

UNION BUDGET 2009-10
An Analysis...

07 July 2009



Confederation of Indian Industry

Contents

Chapter	Title	Page No.
1	Key Features of the Union Budget 2009-10	1
2	Macroeconomic Perspectives	15
3	Fiscal Situation	22
4	Direct Taxes	29
5	Indirect Taxes – Sector & Industry Specific Analysis	35
6	Annexure-1 : Budget at a Glance	60
7	Annexure-2 : Key Indicators [2005-06 to 2008-09]	61

Chapter 1
Key Features of the Union Budget 2009-10

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Key Features of Union Budget 2009-10

The Economy: An Overview

- GDP growth rate dipped from an average of over 9 per cent in the previous three fiscal years to 6.7 per cent during 2008-09.
- WPI registered a growth rate of nearly 13 per cent in August 2008 and had an equally sharp fall to zero percent in March 2009.
- Fiscal accommodation led to an increase in fiscal deficit from 2.7 per cent in 2007-08 to 6.2 per cent of GDP in 2008-09.
- The fiscal stimulus at 3.5 per cent of GDP at current market prices for 2008-09 amounts to Rs.186,000 crore.

Challenges for the Economy

- To return to a high GDP growth rate of 9 per cent per annum at the earliest
- To deepen and broaden the agenda for inclusive development
- To improve delivery mechanisms of the government.

Fiscal Sustainability

- Government to move towards a nutrient based subsidy regime and to a system of direct transfer of subsidy to the farmers in due course.
- Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products.
- While retaining at least 51 per cent Government equity in Public Sector Undertakings, people's participation in disinvestment programmes to be encouraged.
- Public Sector Enterprises such as banks and insurance companies to remain in public sector
- The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.

Inclusive Development

- Allocation under National Rural Employment Guarantee Scheme (NREGS) increased by 144 per cent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09.
- National Food Security Act to be brought in to ensure entitlement of 25 kilo of rice or wheat per month at Rs.3 per kilo to every family living below the poverty line
- Allocation for Bharat Nirman increased by 45 per cent in 2009-10 over B.E. 2008-09.
- Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent over B.E. 2008-09 to Rs.12,000 crore in B.E. 2009-10.
- Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 per cent to Rs.7,000 crore.
- Allocation under Indira Awaas Yojana (IAY) increased by 63 per cent to Rs.8,800 crore in B.E. 2009-10.
- Allocation of Rs.2,000 crore made for Rural Housing Fund (RHF) in National Housing Bank (NHB)
- New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation
- of Rs.100 crore launched on pilot basis for integrated development of 1,000 villages having population of scheduled castes above 50 per cent.

Infrastructure

- IIFCL to evolve a “Takeout financing scheme” in consultation with banks to facilitate incremental lending to infrastructure sector.
- IIFCL to refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next fifteen to eighteen months.
- Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23 per cent over B.E. 2008-09 in B.E. 2009-10.
- Allocation for Railways increased from Rs.10,800 crore in Interim B.E. 2009-10 to Rs.15,800 crore in B.E. 2009-10.
- Allocation under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) stepped up by 87 per cent to Rs.12,887 crore in B.E. 2009-10 over B.E. 2008-09.

- Allocation for housing and provision of basic amenities to urban poor enhanced to Rs.3,973 crore in B.E. 2009-10. This includes provision for a new scheme called Rajiv Awas Yojana (RAY).
- Allocation under Accelerated Power Development and Reform Programme (APDRP) increased by 160 per cent to Rs.2,080 crore in B.E. 2009-10 over B.E. 2008-09.
- Blueprint to be developed for long distance gas pipelines leading to a National Gas Grid

Agriculture

- Target for agriculture credit flow set at Rs.325,000 crore for the year 2009-10 as against credit flow of Rs.287,000 crore in 2008-09.
- Interest subvention scheme for short-term crop loans up to Rs.3 lakh per farmer at the interest rate of 7 per cent per annum to be continued.
- Additional subvention of 1 per cent to be paid from this year, as incentive to those farmers who repay short-term crop loans on schedule.
- Time given to the farmers having more than two hectares of land to pay 75 per cent of their overdues under Debt Waiver and Debt Relief Scheme extended from 30th June 2009 to 31st December 2009.
- Allocation under Accelerated Irrigation Benefit Programme (AIBP) increased by 75 per cent over B.E. 2008-09.
- Allocation under Rashtriya Krishi Vikas Yojana (RKVY) stepped up by 30 per cent in B.E. 2009-10 over B.E. 2008-09.

Exports

- Adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors extended upto March 2010.
- Allocation for Market Development Assistance Scheme enhanced to Rs.124 crore in B.E. 2009-10.

- Interest subvention of 2 per cent on pre-shipment credit for seven employment oriented export sectors extended to March 31, 2010.
- Rs.4,000 crore to be provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI).
- Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates is extended from 30 June, 2009 to 31 December, 2009.

Empowerment of Weaker Section

- The Swarna Jayanti Gram Swarozgar Yojana (SGSY) restructured as National Rural Livelihood Mission for poverty eradication by 2014-15.
- In addition to capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs.1 lakh from banks.
- Reach of Self Help Groups (SHGs) to be widened to enrol at least 50 per cent of all rural women in India over the next five years.
- Corpus of Rashtriya Mahila Kosh to be increased from Rs.100 crore to Rs.500 crore over the next few years.
- National Mission for Female Literacy to be launched with focus on minorities, SC, ST and other marginalized groups with the aim to reduce level of female illiteracy by half in three years.
- All ICD Services to be extended to every child under the age of six by March 2012.
- To enable students from economically weaker sections to access higher education, a scheme to provide full interest subsidy during the period of moratorium introduced to cover loans taken from scheduled banks
- Plan outlay of Ministry of Minority Affairs enhanced from Rs.1,000 crore in B.E. 2008-09 to Rs.1,740 crore in 2009-10 registering an increase of 74 per cent.
- Action initiated to ensure implementation of social security schemes for workers in the unorganized sector.

Health

- Allocation under National Rural Health Mission (NRHM) increased by Rs.2,057 crore over Interim B.E. 2009-10 of Rs.12,070 crore.
- All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY).
- Allocation under RSBY increased by 40 per cent over previous allocation to Rs.350 crore in B.E. 2009-10.

Environment

- In furtherance to National Action Plan on Climate Change, eight national missions to be launched.
- Budgetary allocation under National River and Lake Conservation Plans increased from Rs.335 crore in B.E. 2008-09 to Rs.562 crore in B.E. 2009-10.
- Special one-time grant of Rs.100 crore given to Indian Council of Forestry Research and Education, Dehradun.
- Rs.15 crore each to be allocated to Botanical Survey of India and Zoological Survey of India.
- An additional amount of Rs.15 crore to be allocated for Geological Survey of India.

Education

- Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore.
- The provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore.
- Rs.827 crore allocated for opening one Central University in each uncovered State.
- Rs.2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs.
- The overall Plan budget for higher education is to be increased by Rs.2,000 crore over Interim B.E. 2009-10.

National Security

- Additional amount of Rs.430 crore provided over Interim B.E. 2009-10 to modernize police machinery in the States.
- Additional amount of Rs.2,284 crore proposed over Interim B.E. 2009-10 for construction of fences, roads, flood lights on the international borders.
- To create 1 lakh dwelling units for Central Para-military Forces personnel through innovative financing model.
- Outlay for Defence up from Rs.105,600 crore in B.E. 2008-09 to Rs.141,703 crore in B.E. 2009-10.

Delivery of Public services

- Unique Identification Authority of India (UIDAI) to set up online database with identity and biometric details of Indian residents.
- First set of unique identity number to be rolled out in 12 to 18 months.

Budget Estimates 2009-10

- Total expenditure is estimated at Rs.1,020,838 crore consisting of Rs.695,689 crore under Non-plan and Rs.325,149 crore under Plan registering an increase of 36 per cent, 37 per cent and 34 per cent respectively
- Increase in Non-plan expenditure mainly due to implementation of Sixth Central Pay Commission recommendations, increased food subsidy and higher interest Payments.
- Interest payments estimated at Rs.225,511 crore constituting about 36 per cent of Non-plan revenue expenditure in B.E. 2009-10.
- Subsidies up from Rs.71,431 crore in B.E. 2008-09 to Rs.111,276 crore in B.E. 2009-10.
- Gross Budgetary Support for Annual Plan 2009-10 enhanced by Rs.40,000 crore over Interim B.E. 2009-10.
- State Governments to be permitted to borrow additional 0.5 per cent of their GSDP by relaxing the fiscal deficit target under FRBM from 3.5 per cent to 4 per cent.

- Gross tax receipts budgeted at Rs.641,079 crore in B.E. 2009-10 compared to Rs.687,715 crore in B.E. 2008-09.
- Non-tax revenue receipts estimated at Rs.140,279 crore in B.E. 2009-10 compared to Rs.95,785 crore in B.E. 2008-09.
- Revenue deficit projected at 4.8 per cent of GDP in B.E. 2009-10 compared to 1 per cent in B.E. 2008-09 and 4.6 per cent as per provisional accounts of 2008-09.
- Fiscal deficit as a percentage of GDP is projected at 6.8 per cent compared to 2.5 per cent in B.E. 2008-09 and 6.2 per cent as per provisional accounts 2008-09.

Tax Proposals

- Structural changes in direct taxes to be pursued by releasing the new Direct Taxes Code within the next 45 days
- To accelerate the process for the smooth introduction of the Goods and Services Tax (GST) with effect from 1st April 2010. The GST Model envisages dual GST comprising of a Central GST and a State GST. The Centre and the States will each legislate, levy and administer the Central GST and State GST, respectively.
- The Authorities for Advance Rulings on Direct and Indirect Taxes to be merged by amending the relevant Acts.

Direct Taxes

- No changes made in the Corporate Tax rates.
- Exemption limit in personal income tax raised by Rs.15,000 from Rs.2.25 lakh to Rs.2.40 lakh for senior citizens; by Rs.10,000 from Rs.1.80 lakh to Rs.1.90 lakh for women tax payers; and by Rs.10,000 from Rs.1.50 lakh to Rs.1.60 lakh for all other categories of individual taxpayers.
- Deduction under section 80-DD in respect of maintenance, being raised from the present limit of Rs.75,000 to Rs.1 lakh.
- Surcharge on various direct taxes to be phased out; in the first instance, by eliminating the surcharge of 10 percent on personal income tax.
- Sun-set clauses for deduction in respect of export profits under sections 10A and 10B of the Income-tax Act being extended by one more year.
- Fringe Benefit Tax on the value of certain fringe benefits provided by employers to their employees to be abolished.
- Weighted deduction of 150% on expenditure incurred on in-house R&D to all manufacturing businesses being extended except for a small negative list.
- Businesses to be incentivised by providing investment linked tax exemptions rather than profit-linked exemptions. Under this method, all capital expenditure, other than expenditure on land, goodwill and financial instruments to be fully allowable as deduction.
- Investment linked tax incentives to be provided, to begin with, to the businesses of setting up and operating 'cold chain', warehousing facilities for storing agricultural produce and the business of laying and operating cross country natural gas or crude or petroleum oil pipeline network for distribution on common carrier principle.
- Minimum Alternate Tax (MAT) to be increased to 15 per cent of book profits from 10 per cent. The period allowed to carry forward the tax credit under MAT to be extended from seven years to ten years.
- New Pension System (NPS) to continue to be subjected to the Exempt-Exempt-Taxed (EET) method of tax treatment of savings.

