

CONFIDENTIAL

Not to be released for publication in the press before presentation to the Assembly

PROVINCIAL ASSEMBLY OF THE PUNJAB REPORT OF THE STANDING COMMITTEE ON AGRICULTURE TO REVISIT THE AGRICULTURE AFFAIRS/POLICIES IN THE PROVINCE

The matter to revisit the Agriculture affairs/policies in the Province was referred to the Standing Committee on Agriculture on 29 February 2016. The Committee considered the matter in its meetings held on 14 & 29 March, 20 April, 2, 10, 17, 27 May and 20 July 2016.

2. The following were present:-

- | | | |
|-----|--|-----------------|
| 1. | Mr Muhammad Afzal Gill, MPA (PP-274) | Chairman |
| 2. | Mr Iftikhar Ahmed, MPA (PP-3)
(attended on 29 March, 2, 10 May 2016) | Member |
| 3. | Ch Fazal-ur-Rehman, MPA (PP-215)
(attended on 29 March, 20 April, 20 July 2016) | Member |
| 4. | Sardar Bahadar Khan Maikan, MPA (PP-38) | Member |
| 5. | Mr Javed Alloudin Sajid, MPA (PP-186)
(attended on 14 & 29 March, 20 April, 2, 10
27 May and 20 July 2016) | Member |
| 6. | Malik Fayyaz Ahmed Awan, MPA (PP-105)
(attended on 14 & 29 March, 20 April, 2, 10
and 17 May 2016) | Member |
| 7. | Rana Muhammad Iqbal Harna, MPA (PP-121) | Member |
| 8. | Sardar Ali Raza Khan Dreshak, MPA (PP-247)
(attended on 10, 17, 27 May and 20 July 2016) | Member |
| 9. | Mian Munazir Hussain Ranjha, MPA (PP-31) | Mover |
| 10. | Chaudhry Muhammad Iqbal, MPA (PP-98)
Chairman Committee on Privileges
(attended on 2, 10, 17 May and 20 July 2016) | Co-opted Member |
| 11. | Mr Shoukat Ali Laleka, MPA (PP-278)
(attended on 14 March, 20 April, 2
and 17 May 2016) | Co-opted Member |
| 12. | Syed Hussain Jahania Gardezi, MPA (PP-213)
(attended on 14 March, 20 April, 10 May 2016) | Co-opted Member |
| 13. | Syed Abdul Aleem, MPA (PP-244)
(attended on 20 April, 2 and 17 May 2016) | Co-opted Member |
| 14. | Malik Muhammad Ahmad Khan, MPA (PP-179)
(attended on 2, 10 and 17 May 2016) | Co-opted Member |

3. Dr Ghazanfar Ali Khan, Additional Secretary (Planning), Agriculture Department, Mr Jawad Rafique, Senior Member, Board of Revenue, Mr Anjum Sardar, Deputy Secretary (Food), Food Department, Syed Sibte Hassan Sherazi, Assistant Cane Commissioner,

Contd...P/2

Mr Muhammad Akmal, Section Officer (Tax), Finance Department, and Mr Mohsin Bukhari, Deputy Director, Law and Parliamentary Affairs Department represented their Departments. Hafiz Muhammad Shafiq Adil, Special Secretary, Provincial Assembly of the Punjab functioned as Secretary to the Committee.

4. Mian Munazir Hussain Ranjha, MPA drew the attention of the House to the inauspicious condition of rural people and non-implementation of the policies made in that regard. He urged that there was a need to revisit the Agriculture affairs/policies in the Province. The other Members also showed their interest to talk on the said issue. The Minister for Law and Parliamentary Affairs Department proposed that the matter be referred to the Standing Committee on Agriculture.

5. The Committee met for eight times on the issue and seasoned parliamentarians had given their valuable inputs on such an important issue.

6. Syed Hussain Jahaina Gardezi, MPA, said that since agriculture is the backbone of our country but the farmers were not satisfied with the agriculture policies so they had numerous complaints regarding the same. He said that income tax was imposed to the industrialists on their net income but the farmers were forced to pay tax on their gross income. In case of loss in business the self-assessment of businessman was acceptable but in case of loss in Agri production, the farmers were not given any relief. He suggested that the industrialist and farmers be given equal relief regarding the tax collection. The farmer had to pay withholding tax along with Agriculture Income Tax received at fixed rate on per acre land basis while the industrialists were allowed to adjust withholding tax in the Annual tax return. He suggested that minimum exemption for the farmers should be enhanced up to Rs. 4 lac on the income earned from Agriculture at par with the exemption given by the Federal Board of Revenue. He also suggested that GST should be withdrawn on all agri inputs.

7. Mr Shaoukat Ali Laleka, MPA was of the view that there was need to set parameters to tackle the issue of agriculture. He was of the view that focus should be on agriculture income tax as the 60% of total export was from agriculture sector. He also suggested that the agriculture sector should be given status of industry.

