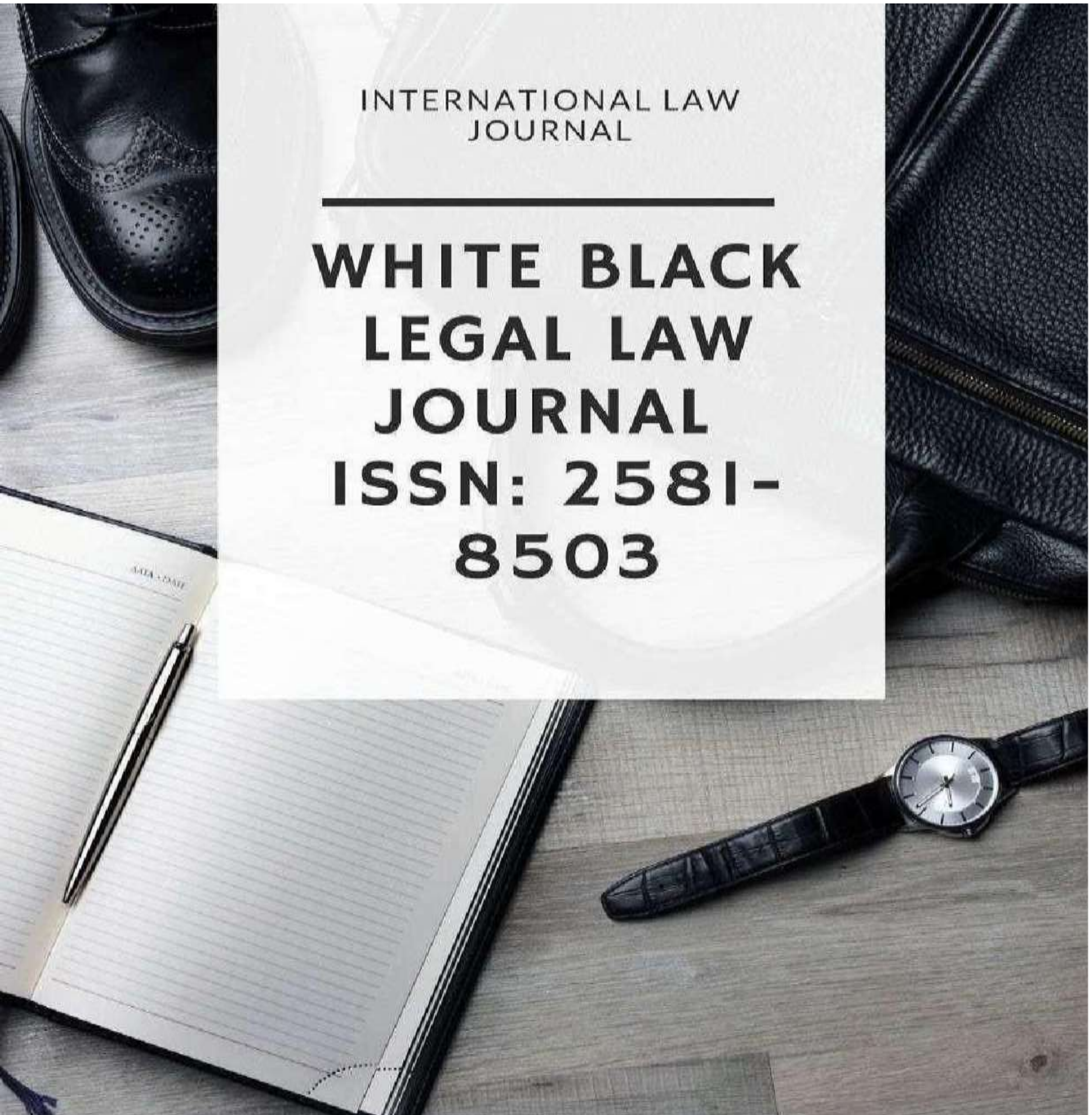

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ABOUT US

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

"FROM PLOUGH TO POLICY: UNDERSTANDING AGRICULTURAL INCOME AND ITS SOCIOECONOMIC IMPACT"

AUTHORED BY - SHWETA

Abstract

The taxation of agricultural income in India has had academics, lawmakers, and social activists wondering, and exploring. Agricultural income and the taxation thereof is exempt under section 10[1] of the income tax act and is not counted as a part of an individual's's total income. However, the state government can levy tax on agricultural income if the amount overcome Rs 5,000 per year. If the income account are to measure the relative utilization levels or ''welfare'' of farm and nonfarm people powerful argument can be made for valuing home -produced food at retail prices relatively than at farm price. Some farm families buy these some food at retail prices. Home -product foods also pass through what might be called an equivalent amount of ''food on the fork'' should clearly be given the same economic weight in non farm comparisons.

