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REPORT  
tea finance committee

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**REPORT**  
of  
**The Tea Finance Committee**



**DIRECTORATE OF COMMERCIAL PUBLICITY**  
**MINISTRY OF COMMERCE, GOVERNMENT OF INDIA**  
**NEW DELHI**

V. V. Chari  
Additional Secretary  
Ministry of Finance.

New Delhi  
December 14, 1964.

Dear Shri Joshi,

I enclose herewith the Report of the Tea Finance Committee which was appointed by the Government of India, Ministry of Commerce, by Resolution No. 24(1) Plant (A)/64 dated 21st July, 1964.

2. The Committee started with the premise that in the context of the growing needs of the Plan steps should be taken for further development of the Tea industry which occupies an important place in the economy of the country, particularly as an earner of foreign exchange. Such development involves substantial outlay on the planting of tea bushes in fresh areas and also on replanting part of the areas now under tea. Expenditure has also to be incurred on other items of development. However, a review of the position of the industry indicated a downward trend in its net return over a period of years and this downward trend had apparently had a damping effect on the incurring of fresh developmental expenditure. The Committee, therefore, came to the conclusion that a financial incentive was called for in order to encourage the industry to embark on a programme of development with a view to achieving the targets which could be expected of it. The Committee considered that this incentive should be in the form of tax reliefs linked with performance in the field of development. After a careful consideration of the relevant circumstances and various alternatives the Committee has recommended that a development allowance should be provided for in the computation of taxable income at the rate of 50 per cent for newly planted areas and 40 per cent for replanted areas.

3. As a measure of export promotion and also having in view the general practice with regard to the levy of excise on commodities exported, the Committee has recommended that a portion of the excise duty on tea which is exported should be refunded.

4. The Committee has also reviewed the arrangements for financial assistance available to the industry and has recommended the setting up of a Tea Finance Corporation to provide medium and long term finance for development and to extend guarantees to commercial banks for the repayment of short term advances made by them on the hypothecation of crops to Tea companies whose title deeds are lodged with the Corporation as security for medium and long term loans.

5. The Committee also reviewed the cases of small growers as well as of economically weak tea gardens. With regard to the former, the Committee's view is that the formation of more co-operatives will be the best method of serving their needs. As regards the economically weak gardens, which are not necessarily small in area, the Committee has recommended the relaxation of some of the conditions applicable to the loans issued by the Tea Board. Further, the Committee has suggested the organisation of an Extension Service for the benefit of such gardens. There are several other recommendations and they are summarised at the end of the Report. In order to implement the recommendations changes in the Central and State laws relating to taxation will be necessary.

6. The Report has been signed by all the members except Shri R. B. Shah, General Manager, United Commercial Bank Ltd. Shri Shah could not attend any of the meetings of the Committee. Shri M. Ahmad, Joint Secretary, Government of Assam, has sent in a note of dissent, a copy of which is enclosed herewith. I have the following clarifications to make on some of the points raised by him in the note of dissent.

### *1. Development Allowance for Replantation*

The Committee's proposal in this regard cannot be regarded as conferring a double benefit. Expenditure on replantation is already being allowed under the existing law because bushes are not treated as depreciable assets. The Report shows how in spite of the admissibility of replantation expenditure as deduction, replantation is not taking place on the scale required. So, some incentive is required for encouraging the taking up of replantation. This incentive is proposed to be given in the form of a development allowance.

## 2. Bengal Entry Tax and Assam Carriage Tax

Shri Ahmed's suggestions were carefully considered by the Committee. As regards compensation for not reimposing the Carriage tax, the Committee felt that this was a matter for consideration by the Central Government and has recorded accordingly in para 68 of the Report. The other suggestion made in the note, *viz.*, that the Committee should recommend that President's assent should be given to allow the State to reimpose the Carriage tax is obviously beyond the scope of the terms of reference which only require the Committee to suggest appropriate measures for giving tax relief where necessary.

7. I wish to record the Committee's appreciation of the valuable assistance rendered by Shri K. M. Kidwai, Director of Tea Development, Tea Board, who acted as the Member-Secretary of the Committee. His technical knowledge of the tea industry was extremely useful to the Committee.

Yours sincerely,

Sd/.

(V. V. Chari)

Shri D. S. Joshi  
Secretary  
Ministry of Commerce  
New Delhi.

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