- Income of the NPS Trust to be exempted from income tax and any dividend paid to this Trust from Dividend Distribution Tax.
- All purchase and sale of equity shares and derivatives by the NPS Trust also to be exempt from the Securities Transaction Tax.
- Self employed persons to be enabled to participate in the NPS and to avail of the tax benefits available thereto.
- Alternative dispute resolution mechanism to be created within the Income Tax Department for the resolution of transfer pricing disputes.
- Commodity Transaction Tax (CTT) to be abolished.
- Donations to electoral trusts to be allowed as a 100 percent deduction in the computation of the income of the donor.
- Deduction under section 80E of the Income-tax Act allowed in respect of interest on loans taken for pursuing higher education in specified fields of study to be extended to cover all fields of study, including vocational studies, pursued after completion of schooling.
- Anonymous donations received by charitable organisations to the extent of 5 percent of their total income or a sum of Rs.1 lakh, whichever is higher, not to be taxed.
- Scope of presumptive taxation to be extended to all small businesses with a turnover upto Rs. 40 lakh. All such taxpayers to have option to declare their income from business at the rate of 8 percent of their turnover and simultaneously enjoy exemption from the compliance burden of maintaining books of accounts. As a procedural simplification, they are also to be exempted from advance tax and allowed to pay their entire tax liability from business at the time of filing their return. This new scheme to come into effect from the financial year 2010-11.

Indirect Taxes

To maintain the overall rate structure for customs and central excise duties as well as service tax.

Customs duties

- Customs duty of 5% to be imposed on Set Top Box for television broadcasting.
- Customs duty on LCD Panels for manufacture of LCD televisions to be reduced from 10% to 5%.
- Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories to be reintroduced for one year.
- List of specified raw materials/inputs imported by manufacturer-exporters of sports goods, which are exempt from customs duty, subject to specified conditions, to be expanded by including five additional items.
- List of specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products and footwear industry, which are fully exempt from customs duty, subject to specified conditions, to be expanded.
- Customs duty on unworked corals to be reduced from 5% to Nil.
- Customs duty on 10 specified life saving drugs/vaccine and their bulk drugs to be reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).
- Customs duty on specified heart devices, namely artificial heart and PDA/ASD occlusion device, to be reduced from 7.5% to 5% with Nil CVD (by way of excise duty exemption).
- Customs duty on permanent magnets for PM synchronous generator above 500 KW used in wind operated electricity generators to be reduced from 7.5% to 5%.
- Customs duty on bio-diesel to be reduced from 7.5% to 2.5%.
- Concessional customs duty of 5% on specified machinery for tea, coffee and rubber plantations to be reintroduced for one year, upto 06.07.2010.
- Customs duty on 'mechanical harvester' for coffee plantation to be reduced from 7.5% to 5%. CVD on such harvesters has also been reduced from 8% to nil, by way of excise duty exemption.
- Customs duty on serially numbered gold bars and gold coins to be increased from Rs.100 per 10 gram to Rs.200 per 10 gram.
- Customs duty on other forms of gold to be increased from Rs.250 per 10 gram to Rs.500 per 10 gram.

- Customs duty on silver to be increased from Rs.500 per Kg. to Rs.1,000 per Kg. These increases also to be applicable when gold and silver (including ornaments) are imported as personal baggage.
- Customs duty on cotton waste to be reduced from 15% to 10%.
- Customs duty on wool waste to be reduced from 15% to 10%.
- Customs duty on rock phosphate to be reduced from 5% to 2%.
- CVD exemption on Aerial Passenger Ropeway Projects to be withdrawn. Such projects will now attract applicable CVD.
- Customs duty exemption on concrete batching plants of capacity 50 cum per hour or more to be withdrawn. Such plants will now attract customs duty of 7.5%.
- On packaged or canned software, CVD exemption to be provided on the portion of the value, which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- Customs duty on inflatable rafts, snow-skis, water skis, surf-boats, sail-boards and other water sports equipment to be fully exempted.

Central excise duties

- Excise duty rate on items currently attracting 4% to be raised to 8% with following major exceptions:
 - Specified food items including biscuits, sharbats, cakes and pastries
 - Drugs and pharmaceutical products falling under Chapter 30
 - Medical equipment
 - Certain varieties of paper, paperboard and articles thereof
 - Paraxylene
 - Power driven pumps for handling water
 - Footwear of RSP exceeding Rs.250 but not exceeding Rs.750 per pair
 - Pressure cookers
 - Vacuum and gas filled bulbs of RSP not exceeding Rs.20 per bulb
 - Compact Fluorescent Lamps
 - Cars for physically handicapped

- Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000 cc and above to be reduced from Rs. 20,000/- per vehicle to Rs.15,000 per vehicle.
- Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries to be reduced from '20% + Rs.10,000' to '8% + Rs.10,000'.
- Excise duty on Special Boiling Point spirits to be reduced to 14%.
- Excise duty on naphtha to be reduced to 14%.
- Duty paid High Speed Diesel blended with upto 20% bio-diesel to be fully exempted from excise duties.
- The *ad valorem* component of excise duty of 6% on petrol intended for sale with a brand name to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre'.
- The *ad valorem* component of excise duty of 6% on diesel intended for sale with a brand name to be converted into a specific rate. Consequently, such diesel would now attract total excise duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.
- Excise duty on manmade fibre and yarn to be increased from 4% to 8%.
- Excise duty on PTA and DMT to be increased from 4% to 8%.
- Excise duty on polyester chips to be increased from 4% to 8%.
- Excise duty on acrylonitrile to be increased from 4% to 8%.
- The scheme of optional excise duty of 4% for pure cotton to be restored.
- Excise duty for man-made and natural fibres other than pure cotton, beyond the fibre and yarn stage, to be increased from 4% to 8% under the existing optional scheme.
- An optional excise duty exemption to be provided to tops of manmade fibre manufactured from duty paid tow at par with tops manufactured from duty paid staple fibre.

- Suitable adjustments to be made in the rates of duty applicable to DTA clearances of textile goods made by Export Oriented Units using indigenous raw materials/ inputs for manufacture of such goods.
- Full exemption from excise duty to be provided on goods of Chapter 68 of Central Excise Tariff manufactured at the site of construction for use in construction work at such site.
- Excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags' to be made optional. Manufacturers have the option to pay the applicable excise duty and avail the credit of duty paid on inputs.
- EVA compound manufactured on job work for further use in manufacture of footwear to be exempted from excise duty.
- Benefit of SSI exemption scheme to be extended to printed laminated rolls bearing the brand name of others by excluding this item from the purview of the brand name restriction.
- On packaged or canned software, excise duty exemption to be provided on the portion of the value, which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- Excise duty on branded articles of jewellery to be reduced from 2% to Nil.

Service tax

- Service Tax to be imposed on the following services:
 - Service provided in relation to transport of goods by rail
 - Service provided in relation to transport of coastal cargo; and goods through inland water including National Waterways
 - Advice, consultancy or technical assistance provided in the field of law (this tax would not be applicable in case the service provider or service receiver is an individual).
 - Cosmetic and plastic surgery service

- Exemption from service tax being provided to inter-State or intra-State transportation of passengers in a vehicle bearing 'Contract Carriage Permit' with specified conditions.
- Exemption from service tax being provided to inter-bank purchase and sale of foreign currency between scheduled banks.
- Two taxable services, namely, 'Transport of goods through road' and 'Commission paid to foreign agents' to be exempted from the levy of service tax, if the exporter is liable to pay service tax on reverse charge basis. However, present cap of 10% on commission agency charges is retained.
- For other services received by exporters, service tax exemption to be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 per cent of FOB value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.
- Export Promotion Councils and the Federation of Indian Export Organizations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31st March 2010.

Chapter 2

Macroeconomic Perspectives

Chapter 2

Macroeconomic Perspectives

Introduction

At a time when the outlook for growth is still uncertain, the first Budget of the newly elected UPA government has decided to keep the fiscal tap open. An expansionary fiscal stance has been maintained in order to reverse the economic slowdown that has set in since the second renechalf of 2008-09. Expenditure has been increased in many critical areas while tax rates have been largely left untouched. As a result, the fiscal deficit is expected to increase from 6.2% of GDP in 2008-09 to 6.8% in 2009-10. A higher deficit will mean that the Government's borrowing needs for the year 2009-10 will be as high as Rs. 3.98 lakh crore. However, given the current environment of surplus liquidity in the banking system, it should not be difficult to fund the higher borrowing requirement.

Once the economy returns to a higher growth path, the buoyancy in revenues will help lower the deficit. In the current environment, the Finance Minster has focused on restoring higher growth as his key challenge. In addition, his second and third challenges would be to foster inclusive growth and to improve the delivery of government services. Here, the establishment of the Unique Identification Authority of India would go a long way in improving governance in the delivery of social sector schemes.

One positive feature of the Budget numbers is that revenues have been projected on a realistic basis. GDP at current prices has been projected to grow at 10.0% in 2009-10 which could be based on an assumption of 6.5 - 7.0% growth in real GDP. The Interim Budget had assumed a higher growth rate of 13.7% which seems unlikely, given the current phase of low inflation and moderate growth. A modest growth of 2.1% has been assumed for gross tax revenues.

Table 1: Tax collections*(Rs. Crore)*

	2007-08	2008-09 RE	2009-10 BE
Gross Tax Revenue	593,148	627,949	641,079
Customs	104,119	108,000	98,000
Excise	123,611	108,359	106,477
Corporate	192,911	222,000	256,725
Personal	102,644	122,600	112,850

Source: Budget documents

Institutional reforms

In the medium term, the Finance Minister has proposed a return to the FRBM targets by initiating reforms in the areas of taxation, subsidies, expenditure and disinvestment.

- In taxation, the Finance Minister has proposed to complete the move towards a trust based, simple, neutral tax system with no exemptions and low rates to promote compliance. Measures such as the timely introduction of GST, the Direct Tax Code and the alternative dispute resolution mechanism for the resolution of transfer pricing disputes would all help improve the efficiency of tax administration. The proposed presumptive tax for small businesses will also help reduce their compliance burden.
- The Finance Minister has also indicated his seriousness in reducing subsidies by moving to a different regime for the pricing of fertilizers as well as petroleum and diesel. The Government's subsidy bill is estimated to exceed Rs. 1 lakh crore in 2009-10, an increase of 56% from the Budget estimate of the previous year.
- Although the Budget did not announce a specific target for disinvestment of PSUs, leading to some disappointment for equity investors, the Finance Minister has clearly stated that he intends to reduce the Government's shareholding in PSUs through people's participation in the disinvestment programme.

Increase in allocations

One of the major outcomes of this Budget will result from the increase in budgetary allocations across various schemes. In fact, the Finance Minister has increased the Plan expenditure for 2009-10 by Rs. 40,000 crore compared to what was projected in the Interim Budget (see Table 1). This quantifies the stimulus provided by this Budget. Key sectors where the Budget has increased allocations include infrastructure, agriculture and MSMEs.

Table 1: Projected expenditure: July Budget versus Interim Budget (Rs. Crore)

	2009-10 BE (February 2009)	2009-10 BE (July 2009)	Increase
Non-Plan expenditure	668,082	695,689	27,607
Plan expenditure	285,149	325,149	40,000
Total expenditure	953,231	1,020,838	67,607

Source: Budget papers

- In the infrastructure sector, the Finance Minister has proposed to increase allocation for **National Highway Development Programme** by 23% over the budget estimates of 2008-09. Similarly for railways the allocation has been increased to Rs. 15,800 crore in the Budget. The allocation for **Bharat Nirman** scheme has been increased by 45% in the Budget, which includes an increase of 59% under **Pradhan Mantri Gram Sadak Yojna** and of 27% in **Rajiv Gandhi Grameen Vidyutikaran Yojna**. Similarly allocation under **Indira Awaas Yojna (IAY)** has been increased by 63% to Rs. 8,800 crore and an allocation of Rs. 2,000 crore has been made for **Rural Housing Fund** in National Housing Bank.
- A new scheme called the **Pradhan Mantri Adarsh Gram Yojna (PMAGY)** has been launched this year, on a pilot basis, for integrated development of 1,000 villages where the population of Scheduled Castes is more than 50% of the total population. An allocation of Rs 100 crore has been made for such scheme.
- To improve the condition of urban infrastructure in various states, the Finance Minister has increased the allocation for **Jawaharlal Nehru National Urban Renewal Mission (JNNURM)** by 87% to Rs. 12,887 crore.

