines the applicable rate for taxable income. However, starting in 1973, the annual finance Acts altered this by allowing agricultural income to be included in total income for the limited purpose of figuring out the tax rate for taxable income. This adjustment is known as

'Partial integration of agricultural income.' Nonetheless, if the taxpayer only has agricultural income, it remains exempt from Income Tax. The exemption of Agricultural Income from income tax exists because Parliament lacks the constitutional authority to impose taxes on agricultural income. The Income Tax Act serves as a central statute, and Entry 46, List II (State List), VII Schedule of the Constitution states that 'Taxation on Agricultural Income' is the sole prerogative of State Legislatures, which have the right to impose taxes on specific categories of agricultural income that are exempt under the Income Tax Act.

ESSENTIALS OF AGRICULTURAL INCOME TO BE CONSIDERED AS INCOME

There are some necessary conditions to be fulfilled for an income to be considered as an agricultural income and they are as follows:

- **REVENUE/ RENT SHOULD BE DERIVED FROM LAND**

The primary condition is that the income must originate from land, rather than any other type of asset. The land may be owned or utilized by a farmer who cultivates it, or by an individual receiving rent from that produce. The land can be agricultural or a structure that is either occupied or owned by a farmer or a rent collector. This structure or farmhouse should be situated on the same land and serve as a residence, storage facility, or other ancillary buildings.

The property shall be located in India.

The property shall be utilized for agricultural activities.

Rent refers to the monetary or non-monetary compensation paid by one individual to another for the permission to utilize the land, with the land user (farmer) consenting to provide a portion of the yields to the landowner; this payment is known as rent-in-kind. The term 'derived' should not be interpreted as synonymous with 'arising' or 'accruing'. Revenue can only be considered derived from land if the land serves as the direct and effective source of the revenue, rather than a secondary or indirect source.

In the case of *CIT v. Kamakshya Narain Singh* it was held by the Privy Council that interest on arrears of rent payable in respect of agricultural land is not agricultural income, for it is neither 'rent' nor 'revenue derived from land'.

In the case of *Bacha F. Guzdar v. CIT* it was held that a dividend paid by a company out of its agricultural income is not revenue derived from land, as an effective and immediate source of income is shareholding and not the land.

- LAND MUST BE USED FOR AGRICULTURAL OPERATIONS

For an exemption under agricultural income, the activity must pertain to agriculture. This implies that the land should be utilized for agricultural aims. So, what is meant by the term 'Agricultural Purpose'? In the case of *CIT v. Raja Benoy Kumar Suhas Roy* [1957] 32 ITR 466, the Supreme Court established guidelines concerning the terms 'Agriculture' and 'Agricultural Purposes'. The Supreme Court categorized operations into two types -

Basic operation - Basic operations encompass the application of human skill and labour directly on the land itself; simply possessing agricultural land does not qualify as agricultural purposes. Certain activities such as tilling the soil, sowing seeds, and planting fall under this category.

Subsequent operation - Subsequent operations are those conducted after the crop emerges from the soil. These include weeding (removal of unwanted plants), loosening the soil around the crops, eliminating unwanted undergrowth, protecting the crops from pests and insects, cutting, harvesting, and preparing the produce for the market, among others. Subsequent operations must follow basic operations; merely conducting these activities on the land does not equate to agricultural operations.

- INCOME DERIVED FROM MARKETING AND AGRICULTURAL PRODUCE

Any earnings gained by a grower or recipient of rent-in-kind from agriculture through the sale of crops, for which necessary procedures (that may or may not be required) are conducted to prepare the produce for consumption and transport it to market, are referred to as agricultural income. This type of income is exempt from taxes. However, if the procedures carried out do not fall under the types mentioned, the income must be segregated to determine tax on non-agricultural earnings. The aforementioned procedures are known as agricultural or marketing operations.

There are two criteria that must be met for marketing operations:

1. The agricultural activities must be undertaken by an individual employed by a grower

or a recipient of rent-in-kind.

2. The product must be suitable for market sale.

Common processes utilized to prepare the produce for market include threshing, winnowing, cleaning, drying, crushing, boiling, and decanting, etc. Income derived from these marketing activities will be classified as agricultural income. If the marketing procedures are conducted on items that can be sold in their raw state without any further operations necessary to make them market-ready, then such income will be deemed as partially agricultural and partially business-related.

In case of *Killing Valley Tea Co. Ltd v. Secretary of State* it was held that the manufacturing of tea from green leaves plucked from the garden did not constitute agricultural income. The Calcutta High Court held that though the green leaf from the tea plant was not a marketable commodity for immediate use as an article of food, it was certainly "a marketable commodity to make tea fit for human consumption" and the manufacturing process could not therefore, properly be said to be employed to render tea leaves fit to be taken to market as required by the section.