It is encompasses earning from farming activities, including crops cultivated, livestock rearing, fisheries, and agroforestry. The level of agricultural income in influenced by various component such as weather form, soil fertility, government policies, market prices, technological advancement, and access to credit and resource.

Despite is relevance, agricultural income is often un stable due to unpredictable climate condition, price fluctuation and supply chain disruption. Government and financial institutions implement policies like subsidies, minimum support price, and e\insurance schemes to stabilize farmer's earning and encourage sustain agricultural practices.

In recent years, diversification of income source, mechanization, and modern agriculture techniques have improved productivity and profitable. Additionally, value added agricultural, such as food preparation and agribusiness venture, provides farmers with better income chances. Addressing challenges like climate variation, water scarcity, and market access is

essential to ensuring stable and sustainable agricultural income in the destiny.

Key word- Agricultural income refers to the earnings generated from farming activities, including crop cultivation, livestock rearing, and other related agricultural operations.

Conceptual Framework

Definition and Scope: Explain agricultural income in terms of profits from farming, crop production, livestock, fisheries, etc.

Components of Agricultural Income: Discuss direct income (sales of crops, livestock) and indirect income (government subsidies, funds from farming-related activities).

Measurement of Agricultural Income: Methods for measuring income (e.g., cash receipts, net income after costs).

Factors Affecting Agricultural Income

Climate and Weather: How rainfall, temperature, and extreme weather events affect crop yields and livestock.

Technology and Innovation: Impact of modern agricultural technologies, hydration, mechanization, and genetic enchancements on productivity and income.

Market Access and Pricing: The role of markets, transportation, and trade policies in identifying farm gate prices and income stability.

Government Policies and Subsidies: How subsidies, credit facilities, and agricultural insurance impact income.

Land Ownership and Size: The relationship between farm size, ownership structure, and income generation.

Labor and Education: The availability of skilled farm work, education, and access to training, which can enhance farming practices and income.

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Challenges to Increasing Agricultural Income

Climate Change: The impact of global warming, changing weather patterns, and increasing climate-related disasters on agricultural productivity.

Land Degradation and Soil Health: How soil erosion, over-cultivation, and deforestation reduce long-term income prospects.

Financial and Credit Constraints: The difficulty for farmers in accessing capital and credit, leading to stagnation in income growth.

Market and Price Volatility: How price fluctuations, market instability, and trade restrictions affect income stability for farmers.

Policy Failures: Examine policies that have either failed to support farmers or inadvertently harmed agricultural income, such as price controls, ineffective subsidies, or lack of infrastructure.

METHODOLOGY

a. Population of study: In India's context, the total number of agricultural cultivators recorded in the 2011 census was 11,888,088,780. They, are therefore considered the population.
b. Sample Size: All 11,888,088,780 have been used for the study. c. Source of Data This is an analytical study and the data is collected from secondary data sources. The data is collected from the following sources –
    1. Government sources, such as the 2011 census in India, and, the Ministry of Agriculture Farmers welfare.
    2. A review of existing research papers in this area.
    3. Professional organisations like the National Bank for Agriculture and Rural Development (NABARD), and, Survey of India.
    4. Interview with subject experts on YouTube.

TAXATION OF AGRICULTURAL INCOME AT STATE LEVEL:

The 11th schedule of Indian constitution is providing for a distinct provincial taxing of agriculture income and so this schedule:- the states are free to decide and tax, will have an overriding power. Uniformly, in 1938, Bihar was the first state to levy a tax in order to repay for the revenue loss caused by the extraction of the province of Odisha. Until 1951 agriculture income was in levy in seven states: Bihar(1938), Assam (1939), West Bengal (1944), Odisha (1948), Uttar Pradesh (1948), Hyderabad (1950), and Travancore (1951), as well Rajasthan and Madras followed this suit. Later on, there has been a trend change: this levy was remove in 1957 in Uttar Pradesh and Hyderabad, and then in Rajasthan in 1960. Still following the process after reorganisation of states in 1956, agricultural income tax was enacted and levied in the states of Mysore and Kerala in 1957 but it was contactable and only on farm income from commercial crops. Again before 1961, there were seven states levying this tax, namely, Odisha, Bihar, Assam, West Bengal, Madras, Mysore and Kerala. Presently, we have agricultural income tax legislationin a diminished few states, are namely, Odisha, Bihar, West Bengal, Assam, Tamil Nadu, and Kerala. Clearly, the enforcement of such taxes is contingent to local conditions, so it is proper thresholds below which agriculture income will not be taxed. However, currently, these taxes are not being levied, while some states are taxing only plantations

Strategies for Increasing Agricultural Income

Crops, livestock, agro-processing, or alternative income-generating activities.