- The allocation for **Accelerated Power Development and Reform Programme** (APDRP), to bridge the gap between power demand and supply, has been increased by 160% to Rs 2,080 crore in the Budget.
- Spending on **National Rural Employment Guarantee program**, which provided employment to 44.7 million poor households last year, has been stepped up by 144 percent to Rs. 39,100 crore.
- To maintain sustainable agricultural growth, the Finance Minister has set the target for **agricultural credit** flow at Rs. 325,000 crore, for the year 2009-10. Further an interest subvention scheme at 7% per annum, for short-term crop loans upto Rs 300,000 has been continued with. Also an additional interest subvention of 1% has been announced for farmers who repay their short-term crop loans on time.
- An additional Rs. 1,000 crore, over the interim budget, has been allocated for the **Accelerated Irrigation Benefit Programme** (AIBP), which is an increase of 75% over the budgetary allocation in 2008-09. Similarly under the **Rashtriya Krishi Vikas Yojna** (RKVY), there has been an increase in allocation by 30% over the Budget estimates of 2008-09.
- In an attempt to incentivise Indian **exports** beyond Europe and North American countries, the Union Budget has increased the allocation under the Market Development Assistance Scheme by 148% over the Budget Estimates of 2008-09 to Rs 124 crore.
- To incentivise the flow of credit, at reasonable rates to **Micro, Small and Medium Enterprises (MSMEs)** a special fund of Rs. 4,000 crore has been created out of Rural Infrastructure Development Fund (RIDF). has been provided to Small Industries Development Bank (SIDBI).
- For the empowerment of weaker sections the Swarna Jayanti Gram Swarozgar Yojna has been restructured as **National Rural Livelihood Mission** to make it universal in application. In addition to capital subsidy at enhanced rates, an interest subsidy to poor households is to be provided for loans up to Rs. 1 lakh from banks.
- The plan outlay of Ministry of Minority Affairs has been enhanced from Rs. 1,000 crore during 2008-09 to Rs. 1,740 crore during 2009-10. This is an increase of 74% over a one-year period.

- Allocation under **National Rural Health Mission (NRHM)** has been increased by Rs. 2,057 crore over the interim budget estimate of Rs. 12,070 crore. Similarly allocation under Rashtriya Swasthya Bima Yojna (RSBY) has been increased by 40% over previous budget allocation of Rs. 350 crore.

Major Social Development Schemes - Budget Allocations

(Figures in Rs. Crores)

Schemes	2008-09	2009-10
National Rural Employment Guarantee Scheme (NREG)	16000	39100
Integrated Child Development Scheme (ICDS)	6,300	6705
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	6,866	12887
Bharat Nirman	31,280	45356
Centrally Sponsored Scheme on Micro Irrigation	500	430
Rural Electrification	5500	7000
Rural Housing	5399	8800
Pradhan Mantri Gram Sadak Yojana	7547	12000
Accelerated Irrigation Benefit Programme (AIBP)	20,000	35000
Rajiv Gandhi Rural Drinking Water Mission	7,300	NA
Rural Sanitation Programme	1,200	1,200
National Rural Health Mission	12,050	13930
Interest Subvention (Agriculture Credit)	1,600	2011
Drinking Water Supply	8500	9,200
Intergerated Watershed Management programme	NA	1911
Rural Infrastructure Development Fund	14,000	10,000
National Land Records Modernisation programme	NA	400
SGSY (restructured as National Rural livelihood mission)	2113	2350
National horticulture Mission	1100	1100
National Food security Mission	780	1200
National Agriculture Insurance Scheme	644	644
Pradhan Mantri Aadarsh gram Yojana (New Scheme)	---	100
Skill Development Mission	1,750	NA
Upgradation of polytechnics	NA	495
Sarv Shiksha Abhiyan	13,100	13100
Mid Day Meal Scheme	8,000	8000

Source: Budget documents

Tax incentives

Some significant changes in the tax structure are the other highlight of this Budget. We point out three major changes. One, the abolition of FBT and CTT have been long-pending demands of CII. Two, the availability of weighted deduction of 150% on R&D expenditure to all manufacturing businesses will provide a boost to induce investment in R&D. Third, the provision of investment linked tax exemptions in two critical sectors of cold chain and gas pipelines will encourage investment in these areas.

On the indirect tax front, the stability of tax rates at the current levels of 10% peak rate for customs, 8% for excise and 10% for service tax is welcome, in light of the uncertain growth environment. Global conditions continue to be adverse and this would not be the right time to increase tax rates. Industry would look forward to a roadmap for the introduction of GST.

Infrastructure

Special emphasis has been given to the infrastructure sector in this Budget. While Budgetary allocations have been increased in key sectors such as highways and urban development, some measures have also been taken to ease the financing constraint. Better utilisation of the funds available with IIFCL will make it possible to achieve the target of supporting an investment of Rs. 100,000 crore in PPP projects. Investment in the production and distribution of natural gas is also likely to get a boost from the tax holiday given to these sectors. The Government has proposed to develop a blueprint for long distance gas highways leading to a Natural Gas grid.

Investment in soft infrastructure for education has also been given priority. The quality of human capital is likely to be enhanced from schemes such as the Mission in Education through ICT and the setting up and upgrading polytechnics under the Skill Development Mission. Tax deductions for interest on loans taken for pursuing higher education has been extended to vocational studies.

Conclusion

To conclude, this Budget has taken a call that the economy is still at a stage where it needs fiscal support. Additional expenditure in critical sectors such as infrastructure and agriculture could play a role in kick-starting the economy. At the same time, tax measures have largely been framed to provide incentives to further investments in critical sectors.

Chapter 3

Fiscal Situation

Chapter 3

Fiscal Situation

DEFICITS

The Budgeted estimates for fiscal deficit for 2009-10 is placed at 6.8 percent of GDP as compared to 6.0 percent for revised estimates (RE) of 2008-09. The Interim Budget had estimated the fiscal deficit at 5.5 percent of GDP for 2009-10. The new numbers therefore reflect an increment of 1.3 percent in the estimated fiscal deficit for 2009-10 over the estimates in the Interim Budget. The difference between actual deficit of 2007-08 and 2008-09 can be considered the total fiscal stimulus and is estimated at 3.5% of GDP or Rs. 186,000 crore.

The continued fiscal stimulus for 2009-10 can roughly be estimated at 4.8 percent of GDP (Difference between the budget estimates for 2008-09 and 2009-10). Despite the current surge in fiscal deficit, the budget 2009-10 shows the intention of returning to fiscal consolidation path at the earliest.

The revenue and primary deficits are placed at 4.8 percent and 3.0 percent respectively for 2009-10 (BE) as against 4.4 percent and 2.5 percent respectively for 2008-09 (RE) and 1.0 percent and -1.1 percent respectively for 2008-09 (BE).

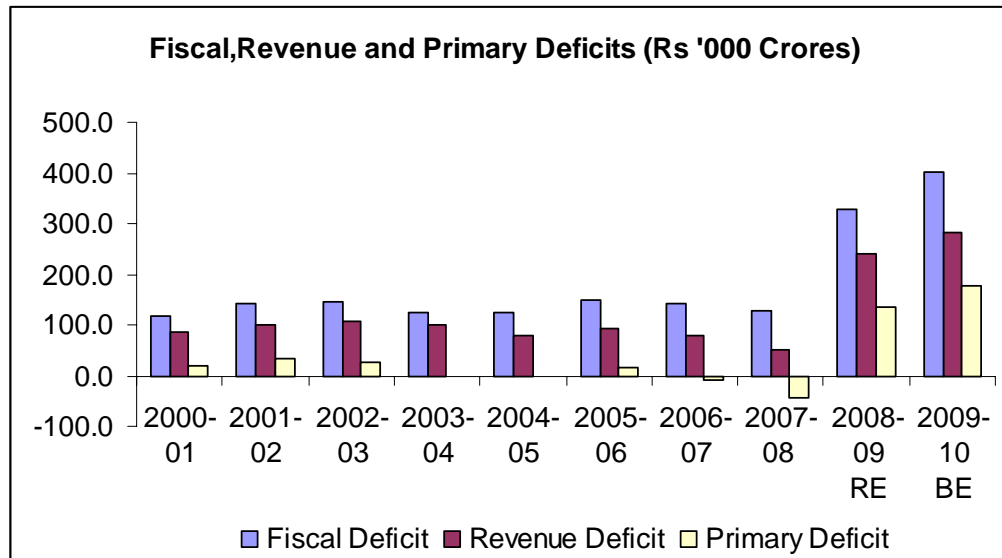
Changes in Deficits (Rs Crores)

	2008-09	2008-09	2009-10	Growth (%)	
	BE	RE	BE	2008-09 (RE) over 2008-09(BE)	2009-10(BE) over 2008-09(RE)
Revenue Deficits	55,184	241,273	282,735	337.2	17.2
Fiscal Deficits	133,287	326,515	400,996	145.0	22.8
Primary Deficits	-57,520	133,821	175,485	332.7	31.1

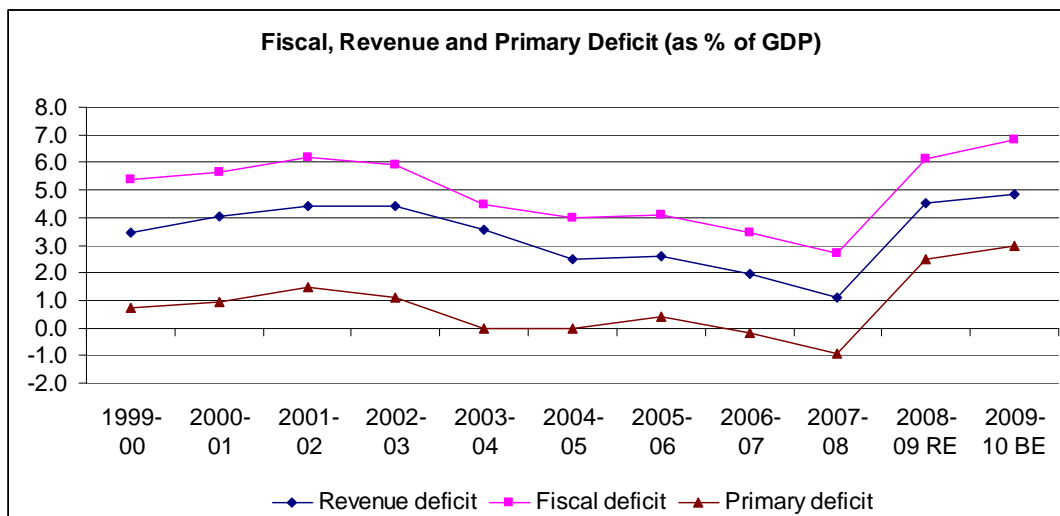
As % of GDP

Revenue Deficits	1.0	4.4	4.8
Fiscal Deficits	2.5	6.0	6.8
Primary Deficits	-1.1	2.5	3.0

The fiscal deficit in absolute terms had increased from Rs.126,900 crore in 2007-08 to Rs 326,500 crore as per revised estimates for 2008-09 and estimated at Rs 401,000 crore in 2009-10. The primary deficit which reflects new borrowing requirement had reversed from a surplus of Rs.44,100 crore in 2007-08 to a deficit of Rs.133,800 crore as per revised estimate for 2008-09 and estimated at Rs.175,500 crore for 2009-10.



In the post FRBM period (2002-03), the fiscal situation had improved continuously till the financial year 2007-08 when it reached 2.7 percent of GDP from 5.9 percent of GDP in 2002-03. The fiscal deficit shot up to 6.1 percent of GDP in 2008-09 on fiscal stimulus package to counteract the negative fallout on India of the global financial meltdown.