8. Mr Javed Alloudin Sajid, MPA stated that the agriculture policies had been failed as private companies were exploiting for abnormal profit. He also stated that fixed Agriculture Tax should be levied upon agriculture land holdings.

Contd...P/3

He said that subsidy should be provided to the farmers on account of fertilizers, seeds, pesticides, tractors as well as for electricity to be used on account of Tube wells etc out of the Relief package of rupees one billion announced by the Prime Minister of Pakistan for the farmers. The 5% rate of interest was levied on loans for the purpose of business and industry while the same was 18% for agriculture purposes.

9. Ch Fazal-ur-Rehman, MPA stated that the farmers were ready to pay Agriculture Income Tax but in return they should be provided facilities.

10. Sardar Bahadar Khan Maikan, MPA while discussing the subject issue endorsed all the proposals of the Members specially that PASSCO should purchase the rice directly from the farmers at reasonable prices.

11. Syed Abdul Aleem, MPA said that the Act regarding Agriculture Income Tax was passed in 1997. However, the Assembly was authorized to amend the same. Farmers were already paying the Agriculture Tax but imposition of tax on their income was not fair. He was of the view that subsidy should be given on account of fertilizers and tractors. There was dire need to recover Agriculture Tax then it should be based on fixed rate of per acre land basis.

12. Malik Muhammad Ahmad Khan, MPA endorsed the suggestion of imposition of land based agriculture tax. He added that the farmers had to pay double income tax due to flaws in the Rules framed in 2002 under the Punjab Agriculture Income Tax Act 1997. He stated that Sugar Mill at Chhunia (District Kasur) had not been paid the cost of sugarcane to the farmers so far. He also said that Agriculture should be declared as the status of industry. He recommended the following suggestions for the betterment in agriculture sector.

- (a) the Committee observed that there was a difference between Agriculture Policy and agriculture package. Subsidies given should be a part of agriculture package and there was a serious need for a comprehensive agricultural policy for times to come. The Committee recommended that the Provincial Government should take up the matter with the Federal Government for the minimum support prices for listed crops. The Committee observed that there was a difference between Agriculture policy and Agriculture package, subsidies should be a part of agriculture package and there was a serious need for a comprehensive agriculture policy for times to come.
- (b) MSP system should be brought in place, coupled with the subsidies as the case was with India. The policy of the SAARC Countries was clear upon this.

- (c) Agricultural Commission should be constituted on the priority basis and its composition should have representation of the stakeholders, academia, members of the Provincial Assembly, nominees of the farmers associations and technocrats. The system of crop mapping should be brought in place.
- (d) Agricultural Marketing System should be brought out of the clutches of the anachronistic models and a need based strategy should be devised.
- (e) general sales tax GST levied upon fertilizers, pesticides and all other inputs was harsh and a cruel way of indirect tax to the farmers. The Punjab Government should take up the matter with the Federal Government for its removal at the earliest.
- (f) a need based mechanism was to be evolved so it may be decided that in which district what crops should be sowed. There should be well defined areas for crops as it had been e.g. as there were cotton areas, there were sugarcane areas, there were wheat areas and there were maze areas. It was needed to be specified again that in which districts what crops were to be sowed.
- (g) the Provincial Government needed to take up the matter of over-billing which was a serious concern for a farmer with the Federal Government for getting a decision at a ministerial level to strike off the strokes adjusted on tube well bills and other related issues.
- (h) the Committee also recommended that the Banks in Punjab financing to the farmers should be brought into the conformity with the policy of the State Bank of Pakistan and the loan should be provided to the farmers under 10% of interest rate.
- (i) legislation should be passed for non-payment of dues to sugar cane growers so that penalties should be imposed for non-payment to sugarcane growers. and
- (j) the land levelers should be provided at Tehsil level and their capacity should be enhanced.

13. Ch Muhammad Iqbal, MPA/Chairman, Committee on Privileges also endorsed the view point of the members about the imposition of land based agri tax. He said that the farmers were not reluctant to pay income tax but they should be given assurance to provide appropriate support prices of their products just like the farmers were accommodated in foreign countries

14. Sardar Ali Raza Khan Dreshak, MPA endorsed the view point of Syed Hussain Jahaina Gardezi, MPA regarding reservations about "The Agriculture Income Tax be received like businessmen" and stated that flood sector should be kept in mind and necessary legislation should be made for exemption of flood land by the Agriculture Income Tax.

Contd...P/5

15. Mian Munazir Hussain Ranjha, MPA/Mover stated that the main concern was regarding the agriculture income tax imposed upon the farmers. He discussed the matter in detail and recommended the following amendments in the Punjab Agriculture Income Tax Act 1997.

