

Ref. NSAI/2022/026

Date: 01-06-2022

To,
Ms. Sangeeta Singh
Chairman, CBDT
North Block,
New Delhi-110001

Respected Madam,

Subject: Request for notification in the Income-tax Rules,1962 for 'Income from seed cultivated and processed by seller in India' on the lines of Rule 7A (Income from Rubber grown and processed by seller in India); Rule7B (Income from Coffee grown and cured / roasted and grounded by seller in India); and Rule 8(Income from tea grown and manufactured by seller in India).

1. Kindly refer to Letter dated December 6,2021 and annexed note 'Reasons for Notification in the Income-tax Rules for income from seed production on the lines of Rules for manufacture of rubber, coffee and tea' and the March 2015 report 'Estimating Non-agricultural Income: Case Study of Seed Industry' by the Directorate of Income Tax (Risk Assessment) CBDT suggesting that "20 percent of combined profit of an assessee engaged in the production and distribution of seed should be deemed to be non-agricultural Income".
2. You were kind enough to meet the representatives of National Seed Association of India on 28th February 2022 and conveyed apprehension about possible misuse of the proposed Rule. In this regard, submissions and suggestions are hereunder to guard against misuse of the proposed Rule.

3. Clearly Drafted Rule

The Rule may clearly specify that it shall be only applicable to an assessee cultivating seed by themselves, processing and selling it and the Rule shall not be applicable to an assessee not cultivating seed by themselves but merely buying seed from farmers/others and selling it. A draft Rule, as under, is suggested for kind consideration:

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'Income from seed cultivated and processed by the seller in India.

7C (1) Income derived from the sale of seed produced and processed by the seller in India shall be computed as if it were income derived from business, and twenty percent of such income shall be deemed to be income liable to tax.

(2) The provisions of Sub Rule (1) shall be applicable to an assessee who is having license to deal in seeds, operating the business as per Seeds Act, 1966 and undertakes cultivation by way of:

- (a) being owner of the crop (whether land is owned by it or not),
- (b) incurring expenditure of cultivation, guidance and technological support, payment for services obtained for cultivation,

R K Trivedi
Executive Director

- (3) The provisions of Sub Rule (1) shall not be applicable to an assessee who procures seed produced by a farmer and do not incur expenditure of cultivation.
- (4) The provisions of Sub Rule (1) shall not be applicable to an assessee who procures seeds, whether they process or not and sells it.
4. The Departmental human and computer resources are robust enough to prevent any misadventure of misuse by way of risk assessment strategy for selection of cases for scrutiny, conducting survey, search and seizure operations and various investigation methods.
5. Many deductions under Chapter -VIA and exemption provisions under Chapter-III have been misused by some unscrupulous elements and Income-tax Department has always been taking all steps and action to curb such misuse but such provisions have been in the Income-tax Act and more deduction and exemption provisions keep being introduced by successive Finance Acts to promote the interest genuine and honest tax payers.
6. It is pertinent to note that instances of misuse of Rule 8 for Tea (Since 1962) and Rule 7A & 7B for Rubber and coffee (Since 2002) have been negligible. A clearly and lucidly grafted proposed Rule 7C for cultivator and processor of seed is unlikely to be misused, rather it would reduce unwarranted litigation, promote seed sector and augment revenue.

With kind regards,

Yours sincerely,



R K Trivedi