- Value Addition: How improving the processing, packaging, and branding of agricultural products can increase income.
- Improved Access to Markets: Expanding market access through cooperatives, digital platforms, and value chains.
- Sustainable Agricultural Practices: Encouraging organic farming, agroecology, and conservation practices that increase long-term income.
- Government Policy Recommendations: Advo Diversification of Agricultural Practices: Encourage diversification into high-value cating for reforms in land rights, subsidies, insurance, and infrastructure investment to boost agricultural income.

TAXING OF FARMING INCOME AT CENTRAL LEVEL:

Now, as stated earlier, the central government does not have the authority to tax subject to state powers. However, agriculture income is to be taken in consideration for tax rate purposes in accordance with the provisions of the act when the following three conditions are satisfied.

1. The taxpayer is an individual, a Hindu Undivided Family (HUF), a body of individuals, an association of persons, or an artificial juridical person;
2. The agricultural income of the evaluates was more than Rs. 5,000 during the previous year; and
3. The non-agricultural income of the evaluate exceeds the exemption limit (Rs. 2,50,000 in the case of general citizens being less than 60 years old, and Rs 3 lakhs in the case of resident senior citizens being 60 years of age or older, and Rs 5 lakh in the case of super-senior citizens being 80 years and above.

PROGRESSIVE OR FIXED TAX CEILING:

Progressive taxation basically refers to the taxing equipment in which the taxing authority charges more taxes as the taxpayer's income increases. Taxpayers earning more pay a higher rate, while those earning less pay a lower rate. The government uses a advamced tax mechanism. A "fixed tax ceiling," on the other hand, generally refers to a specific rate that is fixed for all people, regardless of income. When it comes to agriculture, being a dynamic sector, the incomes of the farmers are not stable as they are highly dependent on the monsoon and the agriculture technology that they are using. So keeping this in view, the fixed tax ceiling doesn't serve the purpose, and instead it will abruptly increase poverty and farmer suicides. As per the recommendations of the income tax agency, people with agricultural income and regular income who earn more than a particular amount can be brought into the tax system. Fix a progressive tax for other farmers and exclude 71% of farmers who have 5 acres or less from land revenue. Additionally, the government may not tax agricultural income that is produced from the cultivation of rice, wheat, and vegetables. Let the government begin collecting agricultural revenue, particularly that of wealthy farmers, and then let it assess the impact, the tax collection, and the issues before coming up with a change to agricultural tax income. It is true that taxing agricultural income is a state issue, but just as the government debated the GST with the states, it is time for it to do the same with taxing agricultural income. It is highly believed that if agricultural income is taxed and if the taxation policy is formed in a very rational manner, it will not negatively affect the average farmer. The government should invest all income-tax proceeds from taxing agricultural revenue towards the growth of agricultural operations in the first two to three years.

ANALYSIS:

From the above table, it is evident that, if 20% tax rate is assumed on agriculture produce, the Government of India could get an estimated revenue of 42,216 crores, which is almost 9.56 % of the total Revenue from taxes on Income of the Government of India.

The value taken of estimated revenue of Rs. 42,216 crores (Table 2) is comparable to 41.91 % of Goods and Services Tax Collected till date of Rs. 1,00,710 crores.

CONCLUSION:

The agriculture sector, which constitutes more than 80 percent of the gross value added in the country, provides employment to 54.4 percent of the workforce, and agriculture, which accounted for 18.29 percent of GVA in 2019–20, retains 45.6 percent of the workforce. Considering the present situation of farmers, the implementation of the tax will be a great step. After careful consideration and study, the prudent course of action would be to amend the definition of "agricultural income" in tax laws and impose an appropriate monetary threshold. Income that is not covered by this revised definition can then be subject to income tax. This would ensure that only the high-income farmers come under the purview of taxation and that the interests of small- and mid-scale farmers are protected. Considering the present situation of farmers, the implementation of the tax will be a great step.

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