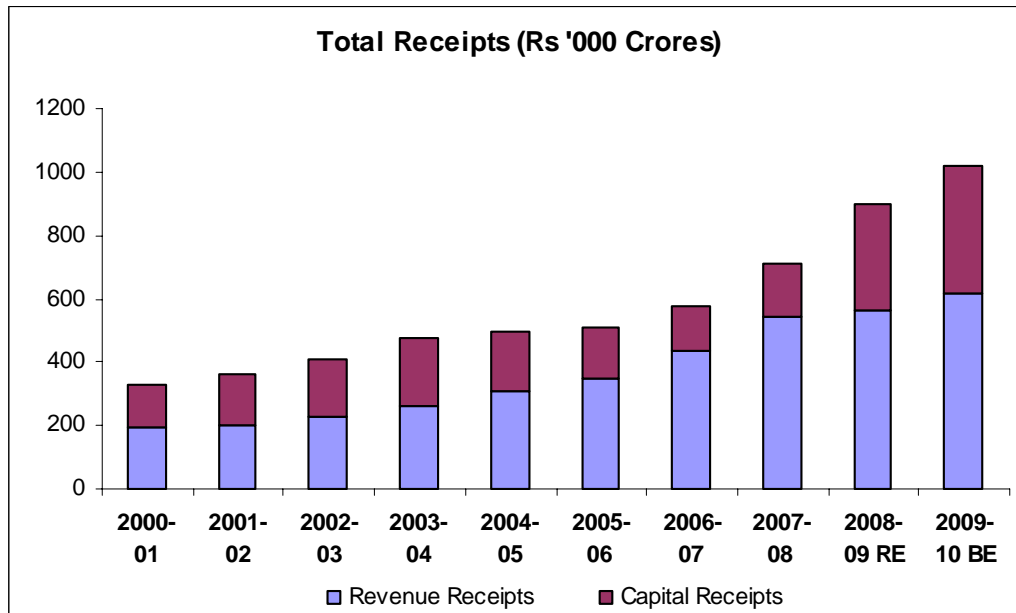
RECEIPTS

The revised estimates of the total receipts during 2009-10 stands at Rs.1,021,000 crore, which is 20 percent higher than the budgetary estimates for 2008-09. This increase is solely due to increase in the growth of capital receipts by 129 percent. On the contrary, revenue receipts has declined by 6.8 percent vis-à-vis the 2008-09 BE. This is mainly due to shortfall in tax revenue which showed a gap of 8.1 percent in RE of 2008-09 over BE of 2008-09. The total receipts for the year 2009-10 is expected to increase by 13.3 percent and revenue receipts and capital receipts are expected to increase by 9.3 percent and 19.9 percent respectively. The main contributor to the growth of revenue receipts is likely to be non-tax revenue which is expected to increase by 45.8 percent.

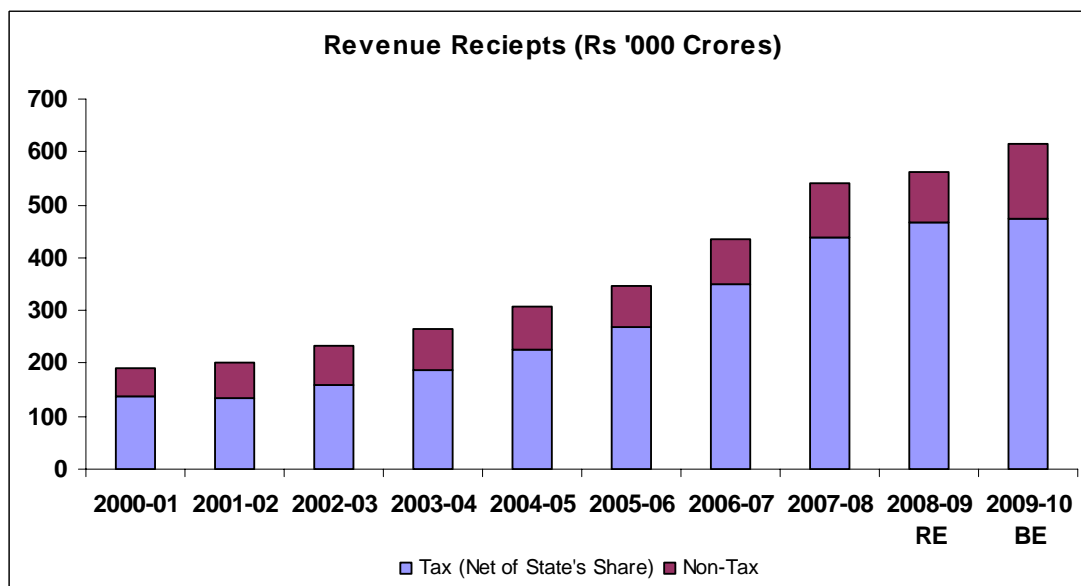
Growth in Receipts (Rs Crores)

	2008-09	2008-09	2009-10	Growth (%)	
	BE	RE	BE	2008-09 (RE) & 2008-09 (BE)	2009-10(BE) & 2008-09(RE)
Revenue Receipts	602,935	562,173	614,497	-6.8	9.3
Tax Revenue	507,150	465,970	474,218	-8.1	1.8
Non-Tax Revenue	95,785	96,203	140,279	0.4	45.8
Capital Receipts	147,949	338,780	406,341	129.0	19.9
Recoveries of Loans	4,497	9,698	4,225	115.7	-56.4
Other receipts	10,165	2,567	1,120	-74.7	-56.4
Borrowings and other liabilities	133,287	326,515	400,996	145.0	22.8
Total Receipts	750,884	900,953	1,020,838	20.0	13.3

Despite the shortfall in revenue receipts as compared to 2008-09BE, on actual basis, revenue receipts has increased continuously and has been the major contributor to the total receipts growth. The revenue receipts increased to Rs.562,200 crore in 2008-09 RE from Rs. 541,900 in 2007-08 (actuals).



The non-tax revenue since 2000-2001 has increased at a much lesser pace than the tax-revenues. Overall in revenue receipts, the net-tax collection during 2008-09 contributed Rs 466,000 crore, whereas the remaining Rs 96,200 crore was from the non-tax sources.

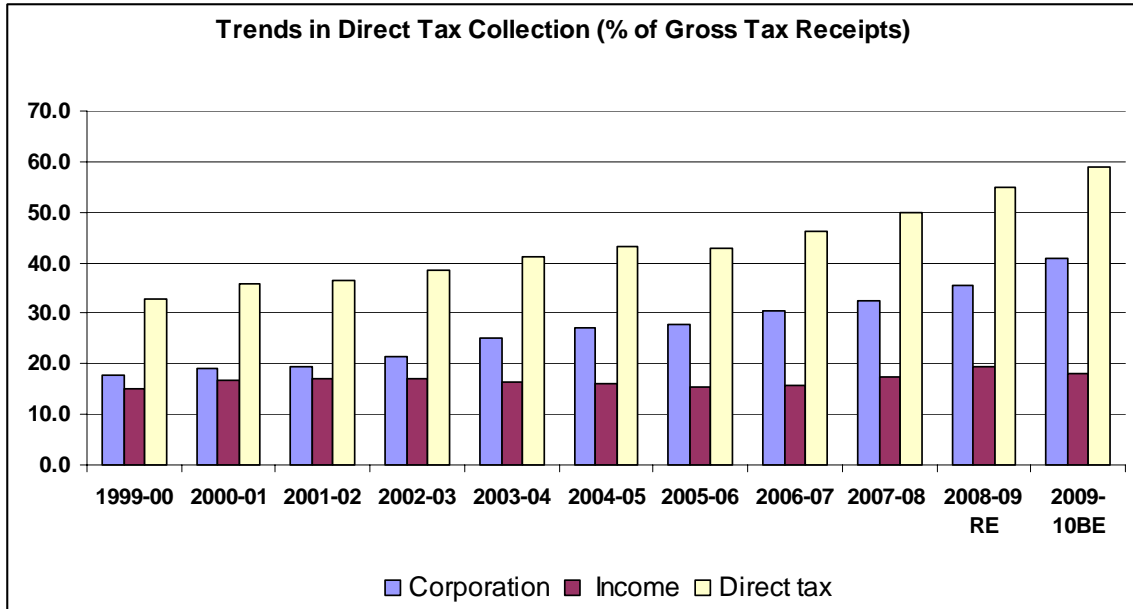


The Gross tax revenue realization suffered due to lower GDP growth in 2008-09 compared to 2007-08 and tax cuts undertaken to incentivise the affected sectors. The Gross Tax revenue during 2008-09 is at Rs.628,000 crore was 8.7 percent lower than budget estimates. Except service tax, shortfall in tax revenue from 2008-09BE is observed in all major tax heads i.e. corporation tax, income tax, customs and excise duties. The increase in Gross Tax Revenue of 2.1 percent during 2009-10 BE over the revised estimates of 2008-09 is solely expected to come from corporate taxes which are expected to grow by 15.6 percent in 2009-10BE over the 2008-09 RE.

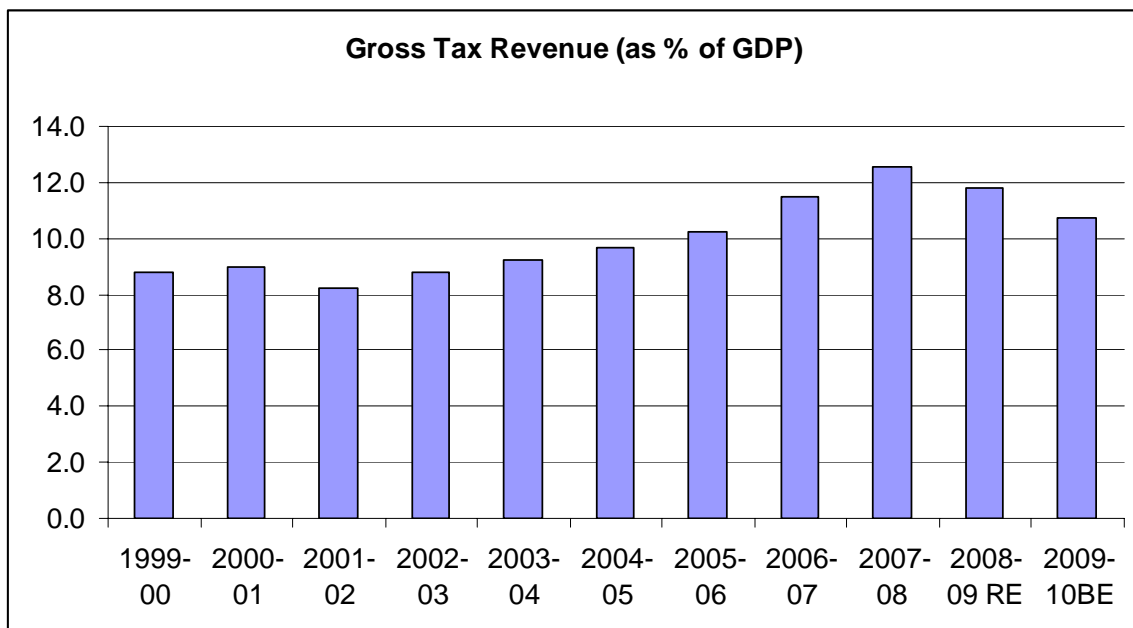
Growth in Gross Tax Revenue (Rs Crores)

	2008-09	2008-09	2009-10	Growth (%)	
	BE	RE	BE	2008-09 (RE) & 2008-09 (BE)	2009-10(BE) & 2008-09(RE)
Gross Tax Revenue	687,715	627,949	641,079	-8.7	2.1
Corporation Tax	226,361	222,000	256,725	-1.9	15.6
Income Tax	138,314	122,600	112,850	-11.4	-8.0
Other taxes & duties	325	400	425	23.1	6.3
Customs	118,930	108,000	98,000	-9.2	-9.3
Union Excise Duties	137,874	108,359	106,477	-21.4	-1.7
Service Tax	64,460	65,000	65,000	0.8	0.0
Taxes on Union Territories	1,451	1,590	1,602	9.6	0.8

As per the revised estimates for 2008-09, the share of direct tax in Gross Tax receipts has exceeded indirect tax for the first time. The direct tax as proportion of Gross Tax receipts stood at 54.9 percent while that of indirect tax is placed at 42.9 percent. The share of direct tax is expected to increase to 58.9 percent in 2009-10 on the expectation of larger contribution from corporate tax.