In case of *CIT. v. B. Gupta Tea Pvt. Ltd* It was held that claim received from the insurance company on account of damages caused by hailstorm to growing tea is an agricultural income.

- INCOME FROM THE FARM BUILDING

Income generated from residential property that meets the following cumulative criteria will be classified as agricultural income and thus exempt from taxation under section 10(1) of the Income Tax Act 1961.

The dwelling must be occupied by the cultivator (as an owner or as a tenant) or the recipient of rent-in-kind.

It should be located on or in close proximity to land in India that is utilized for agricultural activities.

The cultivator or rent-in-kind receiver must, due to their association with the agricultural land, need the building as a residential house, storage facility, or other ancillary structures.

The land must be subject to land revenue or local taxation, or alternatively, the land (even if not subject to land revenue or local taxation) is located outside the “urban areas,” defined as any region included within the jurisdiction of any municipality/cantonment board with a population of at least 10,000 individuals or within the specified distance (up to a maximum of 8 km) from the boundaries of such a municipality or cantonment board.

Nonetheless, the genuine annual value of the residential property is taxable.

INCOME AS BOTH AGRICULTURAL AND NON- AGRICULTURAL INCOME

In this we will discuss what kind of income can be considered as both agricultural and non-agricultural income.

Income that consists of both agricultural and non-agricultural sources is assessed according to rules 7, 7A, 7B, and 8 of the Income Tax Rules.

Rule 7.- According to this rule, if the income is a mix of agricultural income and income taxable under the category “profits and gains of business,” then to ascertain taxable income, the government will evaluate the market value of agricultural products produced by the taxpayer or rental income received by them that has been used as raw material in a business; only that amount will be eligible for deduction, with no additional deductions permitted.

Rule 7A.- Revenue obtained from the sale of centrifuged latex or CEMEX or latex-based crepes (such as pale latex crepe) or brown crepes (including estate brown crepe, rebilled crepe, smoked blanket crepe, or flat bark crepe) or technically specified block rubbers made or processed from field latex or coagulum sourced from rubber trees cultivated by the seller in India shall be calculated as income from business. 35% of this income will be considered as business income and will be subject to tax.

No deductions will be applicable to the income for the amount of subsidy regarding costs associated with replanting rubber trees that have died or become permanently unproductive in an area that is still active.

Rule 7B.- Income generated from the sale of coffee that is cultivated and processed by the seller

in India shall be calculated as business income. 25% of this revenue will be taxed.

Income gained from selling coffee that the seller has grown, cured, roasted, and ground in India, whether or not combined with chicory or other flavouring agents, will be treated as business income. 40% of this income will be deemed taxable.

No deductions will be applicable to the income for the amount of subsidy regarding costs associated with replanting rubber trees that have died or become permanently unproductive in an area that is still active.

Rule 8.- The income derived from the enterprise of cultivating tea leaves and producing tea will be calculated as business income, with 40% of this income considered taxable under the Act.

IMPACT OF GLOBALIZATION AGRICULTURE SECTOR

Since gaining independence, Indian agriculture has significantly increased food grain production, rising from 51 million tons in the early 1950s to 206 million tons. This chapter aims to assess the sustainability of agricultural production and income in India.

THE DUNKEL AGREEMENT AND AGRICULTURE

Agriculture was included in the General Agreement on Tariffs and Trade (GATT) during the Uruguay Round, driven by industrialized nations like the U.S., which sought new markets for their goods. This inclusion aimed to open up agricultural sectors in developing countries, leveraging provisions from the Dunkel Agreement. The impact of this free market approach on agriculture varies by country, influenced by local land and farming practices.

However, the Dunkel Agreement's push for reducing agricultural support does not consider the diverse agrarian systems globally. Developing countries' preferential treatments have often been undermined by subsidy practices of the U.S. and EU. The "peace clause" from the Marrakesh Round further complicates the issue of farm subsidies, creating an imbalance.

The shift towards treating agriculture like industry, under the Dunkel Agreement and Agenda 21, promotes a profit-oriented approach. India's Draft Agricultural Policy reflected this trend. Yet, challenges such as a feudal agricultural base, fragmented holdings, outdated production methods, and inadequate capital hinder competitiveness and profitability.

WTO AND THE NEW INTERNATIONAL TRADE REGIME

Efforts to establish a liberalized global trade system date back to 1947, aiming to create an International Trade Organization (ITO) alongside the World Bank and IMF, which ultimately did not materialize. Instead, the General Agreement on Tariffs and Trade (GATT) was established, with India as a founding member.

