

Fiscal Incentives in the Food Processing Sector

Income Tax

Items	Provisions
New units in the business of processing, preservation and packaging of perishables i.e. Fruits and vegetables, meat, poultry, marine or dairy products(not formed by splitting up or by way of reconstruction of an existing business ; If any business relating to meat, meat products, poultry, marine products or dairy products has started after 1.4.2009, the above benefits would be available, but not to the units operating in such business before 01.4.2009)	100% tax exemption for the 1 st 5 years of operation and after that, at the rate of 25% (30% in case of a company) for next 5 years Under Section 80 IB (11A) of the Income Tax Act, 1961
Setting up and operating a cold chain facility; and setting up and operating warehousing facility for storage of agricultural produce (not available for expansion of the unit)	Deduction to the extent of 150% is allowed for expenditure incurred on investment Under Section 35-AD of the Income tax Act 1961. In Budget 2016-17 it is proposed to reduce the deduction from 150% to 100% with effect from 01.04.2017.
Bee – keeping and production of honey and beeswax, Setting up and operating a warehousing facility for storage of sugar	Business allowed 100% deduction under section 35-AD of the Income Tax Act 1961, deduction for expenditure incurred on investment is allowed if this investment is wholly and exclusively for the purpose.

Excise Duty

Items	Provisions
Milk, milk products, vegetables, nuts and fruits	Nil
Processed fruits and vegetables	Rate of 2% without CENVAT or 6% with CENVAT.
Refrigeration machineries and parts used for installation of cold storage, cold room or refrigerated vehicle, for the preservation, storage, transport or processing of agricultural, apiary, horticultural, dairy, poultry, aquatic and marine produce and meat	Nil
Pasteurizing, dying, evaporating, etc machinery used in dairy sector	Nil
Machinery for the preparation of meat, poultry, fruits, nuts or vegetables and on presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages and packing machinery	Reduced from 10% to 6% in Budget 2014-15
Soya Milk Drinks, Flavoured Milk of Animal origin	Duty of 2% without CENVAT or 6% with CENVAT.
Waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	From 18% to 21% in Budget 2016-17

Refrigerated containers	12.5% to 6%
Capital goods and spares thereof, raw materials, parts & material handling equipments for cargo vessel of various kinds including refrigerator vessels for the transport of meat, fruit or the like.	NIL (12/2016- Central Excise, Para 23, Dated: 1st March, 2016)
Floating factories of all kinds (for processing whales, preserving fish or the like), whale catchers.	NIL (12/2016- Central Excise, Para 23, Dated: 1st March, 2016)
Trawlers and other fishing vessels.	NIL (12/2016- Central Excise, Para 23, Dated: 1st March, 2016)

Customs Duty

Items	Provisions
All goods related to Food Processing, imported as part of the project,	Irrespective of their tariff classification, are entitled to uniform assessment at concessional basic customs duty of 5%. (Ref. Notification No. 12/2012 dated 17.3.2012)
Hazelnuts	30% to 10% (Ref. Notification No. 12/2013-Customs dated 1.3.2013).
De-hulled Oat grains	30% to 15% (Ref. Notification No. 12/2013-Customs dated 1.3.2013)
Cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers.	Concessional 5% Basic Customs Duty (BCD) as presently available under project imports for cold storage, cold room to be also extended
Refrigerated containers	10% to 5%

Service tax

Items	Provisions
Services of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables	Full Exemption (Ref. Service Tax notification No. 25/2012- Service Tax dated 20 th June 2012 as amended by Notification 3/2013 dated 1 st March 2013 and 6/2015 dated 1 st March 2015 issued under Section 93 Chapter v of the Finance Act, 1994- Power to grant exemption from service tax.)
Construction, erection, commissioning or installation of original works pertaining to post-harvest storage infrastructure for agricultural produce including cold storages for such purposes	Full Exemption (Ref. Service Tax notification No. 25/2012- Service Tax dated 20 th June 2012 as amended by Notification 3/2013 dated 1 st March 2013 and 6/2015 dated 1 st March 2015 issued under Section 93 Chapter v of the Finance Act, 1994- Power to grant

Service including processes out at an agricultural farm including tending, pruning , cutting, harvesting , drying, cleaning, trimming , sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable	Full Exemption Under Section (Ref. Section 66 D(d) (iii) Chapter v of the Finance Act, 1994
Mechanized Food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages;	Full exemption (Ref. Service Tax notification No. 25/2012- Service Tax dated 20 th June 2012 as amended by Notification 3/2013 dated 1 st March 2013 and 6/2015 dated 1 st March 2015 issued under Section 93 Chapter v of the Finance Act, 1994- Power to grant exemption from service tax.)
Service of Loading, unloading, packing, storage or warehousing of agricultural produce.	Full exemption (Ref. Service Tax notification No. 25/2012- Service Tax dated 20 th June 2012 as amended by Notification 3/2013 dated 1 st March 2013 and 6/2015 dated 1 st March 2015 issued under Section 93 Chapter v of the Finance Act, 1994- Power to grant exemption from service tax.)
Service by way of transportation by rail of agricultural produce	Full exemption (Ref. Service Tax notification No. 25/2012- Service Tax dated 20 th June 2012 as amended by Notification 3/2013 dated 1 st March 2013 and 6/2015 dated 1 st March 2015 issued under Section 93 Chapter v of the Finance Act, 1994- Power to grant exemption from service tax.)
Service by way of transportation by rail or a vessel and by a goods transport agency used for transportation of milk, food grain including flours, pulses and rice	Full exemption (Ref. Service Tax notification No. 25/2012- Service Tax dated 20 th June 2012 as amended by Notification 3/2013 dated 1 st March 2013 and 6/2015 dated 1 st March 2015 issued under Section 93 Chapter v of the Finance Act, 1994- Power to grant exemption from service tax.)
Services provided by National Centre for Cold Chain development under Department of Agriculture, Cooperation and Farmers Welfare, Government of India by way of knowledge dissemination	From 14% to Nil
Services provided by a goods transport agency, by way of transport in a goods carriage of agricultural produce, foodstuff including flours, tea, coffee, jiggery, sugar, milk, products, salt and edible oil, excluding alcoholic beverages.	NIL (3/2013- Service Tax, Para (1 -V) Dated: 1st March, 2013)