Gross Tax revenue as a percentage of GDP peaked at 12.6 percent in 2007-08RE from 8.8 percent in 1999-00 and thereafter it has fallen to 11.8 percent of GDP as per 2008-09RE.





EXPENDITURE

Total expenditure during 2008-09 exceeded the BE of 2008-09 by 20 percent. The non-plan expenditure exceeded by 21.8 percent while plan expenditure exceeded by 16.3 percent over the 2008-09BE. Excess non-plan expenditure is led by higher subsidies than estimated for interest, food, fertilizers, petroleum products. The excess plan expenditure is due to enhanced additional expenditure for social sector and social and physical infrastructure.

Growth in Expenditure (Rs Crores)

	2008-09	2008-09	2009-10	Growth (%)	
	BE	RE	BE	2008-09 (RE) & 2008-09 (BE)	2009-10(BE) & 2008-09(RE)
Non-Plan Expenditure	507,498	617,997	695,689	21.8	12.6
On Revenue Account	448,352	561,791	618,834	25.3	10.2
On Capital Account	59,146	56,206	76,855	-5.0	36.7
Plan Expenditure	243,386	282,957	325,149	16.3	14.9
On Revenue Account	209,767	241,656	278,398	15.2	15.2
On Capital Account	33,618	41,301	46,751	22.9	13.2
Total Expenditure	750,884	900,953	1,020,838	20.0	13.3
Revenue Expenditure	658,119	803,446	897,232	22.1	11.7
Capital Expenditure	92,765	97,507	123,606	5.1	26.8

Chapter 4

Direct Taxes

Chapter 4

Direct Tax Proposals

With an effort to revive economy back to a 9% growth trajectory, the Union Budget 2009-10 has focused on tax proposals towards laying foundation for a tax system that ensures greater compliance with more focus on automation and re-engineering aimed at simplification of processes.

Measures stated in the Union budget 2009-10 aimed at bringing structural changes and enhancing compliance of the existing system include:

- Simplified Income Tax Return Form “Saral II” to be released;
- Introduction of a simplified presumptive tax scheme;
- A New Direct Tax Code to be released within the next 45 days inviting suggestions from the public and is likely to be put before the parliament in the winter session;
- The Authority for Advance Ruling “AAR” for direct and indirect taxes to be merged to enhance efficiency;
- Creation of alternate dispute resolution mechanism within the income tax department for resolution of transfer pricing disputes; and
- CBDT empowered to formulate safe harbor rules.

The following sections provide a quick analysis of the key direct tax proposals.

Key Direct Tax Proposals

1. Threshold limits of exemption in case of all individual assesseees and women assesseees is proposed to be increased by Rs. 10,000 and Rs. 15,000 for senior citizens. Consequently, the proposed tax slabs would be as under:

Individual assesseees (other than women assesseees and senior citizens):

Slabs	Tax Rate
Up to Rs. 160,000	Nil
160,001 to 300,000	10%
300,001 to 500,000	20%
500,001 and above	30%

Women assesseees:

Slabs	Tax Rate
Up to Rs. 190,000	Nil
190,001 to 300,000	10%
300,001 to 500,000	20%
500,001 and above	30%

Senior Citizen assesseees:

Slabs	Tax Rate
Up to Rs. 240,000	Nil
240,001 to 300,000	10%
300,001 to 500,000	20%
500,001 and above	30%

Similar to the Budget of 2008-09, the Union Budget of 2009-10 has continued to extend relief to the individual taxpayers by increasing the tax exemption limit. The proposal is welcome as it would create a virtuous cycle of more disposal income leading to higher consumption demand.

2. Deduction under section 80DD in respect of maintenance including medical treatment, of dependant who is a person with disability, is proposed to be increased from Rs. 75,000 to Rs. 100,000. This proposal would benefit individual taxpayers in the light of high medical costs.

3. The surcharge on direct taxes was levied to meet the revenue needs arising from natural calamities. As the government has set up a National Calamity Contingency Fund to meet its revenue needs for emergency situations, budget for 2009-10 has proposed that the surcharges on various direct taxes be phased out, and in the first instance, by eliminating the surcharge of 10% on personal income tax. This proposal too would leave more disposal income in the hands of the Individuals.
4. The Sunset clause for tax deduction in respect of export profit of STP units u/s 10A and EOUs u/s 10B of the Act are proposed to be extended by one more year i.e. for the financial year 2010-11. This proposal is welcome, as it would benefit IT firms. This extension would help boost exports, and also bring about additional stability in cash flow for one more year and also help counter the slow down impacting the sector.
5. The Fringe Benefit Tax (FBT) introduced via Finance Act 2005 is levied on perquisites provided by the employer to their employees, in addition to regular salary. The Budget 2009-10 proposes to abolish FBT and is welcome by Industry. This was one of the long standing demands of CII. FBT on its introduction, had added to the industry's tax burden, increased paper work and accounting complications.
6. The weighted deduction of 150 per cent of the expenses incurred on in-house R&D is proposed to be extended to all manufacturing businesses except a small negative list. This proposal would encourage corporate sectors to undertake in-house scientific Research and Development activities and make India an attractive base for carrying our innovation.
7. With a view to make tax exemptions linked to investments as opposed to profits, the budget 2009-10 has proposed an investment linked tax incentive to the businesses of setting up and operating 'cold chain', warehousing facilities for storing agricultural produce and the business of laying and operating cross country natural gas or crude

or petroleum oil pipeline network for distribution on common carrier principle. Under this method, all capital expenditure other than expenditure on land, goodwill and financial institutions would be fully allowed as deduction. This is welcome at a time when industry has become cautious in going ahead with investment plans, owing to the general slowdown in the economy.

8. The Minimum Alternate Tax (MAT) is proposed to be increased from 10% to 15% of book profits. However, the tax credit under MAT is proposed to be allowed set off for 10 years instead of 7 years. This is not a welcome measure and CII would appropriately take this up with the government.
9. In order to give a boost to the much needed social security system of the country, while the New Pension Scheme (NPS) would continue to be subject to the Exempt-Exempt-Tax (EET) method of tax treatment of saving, it is proposed to provide fiscal support to NPS by exempting income of NPS trust from income tax and any dividend paid to this Trust from Dividend Distribution Tax. Further, the purchase and sale of equity shares and derivatives by the NPS Trust will also be exempt from the Securities Transaction Tax. Self employed persons would also be able to participate in the NPS and avail tax benefits thereto. This is a welcome step considering the significance of NPS in development of a sustainable and efficient voluntary pension system in India.
10. For resolution of transfer pricing disputes, the Budget has proposed creation of an Alternative Dispute Resolution (ADR) mechanism within the income Tax department. The CBDT would be empowered to formulate 'safe harbour' rules to reduce the impact of judgemental errors in determining transfer price in international transactions. CII welcomes this proposal as it would encourage foreign companies to invest in India.
11. Removal of Commodities Transaction Tax (CTT), which was introduced by Finance Act 2008. This is welcome by the Industry. Considering the fact that the Commodity

markets provide an important economic function of price discovery and price risk management. And the introduction of CTT in the last budget had threatened to deal a lethal blow to the nascent commodity markets in India.

12. In order to bring about more transparency in the funds raised by political parties, donations to electoral trusts, approved by CBDT as pass through vehicle for routing the donations to political parties, is proposed to be allowed 100% deduction in the computation of income of the donor. This is hugely welcome, since it would help bring about greater transparency in these donations.
13. Deduction in respect of interest on loan taken for higher education in specified fields of study under section 80E is proposed to be extended to all fields of study including vocational study, pursued after completion of schooling. This proposal would benefit the students and play an important part in promoting education and skill development in India.
14. In order to mitigate the practical difficulties faced by certain charitable institutions from donations from anonymous sources, it has been proposed to exempt donation from anonymous sources received by the charitable institutions to the extent of 5% of the total income or a sum of Rs. 100,000, whichever is higher.
15. The presumptive tax Scheme is proposed to be extended to all small businesses with turnover upto Rs. 40 lakhs, with effect from financial year 2010-11. Under this presumptive taxation, the taxpayers have an option to declare their income from business at the rate of 8% of their turnover and simultaneously enjoy exemption from the compliance burden of maintaining books of accounts. Further, the entire tax liability would be paid at the time of filing of return of income and exempted from advance tax requirement. This would benefit small businesses.
16. To create facilities for energy security, the budget 2009-10 has proposed tax holiday under section 80-IB (9), which was earlier available in respect of profit arising from the commercial production and refining of mineral oils, to be extended to natural gas.

This tax benefit would be available to undertakings in respect of profits derived from commercial production of mineral oil and natural gas from oil and gas blocks, which are awarded under the NELP-VII round of bidding.

17. Trusts engaged in preserving and improving the environment and preserving monuments, places or objects of artistic or historic interest are proposed to be treated at par with trusts engaged in providing relief to poor, education and medical relief as mentioned under section 2(15) of the Act, and would thereby not come under the income tax net. While welcoming this announcement, CII believes that the same treatment should be extended to Industry Associations.

Chapter 5
Indirect Taxes – Sector and
Industry Specific Analysis

Chapter 5

Indirect Taxes: Sector and Industry Specific Analysis

Air Conditioner and Refrigerator

Industry Issues

- ⇒ Window/wall type self contained air conditioners and household compression type refrigerators are included in India-Thailand FTA and customs duty on these was reduced to NIL on 1st September 2006.
- ⇒ During the year 2007-08, import of window/wall type self-contained air-conditioners and refrigerators from Thailand were 25% and 70% respectively of total imports in value terms.

The main input for air-conditioner and refrigerator is the compressor and customs duty on it needs to be reduced from 7.5% to 5% with simultaneous reduction of customs duty on parts and other inputs for compressors.

- ⇒ Parts of air-conditioners falling under tariff heading 8415 90 00 attract customs duty of 10% which needs to be reduced to 7.5%.

What CII wanted

- ⇒ Reduce customs duty from 7.5% to 5% on compressor used for manufacture of window/wall type self-contained air-conditioner and household compression type refrigerator.
- ⇒ Reduce customs duty to 5% on parts and other inputs for manufacture of such compressors.
- ⇒ Reduce customs duty from 10% to 7.5% on parts of air-conditioners.

What the Government gave

Item	% abatement of RSP	Excise Duty (%)			Customs Duty (%)		
		2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Window / wall type self contained or split air-conditioners (8415 10)	25	8	8	8	10	10	10
Household refrigerators compression type (8418 21 00)		8	8	8	10	10	10
Inputs							
Compressors (8414 30 00, 8414 80 11)		8	8	8	7.5	5	7.5
Thermostats (9032 1010) Electronic Controls (8537 10 10, 8543 89 99) Copper brass tubes and fittings (7411, 7412)		8	8	8	7.5	7.5	7.5
Parts of air-conditioners (8415 90 00)		8	8	8	10	7.5	10

Impact of Budget 2009-10

- ⇒ No change in customs and excise duties for this sector.

Alkalies

Industry Issues

- ⇒ The major user industries of caustic soda are pulp & paper, textile processing, aluminium, soaps & detergents and plastic polymers. At present, about 91% of the caustic soda plants are using the more efficient membrane cell technology.
- ⇒ Spare parts, other than membranes and parts thereof required for the existing membrane cell plants attract customs duty of 7.5%. The concessional duty rate of 5% on the main equipment needs to be extended to such spare parts also.
- ⇒ Electric power and salt are the key inputs required for manufacture of caustic soda and power accounts for almost 60% of the total cost of production. Many caustic soda manufacturers have set up their own captive power plants and most of these are based on coal. Reduction in customs duty on coal from 5% to NIL would give some relief to the industry.

