
CHAPTER - FIVE

Chapter 5

DIRECT TAXES ON AGRICULTURE-OTHER LEVIES

Land revenue and agricultural income tax have been the two important taxes which have a long history of standing more so with land revenue. Besides these, a few other levies are also resorted to by the governments, especially during the planning era. They are estate duty on agricultural land, tax on plantations, cess on commercial crops, irrigation charges, betterment levy and surcharge on land revenue. State governments in India have sporadically used one or more of these levies. But their intention of using them as revenue earner was very much doubtful. The doubt, of course, was corroborated by meagre earnings to the state exchequer. A brief account of these levies is given in the following sections.

5.1 ESTATE DUTY

Under Article 269 of the Constitution, estate duty, on property other than agricultural land is to be levied and collected by the Union Government but the entire proceeds except the share attributable to the Union Territories, have to be distributed among the states on the basis of principles as may be formulated by Parliament by law. Estate or succession Duty in respect of agricultural land is a State subject of legislation. The Government of India levies estate duty on agricultural land in those states that have authorised Parliament to do so under

Article 252 of the Constitution. In this case the proceeds are assigned to the state in which the agricultural land is situated as the Government of India collects the duty as an agent of the State Government. It is encouraging that the estate duty on agricultural land is applicable to all the states except West Bengal, Orissa and Jammu and Kashmir. In the states of West Bengal and Jammu and Kashmir the value of agricultural land is taken into consideration in determining the rate of duty on non-agricultural property. The Orissa legislature passed a resolution that the principal Act should not apply to agricultural lands in the state from 1959 But again the estate duty on agricultural land is made applicable in Orissa from 1963.

The Estate Duty Act imposes a tax on the principal value of the entire estate of a deceased person. The tax originally applied to estate valued over Rs.1 lakh but this exemption was reduced to Rs.50,000 by an amendment in 1958. In addition, a number of exemptions are provided from estate duty¹. The tax is levied on slab system basis and the rates of duty vary from 4 percent on slabs of estates exceeding Rs.50,000 but upto Rs.1 lakh to 85 percent on slabs of estates exceeding Rs.20 lakhs.

The revenue from agricultural estate duty increased from Rs.15 lakhs in 1955-56 to Rs.34 lakhs in 1960-61, Rs.53 lakhs

in 1965-66 and further to Rs.2.16 crores in 1970-71. These data amply demonstrate that the revenue from estate duty is meagre. Hence, its burden on the agricultural sector is also relatively less. These data also suggest that the estate duty on agricultural land cannot be an important source of revenue in future. However, it is important as it will help to bring about equity between the large and small landholders and between the agricultural and the non-agricultural sectors.

5.2 TAX ON PLANTATIONS²

Tax on plantations is levied only in the state of Kerala since 1960 at the rate of Rs.8 per acre of plantation area exceeding five acres. The tax is levied on plantations growing coconut, arecanut, rubber, pepper, tea, coffee and cordamom. The rate of the tax was increased in 1967 to Rs.50 per hectare in excess of plantation area of two hectares. From April, 1971 the exempted area has been reduced from two hectares to one hectare, Thus at present the rate of plantation tax is Rs.50 per hectare of plantation area in excess of one hectare. In facts there is good scope for raising revenue through this tax in the states of Assam, Karnataka, Tamil Nadu and West Bengal which do not levy it at present.

5.3 CESS ON COMMERCIAL CROPS

Cess on Commercial crops is levied by the states of

Maharashtra, Hariyana, Madhya Pradesh and Punjab since 1963. Hariyana levies a cess on commercial crops (viz. cotton, sugarcane, and chillies) at the rate of Rs.4 percent in the irrigated land and Rs.2 per acre in case of other land. In Madhya Pradesh since 1963, a crop cess is levied on commercial crops (viz. cotton, groundnut, opium and sugarcane) at the rate of Rs.2 per acre or part thereof above half an acre and Rs.1 for area of less than half acre but more than one fourth acre. In 1969 five more crops (viz. oilseeds, jute, sun-lamp, tobacco and mesta) were added to the list of commercial crops and the rates were also revised. In Punjab a cess on commercial crops (viz. sugarcane, chillies, cotton, potato, tomato, oilseeds, grapes) was levied from kharif 1963-64. The rates of the cess were fixed at Rs.6 and Rs.3 per irrigated and unirrigated acre respectively. In Maharashtra, under the Educational Cess Act 1962 the state levies special Assessment on nine types of commercial crops. The rates of special Assessment were considerably raised in August, 1966 and the rates varied from Rs.10 per acre for irrigated groundnut to Rs.100 per acre for grapes, so it is suggested that other state governments can also introduce a cess on commercial crops so that even at low estimates, they should be able to raise an additional revenue of about Rs.12 crores per annum.

