

# THE KNOWLEDGE TREE

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## **Preface**

In the past decade multiple developments have taken place which has led to changes in organisational structures, technologies and legal peripherals. Changing structures, advances in information and communication technologies and the greater reliance of companies on information indeed poses a number of challenges for maintaining good management practices. With an objective to promote fresh ideas and provide a platform to all avid writers, I am pleased to be a part of this book.

I am extremely grateful to all the reviewers, editors and all the authors for their valuable contribution to make this book a grand success. The main aim of this book is to enhance knowledge among researchers, students and the legal fraternity at large and to provide an opportunity for creative research and multi-level consideration of broader issues related to legal insight from both national and interdisciplinary perspective.

It has been a matter of great pride and honour to be associated with this book and I hope it will inspire scholars to create a new viewpoint of ideas and enrich their knowledge.

Happy reading!

## Index

S. No.	Title of Paper	Page No.
1	<b>Supriyo Chatterjee</b> Deputy Manager, ISC – Arbitration, NSE of India Limited <i>(The Holy Cow of Indian Economy - Agricultural Income)</i>	1
2	<b>*Deep Kumar Mohanty</b> Advocate, Orissa High Court, National Company Law Tribunal <b>**Kirtiranjana Mohanty</b> Asst. Prof., Dept. of Law, BJB Autonomous College, Bhubaneswar <i>(Multi-Dimensional Approach to the Witness Protection Laws in India and Analysis with Foreign Laws)</i>	16
3	<b>*Malika Jain</b> Assistant Professor, School of Law, MIT University, Pune <b>**Akshay</b> Lecturer of Law, IIM, Rohtak <i>(A Comparative Analysis of the Environmental Impact Assessment Regime in India and the United Kingdom)</i>	26
4	<b>Ms. Eshani Gandla</b> LLM (Corporate and Financial Law and Policy), Legal Executive - YuppTV India. <i>(Evolution of Legal Transplants in Indian Corporate Law: From Colonial Roots to Adaptations from the United States)</i>	39
5	<b>Prof. (Dr.) Mridula Singhal</b> Professor, Department of Applied Business Economics, Faculty of Commerce, Raja Balwant Singh College, Agra, U.P., India <i>(The Imperative of Digital Currency: Future of India)</i>	45
6	<b>Dr. Varsha Upadhyay</b> Associate Professor, Shri Vaishnav Institute of Social Science, Humanities and Arts, Indore <i>(The structure of India's Democracy: Issues and Opportunities)</i>	54

## **“The Holy Cow of Indian Economy - Agricultural Income”**

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National Stock Exchange of India Limited*

### **ABSTRACT**

One of the glaring instances that have emerged in recent times is the disparity regarding the agricultural income of the Indian Economy. Recent reports have already given glaring signs regarding the loophole that engulfs and destabilizes the economy of the country.

I have come up with this topic because this part of the economy still remains a black hole of the economy. Where huge amount of money is immersed by the affluent creating a huge hole in the economy. This part is also less focused as the country is mainly agriculturally based and formulating laws regarding the taxation procedure of the agriculture may create a massive widespread impact in the country.

Regarding this area of Taxation Law there had been very limited amount of research and exploring this part of the law will help me to critically analyse the taxation laws and also provide a future roadmap for incorporation of taxation laws regarding agricultural income and sale of agricultural land.

The loophole that has been created needs to be addressed by the legislature so that better laws can be formulated and this part of the taxing structure can be taken into consideration so that there are better laws and agricultural income can also be taxed without much effect to the weaker section of the society. Constructing proper laws regarding agriculture income and sale of agricultural land can also help to curb the cases related to money laundering and black money. The big identities of the society always tend to conceal the income generation through the entanglement of the agricultural income.

Under Section 10(1) of the Income Tax Act, states that income from agricultural income cannot be considered as an agricultural income. This very statute creates a huge loophole in the tax regime. Even the sale of agricultural land is exempted from taxing. These statutes which were created for the better development of the country is being misused and enormous disparity is being created.

Though agriculture is one of main bases of income in the country still after nine decades there are no laws for taxing of agricultural income. Though under the new tax regime i.e. GST (Goods and Services Tax) has covered two percent of the enormous hole of engulfing economy.

This paper will be focusing on the agriculture income as a whole i.e. the existing provisions, the loopholes, the grey areas, the possible outcomes to offset this area. This paper will mainly focus on the widespread misuse of the agricultural income as well as agricultural land. So, this paper will mainly focus on a detailed discussion of the agricultural related issues in the revenue regime.

## INTRODUCTION

*“Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto.” – Arthur Vanderbilt.*

India being a developing nation, and mainly based on farming and agricultural products the main base of income is the agricultural income. But to one of the most uprising fact agricultural income not taxable in India. Agriculture is said to be the primary occupation in India. It is usually the only source of income for the large rural population in India. The country as a whole is entirely dependent on agriculture for its basic food requirements. The government has numerous amount of schemes, policies and other measures to promote growth in this sector- one of them being an exemption to income tax.

Since agriculture is a subject reserved for the states under the Indian Constitution, agricultural income cannot be taxed by the central government but only by the state governments. Agricultural income is, therefore, exempt under income-tax laws. Profit on the sale of agricultural land is also exempt from capital gains under income-tax laws. However, not all gains on sale of agricultural land are exempt and, therefore, one needs to understand the extent of the exemption.

Agricultural Income has been derived under Section 2(1A) of the Income Tax Act, 1961. According to the above-mentioned section agricultural income generally means:

- a) any rent or revenue derived from land which is situated in India and is used for agricultural purposes.
- b) any income derived from such land by agricultural operations including processing of agricultural produce so as to render it fit for the market or sale of such produce.
- c) any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A).
- d) any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

As per Section 10(1) of the Income Tax Act, 1961, agricultural income is exempted from taxation.....