- i.* the basic exemption in the agri income tax should be awarded to the farmers up to the extent of Rs5 lac.
- ii.* the farmers having 12 ½ acres of irrigated land and 25 acres of arid land and having no orchard should be exempted from agri income tax. The said farmers should also be exempted to submit the income tax returns.
- iii.* the farmers having more than 12 ½ acres irrigated land and 25 acres arid land and having orchard of mango or orange on more than 6 acres of irrigated land and having orchard of mango or orange on more than 12 acres of arid land, such farmers should be required to submit the income tax returns.
- iv.* The farmers having less than 6 acres orchard on irrigated land and less than 12 acres orchard on non-irrigated land should also be exempted from agri income tax as well as income tax return.
- v.* for the purpose of facilitation centers regarding submitting the income tax return, the Government of Punjab should establish a desk at Tehsil level consisting of Naib Tehsildar and Patwaries under the supervision of Assistant Commissioner.
- vi.* agri income tax should be imposed with the ratio of 3% to 4% of agri income earned.
- vii.* the insurance of crops should be provided and such laws and mechanism should be made which may provide relief to the farmers.
- viii.* the agriculture should be given the status of an Industry. All those concessions and facilities should be provided to the farmers which were being provided to the Industrialists and Businessmen. The industrialist and farmers be given equal relief regarding the tax collection.

16. The Deputy Secretary, Board of Revenue presented the slab of total cultivated land and rate of tax per acre as under:-

	<u>CULTIVATED LAND</u>	<u>RATE OF TAX PER ACRE</u>
<i>(i)</i>	not exceeding 12 ½ acres	Nil;
<i>(ii)</i>	exceeding 12 ½ acres but not exceeding 25 acres	Rs.150;
<i>(iii)</i>	exceeding 25 acres	Rs.250;
<i>(iv)</i>	irrigated Orchard	Rs.300;
<i>(v)</i>	unirrigated Orchard	Rs.150.

Contd...P/6

17. He further provided a chart of different proposals which is placed as annexure-A. However, brief was given as under:-

- (i) tax impact as per first proposal was Rs. 1487 million, if rate increased from Rs.150 to Rs.300/-;
- (ii) at the second proposal tax impact was Rs. 2312 million, if rate increased from Rs.150 to Rs,500/-;
- (iii) at the third place, it was Rs. 3170 million, if rate increased from Rs.150 to Rs.700/-;
- (iv) at the fourth place, it was Rs. 4214 million, if rate increased from Rs.150 to Rs.1000/-; and
- (v) at the fifth place, it was Rs. 5050 million, if rate increased from Rs.150 to Rs.1200/- and so on.

18. He said that Rs. 759 million tax impact was existed keeping in view the current rates. The target for the financial year 2015-2016 was Rs. 2300 million and collection up to March 2016 was Rs. 917 million. He also presented the copy of tax impact at different proposals of rates stated above.

19. The Director, Law and Parliamentary Affairs Department stated that the Punjab Agriculture Income Tax Act was passed in 1997 and the Rules were framed in 2002 under the said Act. Federal Government had not imposed any agri tax. He further stated that according to the Schedule I of the Punjab Agriculture Income Tax Act 1997, a farmer possessing less than 12½ acre land was exempted from agri tax and such farmer was also exempted from filing the tax return. According to schedule II of the Act, the tax was imposed on actual agriculture income. The farmer, having the income for more than rupees 4 lac, had to submit the income tax return. He said that in this scenario, it was impossible to enforce the Agriculture Income Tax at fixed rate on per acre land basis. He was of the view that receiving of the Agriculture Income Tax at fixed rate on per acre land basis would not be possible. It was compulsory for the farmers to submit tax return for having more than 50 acres of land. It was difficult to determine per acre income and legislation would be made to determine the tariff of income.

Contd...P/7

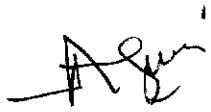
20. The Committee after hearing the mover, members, having the view point of the Administrative Departments like Agriculture Department, Food Department, Federal Board of Revenue, Cane Commissioner etc & Law and Parliamentary Affairs Department and discussing various points, unanimously recommended to the Assembly as under:-

