

Ref. No.65-II/2010/
Date:31.12.2010

Shri Ashok Sinha, IAS
Secretary
Ministry of Food Processing Industries
Panchsheel Bhawan
August Kranti Marg
New Delhi – 110 049

Sub.:- Budget Recommendations- 2011-12.

Dear Sir,

In continuation of this office communication on the above subject, we are submitting some more recommendations on the same, which are as under:-

This budget should focus more on food processing as food processing can lead to inclusive growth of rural India and support growth in agriculture GDP which is Indian's biggest challenge and food processing can aid this growth. The main focus should be.

CENTRAL EXCISE:

- A. **Central Govt.** should take lead to reduce central excise duty on all food products to at **least 5%** and ensure that products exempted from excise duty should continue to remain exempted.
- B. **Ministry of Food Processing Industries** has helped set up **Food Parks and Mega Food Parks** which is a great boon to the Food Sector. To encourage more units to come for the development of these Parks, benefit in tax as has been given in **North East** under Central Excise and Service Tax should be given. This will go a long way in development of this Sector.
- C. Packing material for manufacture of food products still attracts lot of tax though in some cases finished goods are exempted from tax, the duty on packing material is counterproductive and industries are left with no other option but to pass on the duty to the customers. It is important that on packing -materials to be used by exempted processed food industry in printed form is exempted from tax.

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INCOME TAX:

- A. To accelerate the growth of food processing industry, all capital purchases i.e. machines, cold chain equipments for food processing industries should be given 100% accelerated depreciation under Income Tax so that industry can take a lead and get new machines which will help new technology coming and improving competitiveness.
- B. To encourage CSR activities deduction under section 80G sub section 80G(ii) should be increased from 50% to 75%. Also there is a limit under the same section of 10% donation of gross income; this should be increased to 20% of gross income.
- C. To encourage **Scientific Research** as well as **Social Science** or **Statistical Research** under section 35 (ii) (iii) contributions should be allowed 200% deduction across the board as the present slab is inadequate to meet the requirement of research and education which are prime importance for development of a technologically strong nation
- D. To **promote 'Made in India'** brand abroad whatever advertising and marketing expenses are done to promote product abroad be it sampling, advertising, supermarket promotions, road shows, exhibitions abroad etc. all these expenditures should be allowed **double deduction** under Income tax . This would encourage companies to make these expenditures which will help industry grow and made India food factory of world.
- E. Exports should be encouraged in a big way for all processed foods. It is also important that profit from export of products of this sector should be exempted from Income Tax

GST/VAT

Other big concern of food processing industry is GST. As GST is delayed, at least VAT on all food products should be at 4% as promised in the white paper. Many states are arbitrarily increased VAT to 12.5% and even 15%. VAT should be charged at a common rate of 4% across the country. In case of inter-state sales of products of food processing sector, CST must be charged at concessional rate of 1% only.

BUDGETARY ALLOCATION TO MINISTRY OF FOOD PROCESSING:

Urgent need to increase budgetary allocation to Ministry of Food Processing in a quantum manner. The present size is meager for a sector of this size. New assistance should focus on

- A. **Venture Capital Fund:** Under the aegis of Ministry of food processing there should be venture capital fund which will take equity in small and medium companies particularly to promote incubation hand holding on this small and medium industries. In this manner ministry would also create assets as many of these small and medium companies can go on to become big and this manner fund will grow in size which will help the industry to grow.
- B. **R & D:** Ministry of Food Processing should give assistance to companies who are undertaking projects to promote Research & Development Projects which will aid the whole industry in a generic manner. This will help more money being spent on R&D which is the need of the sector.
- C. **Education:** Ministry of Food Processing Scheme is inadequate to promote education in food processing. To encourage more Universities and colleges to start more courses on food processing more assistance is required.
- D. Present scheme of Government assistance for fresh capital is welcome, but the fund is quite inadequate because of which disbursements are taking lot of time. This is one more reason more allocation is required.
- E. To promote '**Made in India**' brand abroad assistance should be announced of 25% with a limit of Rs.1.0 crore for every units who is involved for the development of '**Made in India**' brand abroad through export of processed foods within the stipulated conditions of quality, distribution infrastructure and track record. This assistance should be for all promotions like exhibitions, advertisement abroad and super market promotions, road shows and other marketing activities carried out abroad.

The above proposals /recommendations, if agreed will help in the speedy growth & development of Food Processing Sector.

Thanking you,

(Dr. S. Jindal)
Chairman – Taxation Committee (AIFPA)

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Date:31.12.2010

The Secretary (Revenue)
Ministry of Finance
Govt of India
New Delhi – 110 011

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