Agrochem sector may see tax sops, import curbs

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In an effort to boost domestic production and make the agrochemicals sector atmanirbhar (self-reliant), the government is exploring tax incentives and infrastructure development, among other suggestions pooled, for the industry.

Sources in the know said the Centre was also looking at increasing Customs duty on formulations, agrochemicals, and pesticides falling under different Harmonized System of Nomenclature codes from 10 per cent to 20 per cent, with an eye on curbing their imports from China.

The agriculture ministry, along with NITI Aayog and the commerce department, is driving the discussions with key industry players.

While India’s agrochemicals sector has a presence in all continents, its size is barely half of China’s and about a third of the US. India, according to sources, imports agrochemicals in their various forms (technical + advanced intermediaries) worth over Rs 3,000 crore from China.

“Agrochemicals sector has been identified as one of the key sectors where India can achieve self-reliance since it already has a strong exports presence. Besides, a tariff war between the US and China can be a great opportunity for India. A slew of suggestions has come from the industry. We are examining those to formulate a policy for the sector,” said a government official.

India has identified around 12 sectors where attention will be given to make India self-reliant and become a global supplier.

The focus is to ensure production of quality products on a large scale that not only fulfil India’s requirements but also encourage export of surplus production.

Lowering of the goods and services tax (GST) rate from 12 per cent to 5 per cent for agrochemicals, in line with the rate of seeds and fertilisers, is among the key demands from the sector.

It will reduce the cost of agrochemicals for farmers. Seeds attract nil GST rate, and fertilisers, 5 per cent. Besides, the industry has also pressed for restoration of 200 per cent weighted deduction of expenses on research and development.

The weighted deduction was cut from 200 per cent to 150 per cent from 2017-18 onwards and is restricted to 100 per cent in 2020-21 onwards.

Suggestions also include providing export incentives like export input tax rebate of up to 15 per cent to compete with China. The industry is also seeking help with registration cost in high-cost markets like the European Union, the US, and Latin America.

A clutch of measures to ease the regulatory and business environment in the country with regard to agrochemicals has also been suggested.

“The government should remove the price control clause in the Pesticides Management Bill, 2020, as it discourages fresh investments, apart from removing the arbitrary and criminalisation provisions in the Act which make it prone to misuse,” said a senior industry official.

He said the industry has also suggested a plug-and-play industrial parks for agrochemicals with ready environmental clearances to set up new business, along with a complete overhaul of the Central Insecticides Board-Registration Committee to make its working more transparent, balanced, and technically sound.

According to a presentation by an industry body, the Indian agrochemicals industry has the potential to double in five years to $11 billion.