What CII wanted

- ⇒ Allow import of spares (other than membrane and parts thereof) for existing membrane cell caustic soda / caustic potash plants at 5% customs duty.
- ⇒ Reduce customs duty from 5% to NIL on steam coal.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Caustic Soda (Sodium Hydroxide) (2815 11 & 2815 12)	8	8	8	7.5	7.5	7.5
Soda Ash (Disodium Carbonate) (2836 20)	8	8	8	7.5	7.5	7.5
Spare parts for caustic soda and caustic potash Membranes and parts thereof for replacement of worn out membranes (85 or any other chapter)	8	8	8	5	5	5
Other spare parts falling under chapter 84,85 or 90	8	8	8	7.5	5	7.5
Inputs for captive power plants - Steam coal (2701 19 20) - Furnace oil, LSHS (2710 19 50)	NIL	NIL	NIL	5	NIL	5

Impact of Budget 2009-10

- ⇒ There is no change in customs and excise duty structure for this sector.

Automobiles

Industry issues

Multi-utility vehicles (MUVs) are designed for transport of 7 to 12 persons and provide mass transportation and attract excise duty of 20%, which needs to be brought down to CENVAT rate of 8%.

Cars (other than small cars) attract a very high rate of excise duty of 20% plus specific duty of Rs 15,000 – 20,000. Reduction of ad-valorem portion of excise duty on these to 12% needs consideration to increase volume in this segment.

Motor vehicles falling under CET 8703 and registered as taxi for transport up to 7 persons including driver have effective rate of 8% excise duty. The same benefit should be extended to vehicles registered as maxi – cab (taxi) having seating capacity of 13 persons including driver.

Presently all chassis of transport vehicles fitted with engine attract excise duty of 8% plus Rs.10,000/- per unit. Specific duty on chassis of light commercial vehicles (LCVs) with payload of less than 1.5 MT needs to be dispensed with.

1% National Calamity Contingent duty (NCCD) on motor cars, multi-utility vehicles and two-wheelers needs to be withdrawn to reduce the impact of taxation.

What CII wanted

Reduce excise duty from 20% to 8% on MUVs.

Reduce ad-valorem portion of excise duty from 20% to 12% on passenger cars (other than small cars).

Extend the existing benefit of 8% excise duty concession for taxis to vehicles having seating capacity of 13 persons when registered as maxi-cab (taxi).

Withdraw specific element of excise duty of Rs.10,000 on chassis fitted with engine on LCVs of payload of less than 1.5 MT.

Withdraw 1% NCCD on motor vehicles.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
2-wheelers (8711), 3-wheelers (8703)	8	8	8	60	60	60
Petrol, LPG or CNG driven small cars up to 1200 cc and length up to 4000 mm (8702, 8703) Diesel driven small cars up to 1500 cc and length up to 4000 mm (8702, 8703)	8	8	8	60	60	60
Buses (8702)	8	8	8	10	10	10
Trucks (8704)	8	8	8	10	10	10
Multi utility vehicles (MUVs) (8702, 8703)	20	12	20	60/10	60/10	60/10

Impact of Budget 2009-10

- ⇒ Excise duty has been reduced from 20% + Rs. 20,000 to 20% + Rs. 15,000 per unit on motor cars and other motor vehicles of 2000 cc and above designed for the transport of not more than 13 persons and falling under tariff headings 8702 and 8703.
- ⇒ Excise duty on petrol driven motor vehicles for transport of goods (except dumpers tariff sub-heading 80704 10 90) has been reduced from 20% to 8%. Also excise duty on chassis of such vehicles has been reduced from 20% + Rs. 10,000 to 8% + Rs. 10,000 per chassis.

Capital Goods / Project Imports

Industry issues

- ⇒ Mega power projects, nuclear power projects, capital goods for water supply projects, capital goods for repair of ocean going vessels, specified goods for coal bed methane operations, specified road construction machinery and goods required for petroleum exploration licences / leases and petroleum operations under specified contracts under NELP and LNG attract zero customs duties. Such duty concessions puts the domestic industry at a cost disadvantage.
- ⇒ In the budget 2006, levy of 4% special CVD was extended to all imports with certain exceptions, which includes various types of projects and other capital goods. This exemption erodes competitiveness of the domestic industry.
- ⇒ In case of aerial passenger ropeway project, basic customs duty on imported goods is 5% and CVD is NIL, whereas, there is 8% excise duty on indigenous inputs.

Customs duty on capital goods falling under Chapter 84, 85 and 90 was reduced to 7.5% on 22 January 2007. However, there are certain inputs, which attract higher customs duty of 10%.

What CII wanted

- ⇒ Import of capital goods under 0% category for project imports and others should be removed.
- ⇒ Impose 4% special CVD on all types of projects and others, which involve import of capital goods, by removal of exemption to counter balance internal taxes such as CST/VAT.
- ⇒ Impose 8% CVD on aerial passenger ropeway projects.
- ⇒ Reduce customs duty from 10% to 7.5% on seamless tubes & pipes of non-alloy/alloy steel, castings & forgings of iron and steel and tubes / pipes & hoses of vulcanized rubber used in the manufacture of capital goods.

What the Government gave

Item	Excise Duty (%)			Customs Duty +CVD +Spl. CVD (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Mega Power Projects (9801)	8	8	8	NIL+NIL+NIL	5+NIL+4	NIL+NIL+NIL
Specified goods for petroleum exploration. (84 or any other chapter)	8	8	8	NIL+NIL+NIL	5+NIL+4	NIL+NIL+NIL
Aerial passenger ropeway projects (9801)	8	8	8	5+NIL+4	5+8+4	5+8+4
Power generation projects (9801)	8	8	8	5+8+NIL	5+8+4	5+8+NIL
23 specified equipment for high voltage transmission projects (84 or any other chapter)	8	8	8	5+8+NIL	5+8+4	5+8+NIL
Project imports (9801)	8	8	8	5+8+4	5+8+4	5+8+4
General machinery and equipment (84, 85, 90)	8	8	8	5+8+4	5+8+4	5+8+4

Impact of Budget 2009-10

- ⇒ CII Suggestion has been accepted and CVD exemption on aerial passenger ropeway projects has been withdrawn. With this change, the anomaly in CVD Vs excise has been removed.
- ⇒ Customs duty has been reduced from 7.5% to 5% on permanent magnets used in manufacture of wind operated electricity generators above 500 KW capacity.

Cement

Industry issues

Customs duty on cement was reduced from 12.5% to NIL with effect from 22nd January 2007 and Special CVD on imported cement were made NIL on 3rd April 2007. CVD and special CVD have been reimposed on 2nd January 2009. However NIL basic customs duty on cement still continues.

Coal is the main fuel for manufacture of cement and cement industry is subjected to perennial shortage of coal. During the year 2007-08, the cement industry needed 25 million tonnes of coal and the industry received 14 million tonnes against linkage. For the rest of the requirement, the industry had to depend upon open market, imported coal and alternative fuels like petroleum coke. There is a customs duty of 5% on coal and petroleum coke, which needs to be reduced to NIL.

What CII wanted

⇒ Reduce customs duty from 5% to NIL on non-coking coal and petroleum coke.

What the Government gave

Item	Excise Duty			Customs Duty		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Cement of RSP not exceeding Rs.190 per 50 Kg bag (2523 29)	Rs.230 per tonne	Rs.230 per tonne	Rs.230 per tonne	NIL	NIL	NIL
Cement of RSP exceeding Rs.190 per 50 Kg bag (2523 29)	8% of RSP	8% of RSP	8% of RSP	NIL	NIL	NIL
Cement clinkers (2523 10 00)	Rs.300 per tonne	Rs.300 per tonne	Rs.300 per tonne	10	10	10
Inputs						
Non-coking coal (2701 12, 2701 19 20)	NIL	NIL	NIL	5	NIL	5
Petroleum coke (2713 11 00)	14%	14%	14%	5	NIL	5

Impact of Budget 2009-10

⇒ No change in excise and customs duties for cement.

Cigarettes

Industry issues

The steep increase in excise duty on non-filter cigarettes in the budget 2008-09 has adversely affected the production and sale of such cigarettes. To enable the domestic cigarettes industry to recover its lost volumes, the industry intends to introduce lower priced filter cigarettes with lesser length with retail price of Rs. 10 for 10 cigarettes and for this purpose they need introduction of a new excise slab of Rs.350 per 1000 sticks for "filter cigarettes not exceeding 60mm length".

The specific duty structure on cigarettes introduced in 1987 has proved to be extremely beneficial and superior to the earlier ad-valorem structure. It has ensured simple and transparent administration and a litigation-free environment with no valuation disputes.

The high excise duty rates on domestic cigarettes provide an attractive tax arbitrage opportunity, resulting in the widespread availability of smuggled cigarettes and revenue loss to exchequer. This adversely affects domestic industry also.

What CII wanted

- ⇒ Introduce a new slab of excise duty for filter cigarettes not exceeding 60mm in length with excise duty of Rs.350 per 1000 cigarettes.
- ⇒ Continue with the specific duty structure for cigarettes.
- ⇒ Increase surveillance and stricter implementation of anti-smuggling measures.

What the Government gave

Item	Excise +NCCD+Health Cess Rs. Per 1000 Cigarettes			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Cigarettes non-filter (<=60mm) (2402 20 10)	819	819	819	30	30	30
Cigarettes non-filter (>60-70mm) (2402 20 20)	1323	1323	1323			
Cigarettes filter (<=60mm) (2402 20 30)	819	350	819			
Cigarettes filter (<=70mm) (2402 20 30)	819	819	819			
Cigarettes filter (71-75mm) (2402 20 40)	1323	1323	1323			
Cigarettes filter (76-85mm) (2402 20 50)	1759	1759	1759			
Cigarettes other (2402 20 90)	2163	2163	2163			

Impact of Budget 2009-10

- ⇒ No change in customs and excise duties on cigarettes.

Cold Chain Infrastructure

Industry Issues

- ⇒ The cold chain infrastructure mainly consists of warehouses, coolers and refrigerated trucks. The Government has accorded high priority to the establishment of cold chain infrastructure and has already provided concessions in excise as well as customs duties on specified products.
- ⇒ Presently Excise duty is exempted on 21 specified equipments and the list needs to be expanded to include other critical components of cold chain infrastructure.
- ⇒ Customs duty on refrigerated motor vehicles was reduced to NIL on 3rd May 2007. There are mainly three inputs to a refrigerated truck viz the automobile chasses, container and the refrigeration unit. Whereas the chassis and the container are indigenously available, truck refrigeration unit is imported. Allowing duty free import of truck refrigeration unit would bring down the overall cost of the indigenously manufactured refrigerated motor vehicles.
- ⇒ Customs duty on most of the equipment used in cold chain infrastructure is 7.5%. Reduction of customs duty to 5% on few specialized equipments may be considered.

What CII wanted

Extend excise exemption to insulated composite panels, cold store door, electrical control panel and electrical motors.

Reduce customs duty from 7.5% to NIL on truck refrigeration unit.

- ⇒ Reduce customs duty from 7.5% to 5% on controlled atmosphere / modified atmosphere – control equipment and parts, humidifiers and humidification system, refrigeration controls for plant automation and energy efficiency, data monitoring and control equipment for safety and energy efficiency and management of cold store / cold chain infrastructure.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
21 specified machinery and equipment for installation of cold storage, cold room or refrigerated vehicles for preservation, storage or transport of agricultural produce – list 4 of customs notification 21/2002 (84 or any other chapter)	NIL	NIL	NIL	As applicable	As Applicable	As applicable
Refrigerated motor vehicles (8704)	4	4	4	NIL	NIL	NIL
Truck refrigeration unit (8418 69 90)	8	8	8	7.5	NIL	7.5

Impact of Budget 2009-10

- ⇒ There is no change in excise and customs duty rates for cold chain infrastructure.