5.4 IRRIGATION RATES

The system of irrigation charges has developed differently in different states so that there is multiplicity in principles and basis of assessment. The important systems of levying water charges may be classified under the following lands :

- (1) Volumentric rate : Under this system the basis of assessment is quantity of water consumed and it is applicable to lift irrigation schemes of Maharashtra, Uttar Pradesh and Bihar.
- (2) Consolidated rate : Under this system water charge is consolidated with the land revenue assessment and fixed on the settlement principle. This system is applicable in Tamil Nadu, Karnataka and Andhra Pradesh.
- (3) Differential rate : Under this system a distinction is made at the time of assessment between dry and wet lands. It is applicable to some of the older works of Andhra Pradesh and Tamil Nadu.
- (4) Occupier's rate : Under this system a fixed rate is charged on the area actually irrigated, taking into consideration the nature of crop or crops. This system has been in operation in most parts of the country.

(5) Agreement rate : This rate is charged for an agreed period whether water is taken or not and the payment is compulsory during that period.

(6) In addition, 'demand' or 'occasional' rates are charged in such areas where water is taken on demand with special permission. These rates are high.

It is, unfortunate that the state governments are incurring huge losses on various irrigation projects. The losses increased from 1.34 crores in 1960-61 to 70.80 crores in 1970-71. Hence it is necessary to frame a suitable water rate scheme which relieves the strain on state finance and encourages the farmers to utilise the water. The Nijalingappa committee found that the prevalent water rates were much lower. Therefore, it recommended a quinquennialⁿ revision of water rates in accordance with crop and price changes. Recently some of the state governments (Maharashtra, Rajasthan, Punjab, Kerala and West Bengal) have increased the existing water rates on irrigated crops.

5.5 BETTERMENT LEVY⁵

In the underdeveloped countries as also in India it seems quite clear that special localised benefits will greatly exceed cost in the case of many projects in the general field of irrigation, drainage and rural highway transportation.



Betterment levy is leviable in the states of Andhra Pradesh, Bihar, Haryana, Kerala, Madhya Pradesh, Maharashtra, Karnataka, Orissa, Punjab, Rajasthan and Tamil Nadu. However, only the states of Andhra Pradesh, Haryana, Rajasthan and Tamil Nadu have levied it. In Assam, it is levied as a betterment cess. Thus only a few states have introduced betterment levy in actual practice. The State Governments have found it difficult to enforce because of administrative, procedural and legal difficulties. State governments raised only Rs.10 crores from betterment levies in 1970-71. Experts are of the opinion that a graduated betterment levy of 25 percent to 50 percent of the benefits derived and of the increase in the value of land due to irrigation facilities should be imposed by all the state government so that they can raise additional revenue of about Rs.35 crores per annum from the agricultural sector.

5.6 SURCHARGE ON LAND REVENUE⁶

To meet the growing and urgent needs of finance the states started levying surcharges cesses or local rates based on land revenue with a view also to introduce a measure of progression in land revenue. States of Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Karnataka, Punjab, Rajasthan, Tamil Nadu and West Bengal have resorted to this surcharge. But the yield of the levy is negligible.

5.7 CONCLUSION

Other direct taxes on agriculture as enumerated above have been resorted to by some of the state governments as a matter of circumstantial compulsion perhaps to create an impression on non-agricultural tax-payers that the governments are not sparing the rich agriculturists and the beneficiaries of large-scale irrigation schemes. In fact, a sincere effort to utilise these sources has been conspicuous by absence. Therefore, these levies hardly bring noticeable amounts into the government treasury.

REFERENCES

- (1) Bhargava, R.N. "The Theory and working of Union Finance in India", 1974, P. 311.
- (2) Government of India, Ministry of Finance "Report of the Committee on Taxation of Agricultural Wealth and Income", October, 1972, P. 139.
- (3) Ibid, PP. 121-65.
- (4) Ibid.
- (5) Ibid.
- (6) Ibid.