- i. *the basic exemption in the agri income tax should be awarded to the farmers up to the extent of Rs5 lac.*
- ii. *the farmers having 12 ½ acres of irrigated land and 25 acres arid land and having no orchard should be exempted from agri income tax. The said farmers should also be exempted to submit the income tax returns.*
- iii. *the farmers having more than 12 ½ acres irrigated land and 25 acres arid land and having orchard of mango or orange on more than 6 acres of irrigate land and having orchard of mango or orange on more than 12 acres of arid land, such farmers should be required to submit the income tax returns.*
- iv. *The farmers having less than 6 acres orchard on irrigated land and less than 12 acres orchard on non-irrigated land should also be exempted from agri income tax as well as income tax return.*
- v. *for the purpose of facilitation centers regarding submitting the income tax return, the Government of Punjab should establish a desk at Tehsil level consisting of Naib Tehsildar and Patwaries under the supervision of Assistant Commissioner.*
- vi. *agri income tax should be imposed with the ratio of 3% to 4% of agri income earned.*
- vii. *the insurance of crops should be provided and such laws and mechanism should be made which could provide relief to the farmers.*
- viii. *the agriculture should be given the status of an Industry. All those concessions and facilities should be provided to the farmers which were being provided to the Industrialists and Businessmen.*
- ix. *the Provincial Government should take up the matter with the Federal Government for the minimum support prices for listed crops. The Committee observed that there was a difference between Agriculture policy and Agriculture package, subsidies should be a part of agriculture package and there was a serious need for a comprehensive agriculture policy for times to come.*
- x. *MSP System should be brought in place, coupled with the subsidies as the case was with India. The policy of the SAARC Countries was clear upon this.*
- xi. *Agricultural Commission should be constituted on the priority basis and its composition should have representation of the stakeholders, academia, members of the Provincial Assembly, nominees of the farmers associations and technocrats. The system of crop mapping should be brought in place.*
- xii. *Agricultural Marketing System should be brought out of the clutches of the anachronistic models and a need based strategy should be devised.*

Contd...P/8

- xiii. *General Sales Tax GST levied upon fertilizers, pesticides and all other inputs was harsh and a cruel way of indirect tax to the farmers. The Punjab Government should take up the matter with the Federal Government for its removal at the earliest.*
- xiv. *a need based mechanism was to be evolved so it may be decided that in which district what crops should be sowed. There should be well defined areas for crops as it had been e.g. there were cotton areas, there were sugarcane areas, there were wheat areas and there were maze areas. It was needed to be specified again that in which districts what crops were to be sowed.*
- xv. *the Provincial Government needed to take up the matter of over-billing which was a serious concern for a farmer with the Federal Government for getting a decision at a ministerial level to strike off the strokes adjusted on tube well bills and other related issues.*
- xvi. *the Banks in Punjab financing to the farmers should be brought into the conformity with the policy of the State Bank of Pakistan and the loan should be provided to the famers under 10% of interest rate.*
- xvii. *legislation should be passed for non-payment of dues to sugar cane growers so that penalties should be imposed for non-payment to sugarcane growers.*
- xviii. *the land levelers should be provided at Tehsil level and their capacity should be enhanced;*
- xix. *the Banks, financing to the farmers should also provide loans to the farmers according to KIBOR;*
- xx. *Appellate Courts should also be established at District Level to deal with Agriculture income Tax Appeals; and*
- xxi. *agri income tax should be dealt under the Supervision of Provincial Authorities. In no case agri income should be included in income, being dealt by the Federal Board of Revenue.*

Lahore
20 July 2016


(MUHAMMAD AFZAL GILL)
Chairman
Standing Committee on Agriculture

Lahore
20 July 2016


(RAI MUMTAZ HUSSAIN BABAR)
Secretary

Agricultural Income Tax

category	Net Sown Area as per data of FY 2012-13 (in Acres)	Existing Rate (in Rs.)	TAX IMPACT (in Rs.)	1st Proposal (in Rs.)	TAX IMPACT (in Rs.)	2nd Proposal (in Rs.)	TAX IMPACT (in Rs.)	3rd Proposal (in Rs.)	TAX IMPACT (in Rs.)	4th proposal (in Rs.)	TAX IMPACT (in Rs.)	5th proposal (in Rs.)	TAX IMPACT (in Rs.)
12.5 to 25 acres	1,967,095	150	295,064,250	300	590,128,500	500	983,547,500	700	1,376,966,500	1,000	1,967,095,000	1,200	2,360,514,000
Exceeding 25 acres	1,475,283	250	368,820,750	500	737,641,500	750	1,106,462,250	1,000	1,475,283,000	1,250	1,844,103,750	1,500	2,212,924,500
Orchards	317,535	300	95,260,500	500	158,767,500	700	222,274,500	1,000	317,535,000	1,300	412,795,500	1,500	476,302,500
TOTAL	3,759,913		759,145,500		1,486,537,500		2,312,284,750		3,169,784,500		4,223,994,250		5,049,741,000

Tax impact as per existing rates = Rs. 759 million

Tax impact as per 1st proposal = Rs. 1487 million

Tax impact as per 2nd proposal = Rs. 2312 million

Tax impact as per 3rd proposal = Rs. 3170 million

Tax impact as per 4th proposal = Rs. 4224 million

Tax impact as per 5th proposal = Rs. 5050 million

Target FY 2015-16 = Rs. 2300 million

Collection upto March 2016 = Rs. 917 million

Balance amount yet to be recovered = Rs. 1383 million