Drugs & Pharmaceuticals

Industry Issues

- ⇒ Excise duty on medicines falling under chapter 30 of the Central Excise Tariff was reduced from 16% to 8% on 1st March 2008 and further reduced to 4% on 7th December 2008 but there is no corresponding reduction of excise duty on formulations covered by M & TP Act.
- ⇒ Medicines containing alcohol and narcotic drugs are levied excise duty under M&TP Act and Rules. Whereas, provisions of the Central Excise Rules have undergone a radical change during last 6-7 years leading to simplified procedures, similar changes have not been made in M&TP Act and Rules.

Navelbine is a new medicine and is being imported for use in the therapy of treating Non-Small-Cell Lung Cancer (NSCLC) and needs to be included as a life saving drug in list 4.

In list 3 of customs notification 21/2002, "Interferon alpha-2b/alpha-2a/interferon alpha-2a/Interferon NL (LNS)" appears at sl. no. 37 and attracts 5% customs duty. Likewise, "Interferon beta-1b" is a medicine akin to that medicine and should be given same concession.

- ⇒ List 3, also includes cancer drugs "Pegulated Liposomal Doxorubicin Hydrochloride injection" and "Doxorubicin" at sl. no. 89 and 128. Likewise, "Doxorubicin Hydrochloride Liposomal injection" is a medicine meant for treatment of cancer and needs to be included in that list.

What CII wanted

- ⇒ Reduce excise duty from 16% to 4% on medicines covered by M & TP Act.

Make the provisions of M&TP Act as well as Rules simpler and hurdle free at par with Central Excise Act and Rules and also extend CENVAT credit on inputs for medicines containing alcohol.

- ⇒ Include Navelbine as life saving drug for cancer in list 4 of customs notification 21/2002.
- ⇒ Allow import of Interferon beta-1b and Doxorubicin Hydrochloride Liposomal injection at concessional customs duty of 5% by including these in list 3 of customs notification 21/2002.

What the Government gave

Item	% Abatement of RSP	Excise Duty (%)			Customs Duty (%)		
		2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Drug formulations (3001, 3003, 3004, 3005, 3006)	35	4	4	4	10	10	10
126 specified life saving drugs / medicines including their salts and esters and diagnostic kits – list 4 of customs (28,29,30,38)		NIL	NIL	NIL	NIL	NIL	NIL
149 specified drugs, medicines, diagnostic kits or equipment – list 3 of customs (28,29,30)		NIL	NIL	NIL	5	5	5
Diagnosis reagents / laboratory reagents (3822)		8	8	8	10	10	10

Impact of Budget 2009-10

- ⇒ Excise duty of 4% on drug formulations continues.
- ⇒ Customs duty has been reduced to 5% with NIL CVD on 9 additional life saving drugs and influenza vaccine by adding these in list 3 of customs notification 21/2002. List 3 now covers 159 items of life saving drugs as against 149 earlier.

Earth Moving and Construction Equipment

Industry Issues

⇒ In the budget 2006, levy of 4% special CVD was extended to all imports with certain exceptions which includes sectors like power generation as well as oil exploration where earth moving and construction equipment are used. This defeats the basic principle of this levy i.e. compensating the indigenous manufacturers for state level taxes such as CST/VAT.

21 specified equipment used for construction of roads are allowed for import at NIL basic customs duty, NIL CVD and NIL special CVD as per customs notification 21/2002-sl.no.230 and customs notification 20/2006-sl.no.1. There is no corresponding provision for allowing import of inputs of these equipment by indigenous manufacturers at concessional rate of customs duties.

Concrete batching plants of capacity 50 cubic meters per hour or more are exempted from basic customs duty as well as additional duty of customs (CVD) as per sl.no.13 of list 18 of customs notification 21/2002-entry no.230 when imported by road contractors. Exemption of customs duties on imported plants adversely affect the competitiveness of the number of indigenous manufacturers and therefore, customs duty exemption needs to be removed.

What CII wanted

Impose 4% special CVD on all type of projects and others which involve import of earthmoving and construction equipment to counter balance taxes such as CST/VAT.

Allow import of inputs by indigenous manufacturers at NIL customs duties for manufacture of 21 specified road construction equipment mentioned in list 18 of customs notification 21/2002.

Delete "Concrete Batching Plants 50 cum/hr or more" appearing at sl.no.13 of list 18 of customs notification 21/2002.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)			
	2008-09	What wanted	CII	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Complete equipment such as excavators / dozers / shovel loaders / mechanical shovels etc. (8429, 8430)	8	8		8	7.5	7.5	7.5
Complete Off-Highway dumpers (8704 10)	8	8		8	10	10	10
Specified equipment for construction of roads – list 18 (84 or any other chapter)	8	8		8	NIL	NIL	NIL

Impact of Budget 2009-10

⇒ CII recommendation has been accepted and customs duty exemption on concrete batching plants of 50 cubic/hour or more capacity has been withdrawn by deleting sl. No. 13 from list 18 of customs notification 21/2002. Consequently customs duty on this has been increased from NIL to 7.5%.

Environment Friendly Technologies

Industry Issues

Environmental degradation and preservation have emerged as major issues in globalization studies. High importance is being given to reduction of carbon emissions, finding alternative energy resources and utilizing environment friendly technologies. Government has also provided concessions in customs duty as well as excise duty on number of environment friendly goods.

The existing concessions in customs and excise duties should be continued and extension of benefits to few additional products may be considered.

What CII wanted

Benefit of excise exemption available to specified parts of battery powered car may be extended to parts of all electric vehicles including commercial vehicles, two & three wheelers.

In order to promote use of hydrogen/ fuel cell/ hybrid vehicles and other alternative fuel vehicles including micro-hybrids with stop start technology, such vehicles and parts/components thereof may be exempt from excise duty at par with electric vehicles and their parts.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Electrically operated vehicles including two or three wheeled electric motor vehicles (87)	NIL	NIL	NIL	60/10	60/10	60/10
Battery powered car (87)	NIL	NIL	NIL	60	60	60
6 specified parts for manufacture of battery powered car (any chapter)	NIL	NIL	NIL	7.5/10	7.5/10	7.5/10
Specified parts of battery powered vehicles other than cars (any chapter)	8	NIL	8	7.5/10	7.5/10	7.5/10
Hybrid motor vehicles (8703)	8	NIL	8	60	60	60
Hydrogen/fuel cell vehicles and parts/components thereof	8/20	NIL	8/20	60/10	60/10	60/10

Impact of Budget 2009-10

- ⇒ Excise duty has been increased from 4% to 8% on goods falling under chapter 68 in which not less than 25% by weight of fly ash or phospho-gypsum or both have been used.
- ⇒ Customs duty has been reduced from 7.5% to 5% on permanent magnets used in wind operated electricity generators above 500 KW capacity.

Ferro Alloys

Industry Issues

Due to limited availability of vanadium bearing aluminium sludge produced by aluminium industry, ferro-vanadium producers are importing vanadium pentaoxide at a much higher cost. 7.5% customs duty on vanadium pentaoxide is higher than 5% customs duty applicable on ferro-vanadium. This anomaly needs to be corrected. Similar anomaly exists in case of another input molybdenum oxide hydrate used for manufacture of ferro-molybdenum.

Anthracite is high quality coal and used for producing ferro-alloys. It attracts customs duty of 5% which needs to be reduced to NIL.

What CII wanted

Reduce customs duty from 7.5% to 5% on vanadium pentaoxide and molybdenum oxide hydrate.

Reduce customs duty from 5% to NIL on anthracite coal.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Ferro-manganese (7202 11 00, 7202 19 00) Ferro-silicon (7202 21 00, 7202 29 00) Ferro-chromium (7202 41 00, 7202 49 00) Ferro-molybdenum (7202 70 00) Ferro-vanadium (7202 92 00)	8	8	8	5	5	5
Ferro-nickel (7202 60 00)	8	8	8	5	NIL	5
Inputs						
Ores of manganese, chrome, molybdenum, vanadium etc (26)	NIL	NIL	NIL	2	2	2
Anthracite coal (2701 11 00)	NIL	NIL	NIL	5	NIL	5
Vanadium pentaoxide (2825 30)	8	8	8	7.5	5	7.5
Molybdenum oxide hydrate (2825 70)	8	8	8	7.5	5	7.5

Impact of Budget 2009-10

⇒ No change in customs and excise duties for ferro alloys.

Medical Equipments

Industry Issues

Medical equipment fall under CTH 9018 to 9022 and attract basic customs duty of 7.5%. Presently almost 85% of the medical equipment used in India are imported and many of these attract customs duty of NIL or 5% by notification. Reduction of basic customs duty from 7.5% to 5% on medical equipment as well as their accessories, parts, and spare parts would simplify the duty structure and also give some relief to the users.

Haemodialysors are used by kidney patients to clean blood and attract 5% basic customs duty as per sl.no.9 of list 37 of customs notification 21/2002 – sl.no.363 and NIL CVD as per excise notification 6/2006 sl no. 61. Automated peritoneal dialysis (APD) equipment is also used for the same purpose and attract basic customs duty of 7.5% and CVD of 4% under tariff heading 9018 90. The tariff inconsistency between the two types of equipment needs to be rectified.

Orthopedic implants are eligible for import at NIL basic customs duty and NIL CVD. Due to customs duties on raw materials for manufacture of these implants, local manufacturers are unable to compete. This anomaly in duty structure needs to be removed.

What CII wanted

Reduce customs duty from 7.5% to 5% on medical equipment (CTH 9018 to 9022) including their accessories, parts and spare parts.

Reduce customs duty to 5% and CVD of 4% to NIL on automated peritoneal dialysis equipment.

Reduce basic customs duty and CVD to NIL on implantable special grade stainless steel, titanium alloys, cobalt-chrome alloys and high density polyethylene used for manufacture of orthopedic implants.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Specified assistive devices, rehabilitation aids and other goods in list 41 (90 or any other chapter)	NIL	NIL	NIL	NIL	NIL	NIL
111 Specified medical equipment in list 37, their accessories and parts	NIL	NIL	NIL	5	5	5
47 ophthalmic equipment specified in list 38 and their parts (90 or any other chapter)	NIL	NIL	NIL	5	5	5
Other Breathing appliances and gas masks (9020)	8	8	8	7.5	5	7.5
Orthopedic appliances (9021)	NIL	NIL	NIL	7.5	5	7.5
Medical Equipment (9018, 9019, 9022)	4	4	4	7.5	5	7.5

Impact of Budget 2009-10

- ⇒ Basic customs duty has been reduced from 7.5% to 5% on Patent Ductus Arteriosus/Atrial Septal occlusion devices with NIL CVD by way of excise exemption.
- ⇒ Basic customs duty has been reduced from 7.5% to 5% on Artificial Heart i.e. left ventricular assist device.
- ⇒ Excise duty has been increased from 4% to 8% on contact lenses. However, there is no change in excise duty on other medical equipment.

Non-ferrous Metals

Industry Issues

⇒ In India, the secondary producers of non-ferrous metals can be divided into two categories viz. the organized sector and unorganized sector. The organized sector finds itself in a disadvantageous position due to the following:

- Customs duty on scrap of non-ferrous metals (except aluminium) is 5% which is at par with customs duty on non-ferrous metals.
- Unable to utilize the CENVAT credit of 8% CVD and 4% Special CVD paid on imported scrap due to low value addition in conversion of scrap into metal form.

There is need to encourage recycling of copper, zinc and lead by reducing basic customs duty and special CVD on scrap of these non-ferrous metals.

What CII wanted

⇒ Reduce customs duty from 5% to NIL on scrap of copper, zinc and lead.

