



GST IMPACT ON AGRICULTURE

What is GST?

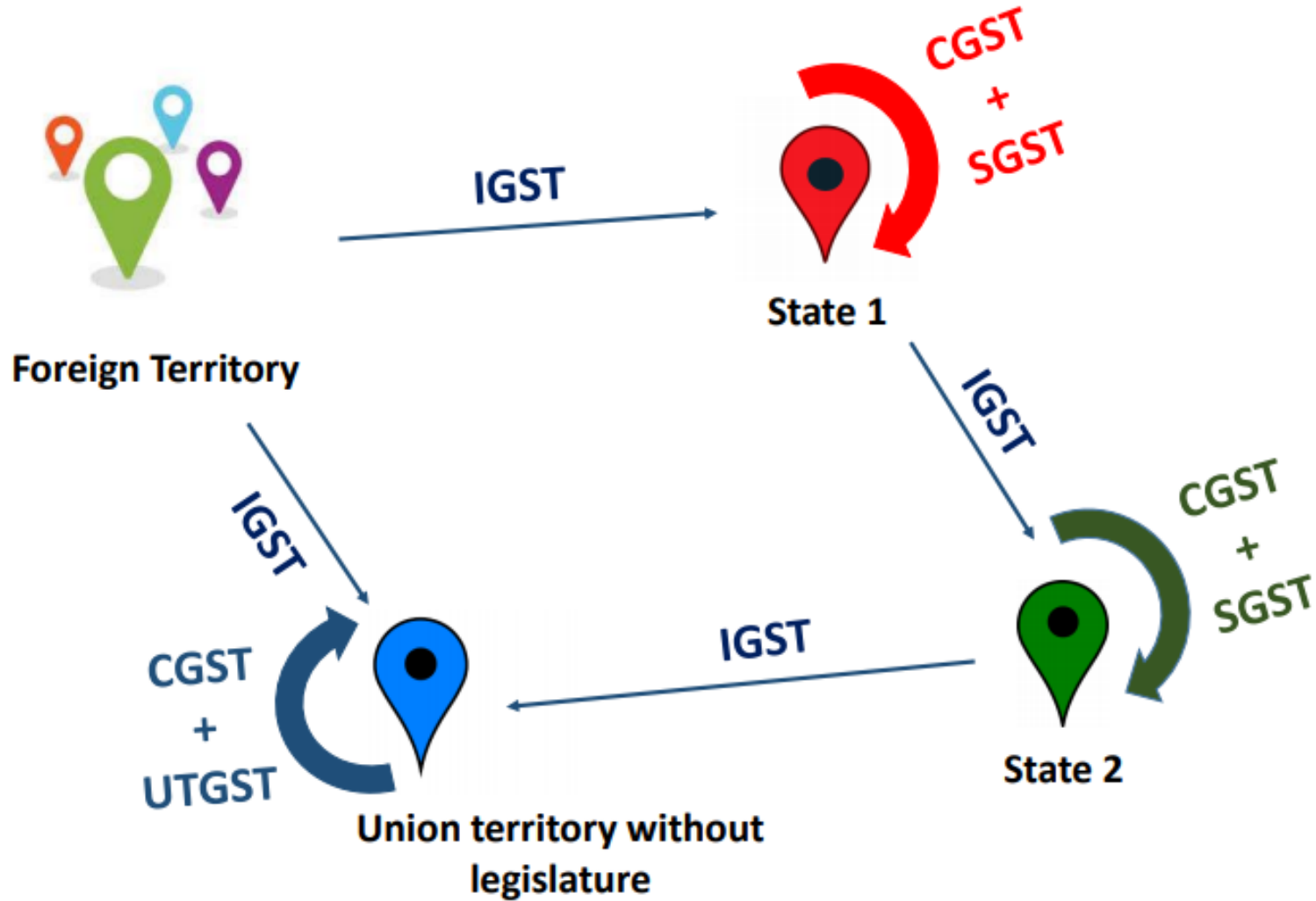


Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition.

In simple words, GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India.



GST Types



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Overview



- Agriculture is principal source of livelihood and 20% contributor of total gross domestic product with flagging of 10% on account of total exports.
- In current tax regime, agriculture has enjoyed a various exemptions from indirect tax. Sale of agriculture commodities is exempt from VAT. Concessional rates have been imposed on agricultural accessories and supporting machineries.
- As the GST is being introduced with the unbiased objective of having a unified tax structure for goods and services, this is likely to facilitate and strengthen the Scheme on National Agricultural Market (NAM) aimed at an integrated system of market of agriculture produce at the national level, allowing free flow of agricultural commodities across states.

Definition of Agriculturist



- “Agriculturist” means an individual or a Hindu Undivided Family who undertakes cultivation of land
 - by own labour, or
 - by the labour of family, or
 - by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family.

- An agriculturist, to the extent of supply of produce out of cultivation of land, is not liable for registration under GST.

Basic Rates On Agricultural Sector



Goods	Rate(%)
Seed, Organic compost without brand	0
Head pump and its parts	5
Tractor	12
Chemical fertilizer	5
Tractor Tire & Rim	18
Other tractor parts	18
Harvester, Earth, Grader, Parts	12
Insecticide	18

Positive Implication



- As per GST Act, an agriculturist will not be liable to registration formalities, to the extent of supply of produce out of cultivation of land.
- All basic agriculture goods (not processed) which are not chargeable under current VAT Laws would not be charged to tax in GST
- GST is vital to enhance the performance of supply chain mechanism in terms of transparency, reliability and timeliness, which in turn will ensure reduction in waste and cost of agricultural produce.
- The time taken for inter-state transportation will reduce.

Negative Implication



- Custom duty is not subsumed in GST, it will continue to impose on agricultural imports.
- Also as GST being single source of tax across nation will not allow farmers any more to take advantage of inter-state price variations. Similarly they will find difficult to get cheaper inputs due to constant pricing across states unlike in previous states laws.
- Rates of some items have increased, thereby increase the burden on agriculturist.

Conclusion



An increase in cost of few agricultural products is anticipated due to the rise in inflation index for a brief period. Though, implementation of GST is going to benefit a lot, the farmers/distributors in the long run as there will a single unified national agriculture market. GST would ensure that farmers in India who contribute the most to GDP, will be able to sell their produce for the best available price.

THANK YOU

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