Since 1948 various GATT rounds have sought to promote more liberal and free global trade, but the developing countries have also felt that the GATT rules favored the more powerful countries. So increasing pressure from the developing countries resulted in a thorough overhaul of the multilateral trading system, which was negotiated at the last and most long drawn round of GATT negotiations called “Uruguay Round” and which ultimately culminated in the establishment of W.T.O. This came into existence on 1 of January, 1995. The basic objective of the W.T.O. is to promote a free trade as much as possible, which serve as forum for trade negotiation and also contain a dispute settlement body, which is based upon the principles of non discrimination, equal treatment and predictability. Agriculture came for the first time under GATT / W.T.O discipline in the Uruguay Round when the agreement on agricultural was negotiated in 1994, In order to reduce the trade distortion in the agricultural sector, until the Uruguay round which trade negotiations focused on non agricultural goods mainly because the U.S.A wanted to protect its farm sector. But after that, when the corporate interests of the developed countries (North) had developed and expanded, these countries have also lobbied for more issues to be incorporated on to the GATT / W.T.O. So in this way agricultural sector came for the first time in to the W.T.O. discipline in the Uruguay round in 1994.

The basic objective of the agreement on agricultural is mainly two fold¹:

- 1) The subsidies on agricultural to be removed and converted in tariffs; 36% reduction on the tariffs by the developed countries.
- 2) Minimum market access in the closed markets as required by W.T.O /TRIPS

The impact of “Agreement on Agriculture” on Indian agricultural policy are mainly three:

- i. Internal domestic reforms are must and India is to take advantage of the agreement.
- ii. No obligation as such for Indian to reduce subsidy given to the agricultural sector.

¹ Debroy, Bibek, National Agriculture Policy and WTO Yojana, Jan 2001, p.12-15.

iii. Government of India can set high tariffs :- a) 100% on primary products in spite of the fact that trade restricting policies and protecting domestic industry and agricultural sector through high tariffs on imports, a complete antithesis what the W.T.O advocates i.e. trade must be free trade.

1) 150% on processed foods.

2) 300% on edible oils.

The long term objective of the Agreement on Agriculture (A.O.A) is to establish a fair and market oriented agricultural system and that a reform process should be initiated. However, the preamble to the A.O.A also notes that commitments under the reforms programs should be made in an equitable way among all those members having regard to non trade concerns, including food security and the need to protect the environment.

Most studies reveal that the expectations on the gains arising out of the A.O.A have not been neutralized. It was expected that A.O.A would result in increased access for agricultural exports from developing countries to the markets of developed countries. In reality exports to the European Union and Japan have declined in proportionate terms in the post Uruguay round period. It was also expected that there would be a redistribution of grain production from the highly subsidizing west to the less subsidizing south. There is no evidence that this shift has taken place.²

Article 20 of A.O.A³ provides for renegotiations, negotiations under Article 20 started in W.T.O. since April 2000. Several countries have submitted their views on the possible contents of the ongoing negotiations including food security. It is obvious that the different countries give their views according to their own national interests. For example, the large exporter countries of agricultural products argued that liberalization in agricultural trade is the best way to ensure global food security, they emphasized on the role of national food self sufficiency in the pursuit of food security. This issue of accessing global food market has multidimensions. Such as to purchase food from the international market, the importing countries must have adequate foreign exchange. It has been argued that the high level of export subsidy given by some developed countries on agricultural exports artificially inflates the market. Today the issue of this kind of special subsidy given to agriculture by some industrial countries is a burning issue. But after that it was

² Chandra, Ramesh, Subsidies and Support in Agriculture, p .3014-3016.

³ Bhattacharya, Food Security N.A.P and W.T.O Yojana, Jan 2001, p .15-18.

left for further discussion in near future. So now it will depend on the will of developed countries. And now they want to discuss it with other matter.

CONCLUSION

The study highlights the significance of agricultural income taxation in India, where agriculture is integral to the economy and way of life for the majority of the population. Historically, the agricultural sector has faced challenges, especially during colonial rule, which left it in poor condition by independence. Since then, agriculture has been crucial for food security and rural development.

Despite its importance, agricultural income has largely remained untaxed due to a mix of political, economic, and administrative challenges. The Indian Constitution grants states the exclusive right to tax agricultural income, leading to minimal state-level taxation and contributing to a large segment of the population being exempt from income tax. This creates issues of inequality, as wealthier farmers often escape taxation while lower-income farmers struggle without support.

Various committees have suggested reforming this system to include a progressive tax on agricultural income, arguing that it would not only contribute to government revenue but also encourage productivity among farmers. Current practices, however, mostly exempt agricultural income from central taxes, resulting in significant tax evasion and inequities in the tax system.

Recent changes in the agricultural landscape, including globalization and unfavorable pricing, further stress the need for reform. The decline in public investment in agriculture and rising inflation exacerbate these challenges. There is a consensus among experts that implementing a progressive taxation system on agricultural income, targeting wealthier farmers, could help alleviate poverty and reduce inequalities in the rural economy while addressing issues like black money.

In conclusion, a thoughtful approach to taxing agricultural income, tailored to the realities of Indian farmers, could support rural development and enhance agricultural productivity, ensuring the sector remains viable in a competitive global market.