Exempt 4% Special additional duty on scrap of copper, zinc and lead.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Unwrought aluminium (7601) Unwrought copper, copper anodes (7402) Unwrought zinc (7901) Unwrought lead (7801)	8	8	8	5	5	5
Scrap of Non-Ferrous Metals						
Aluminium waste and scrap (7602)	8	8	8	NIL	NIL	NIL
Copper waste and scrap (7404) Zinc waste and scrap (7902) Lead waste and scrap (7802)	8	8	8	5	NIL	5

Impact of Budget 2009-10

⇒ There is no change in customs and excise duty structure for non-ferrous metals.

Oil & Gas Sector

Industry Issues

- ⇒ Government has given exemption from customs duties on goods specified in list 12 of customs notification 21/2002 when imported for petroleum operations in specified areas. One of the conditions for this exemption is that the importer submits to the customs authorities an Essentiality Certificate issued by the Directorate General of Hydrocarbons (DGH).
- ⇒ DGH is putting re-export condition in the Essentiality Certificate and consequently Indian companies importing equipment on outright purchase basis are finding difficult to avail the benefit of customs duty exemption and therefore re-export condition needs review and deletion.
- ⇒ Indian companies, who have imported the equipment / tools on outright purchase basis should be allowed to retain such equipment after completion of the project / contract for use in the projects eligible for customs duty exemption in future against fresh Essentiality Certificates issued by DGH or to retain the equipment on payment of customs duty on the depreciated value under the Customs Valuation Rules at the duty rate applicable on the date of fresh assessment.

What CII wanted

Remove the condition of re-export in case of outright purchase and import of the equipment /tools by the Indian companies for petroleum operations in specified areas.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Specified goods mentioned in list 12 for petroleum exploration under NELP, specified contracts, lease renewals (84 or any other chapter)	8	8	8	NIL	NIL	NIL
® without re-export condition for Indian companies						

Impact of Budget 2009-10

- ⇒ No change in customs and excise duty for this sector.

Paper & Paper Board

Industry Issues

The main constituent of paper is cellulose which is usually produced from wood, bamboo, waste paper and agro-residue like bagasse, jute, straw etc. The declining availability of wood and bamboo because of shrinking forest cover, ecological concerns and other priority uses of forest based raw materials have resulted in increased usage of waste paper as an input for manufacture of paper.

India imported waste and scrap of paper worth Rs.1701 crores during 2007-08. Presently customs duty on waste and scrap of paper is 5% which needs to be reduced NIL.

Coal is used in paper industry for producing steam and power. Paper mills suffer due to higher power cost and erratic/inadequate supply of coal. Imported coal attracts 5% basic customs duty which needs to be reduced to NIL.

What CII wanted

⇒ Reduce customs duty from 5% to NIL on waste & scrap of paper.

Reduce customs duty from 5% to NIL on coal.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Newsprint in specified form and size (4801)	NIL	NIL	NIL	3	3	3
Light weight coated paper (LWC) for printing of magazines (4810)	NIL	NIL	NIL	5	5	5
Coated paper and paper board other than LWC (4810)	4	4	4	10	10	10
Uncoated paper and paper board (4802)	4	4	4	10	10	10
Inputs						
Wood pulp for newsprint (47)	NIL	NIL	NIL	NIL	NIL	NIL
Wood pulp for other paper (47)	NIL	NIL	NIL	5	5	5
Waste and scrap of paper (4707)	8	8	8	5	NIL	5
Coal (2701 12, 2701 19 20)	NIL	NIL	NIL	5	NIL	5

Impact of Budget 2009-10

- ⇒ Excise duty has been increased from 4% to 8% on folders, file covers, manifold business forms and other articles of stationery made from paper or paper board.
- ⇒ Excise duty on paper and paperboard labels has been increased from 4% to 8%.
- ⇒ Notebooks and exercise books continue to attract NIL excise duty.

Petrochemicals

Industry Issues

Petrochemicals are chemicals manufactured from petroleum feed stocks. In India, about 60% of the cracking capacity of petrochemicals is based on naphtha while the rest is based on gaseous feedstock.

- ⇒ Naptha is the basic petrochemical feedstock. Customs duty on naptha was NIL, when used for manufacture of specified bulk polymers, but it was increased to 5% in the budget 2008. Propane is another key petrochemical feedstock and attracts customs duty of 5%.
- ⇒ Import duty on two basic feed stocks viz. naptha and propane needs to be reduced from 5% to 2% for all petrochemicals.

What CII wanted

Reduce customs duty on naphtha and liquified propane from 5% to 2%.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Feedstocks						
Naptha (2710)	14	14	14	5	2	5
Liquified propane (2711 12 00)	NIL	NIL	NIL	5	2	5
Primary Petrochemicals						
Styrene (2902 50 00)	8	8	8	2	2	2
Ethylene (2901 2100) Propylene (2901 22 00)	8	8	8	5	5	5
Polymer Intermediates						
Ethylene dichloride (EDC) (2903 15 00) Vinyl Chloride (VCM) (2903 21 00)	8	8	8	2	2	2
Bulk Polymers						
Polymers of ethylene – LDPE, LLDPE, HDPE, LMDPE, LHDPE (3901) Polymers of propylene (PP) (excluding poly iso butylenes) (3902) Polymers of styrene (PS) (3903) Polymers of vinyl chloride (PVC) (3904)	8	8	8	5	5	5
Other Polymers						
Polymers of vinyl acetate (3905) Acrylic polymers (3906)	8	8	8	7.5	7.5	7.5

Impact of Budget 2009-10

- ⇒ No change in excise and customs duties for petrochemical sector.

Quilted Textile Made-ups

Industry Issues

- ⇒ Excise duty has been exempted on most of the textile products falling under chapter 50 to 63 as per excise notification 30/2004 dated 09.07.2004 if CENVAT credit on inputs has not been availed. This gives an option to the manufacturer either to avail this exemption without availing CENVAT credit or pay applicable excise duty after availing CENVAT credit. Most of the Small and Medium Scale Enterprises (SMEs) have opted for this exemption.
- ⇒ However, the above option is not available to the manufacturers of quilted textile made-ups falling under excise tariff heading 9404 90. Quilted textile made-ups are basically textile items and textile materials are used for manufacture of quilted bedspread, quilted blankets and quilts.
- ⇒ A large number of SME units are engaged in the manufacture of quilted textile made-ups falling under tariff heading 9404 90 and need encouragement by bringing this textile product under optional payment of excise duty.

What CII wanted

Extend optional excise duty exemption to quilted textile made-ups (9404 90) by including this in excise notification 30/2004.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Quilted textile made-ups (9404 90)	8	NIL	8	10	10	10

Impact of Budget 2009-10

- ⇒ No change in excise duty on quilted textile made-ups falling under tariff sub heading 9404 90.

Set Top Box for Free-to-Air Transmission

Industry Issues

- ⇒ Free-to-Air (FTA) transmissions are major means of mass communication and entertainment to the larger percentage of population from lower income group who are unable to afford or incur regular expenses for accessing television entertainment. This FTA transmission is a life time free source of entertainment without any recurring costs and has a good market share in the rural areas.
- ⇒ The consumer has to incur only the cost of purchasing the Set Top Box (STB) and the dish antenna which is a one time cost. Through this STB, the consumer has access to all the Free-to-Air channels as well as the channels under the Doordarshan bouquet.

This source of communication can be made more affordable to the consumers by reducing excise duty levied on FTA-STBs. Further it will also help to curb the unregulated grey market of FTA-STBs which are currently being sourced from abroad.

What CII wanted

Reduce excise duty from 8% to NIL on Free-to-Air set top box.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Integrated decoder receiver i.e. set top box (8528 71 00)	8	8	8	NIL	NIL	5
Set top box for free-to-air transmission (8528 71 00)	8	NIL	8	NIL	NIL	5

Impact of Budget 2009-10

- ⇒ Customs duty has been increased from NIL to 5% on integrated decoder receiver commonly known as set-top box.

Synthetic Fibres and Yarns

Industry Issues

- ⇒ On 29th November 2007, customs duty was reduced to 5% on all manmade fibres except nylon fibres & yarns. Customs duty on naptha, which is the basic feedstock for manufacture of various inputs for synthetic fibres and yarns is also at 5% and needs to be reduced to 2%.
- ⇒ With customs duty of 5% on PSF/PSY, customs duty on inputs viz spin finish oil needs to be reduced from 7.5% to 5% and on titanium dioxide anatase grade from 10% to 5%.
- ⇒ Caprolactum is used for manufacture of nylon tyre yarn and attracts customs duty of 10%. Caprolactum is also the main input for nylon staple fibre /nylon filament yarn. Nylon 6, 12 chips are used for manufacture of nylon monofilament and attract customs duty of 10%. Customs duty on these two inputs should be at least 2.5% less than the duty on end products.
- ⇒ Excise duty on caprolactum used for manufacture of nylon tyre yarn is 8%, which should be reduced to 4% to bring at par with excise duty on nylon tyre yarn.

What CII wanted

Reduce customs duty from 5% to 2% on naptha.

Reduce customs duty from 10% to 7.5% on caprolactum, nylon 6, 12 chips and titanium dioxide anatase grade.

Reduce customs duty from 7.5% to 5% on spin finish oil.

Reduce excise duty from 8% to 4% on caprolactum to bring at par with nylon tyre yarn.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Fibres / Filaments						
Polyester staple fibre (PSF) and tow (5501 20 00, 5503 20 00, 5506 20 00)	4	4	8	5	5	5
Nylon staple fibre (5503 11 00)	4	4	8	10	10	10
Yarns						
Polyester filament yarn (PFY) (5401, 5402, 5406 00 16)	4	4	8	5	5	5
Nylon filament yarn (NFY) (5402, 5406 10 00)	8	8	8	10	10	10
Nylon tyre yarn (5402 19 10)	4	4	8	10	10	10
Inputs						
Naptha (2710)	14	14	14	5	2	5
PTA – Pure terephthalic acid (2917 36 00) DMT – Dimethyl terephthalate (2917 37 00) ACN – Acrylonitrile (2905 31 00) Polyester chips (3907)	4	4	8	5	5	5
MEG – Mono ethylene glycol (2905 31 00)	8	8	8	5	5	5
Spin finish oil (3403 11 00)	8	8	8	7.5	5	7.5
Caprolactum (2933 71 00)	8	4	8	10	7.5	10
Nylon 6, 12 Chips (3908)	8	8	8	10	7.5	10
Titanium dioxide anatase grade (2823 00 10)	8	8	8	10	7.5	10

Impact of Budget 2009-10

- ⇒ Excise duty has been increased from 4% to 8% on manmade fibres, yarns as well as on some of the inputs such as PTA, DMT, ACN and polyester chips.
- ⇒ Excise duty has also been increased from 4% to 8% on textile synthetic textile goods beyond the fibre/yarn stage made of manmade fibre/yarn. However, optional excise exemption on such goods continues if CENVAT credit is not availed.

Steel

Industry Issues

- ⇒ Nickel in various forms is the main raw material in alloy/ stainless steel and is not indigenously available. It attracts customs duty of 2% which needs to be reduced to NIL.
- ⇒ Customs duty on ferro-alloys was reduced from 5% to NIL on 29th April 2008 and subsequently 5% customs duty was reimposed on 2nd January 2009 to safeguard the interest of indigenous manufacturers. Ferro-nickel is not produced indigenously and imported by alloy steel manufacturers. Customs duty on ferro-nickel needs to be reduced to NIL.

What CII wanted

Reduce customs duty from 2% to NIL on unwrought nickel not alloyed and nickel-oxide sinters.

Reduce customs duty on ferro-nickel from 5% to NIL.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Iron and non-alloy steel Ingots, billets, blooms, slabs, hot/cold rolled flat products, bars, rods, angles, shapes, sections, wires etc. (7206 to 7217)	8	8	8	5	5	5
Stainless steel and other alloy steel Ingots, billets, hot/cold rolled flat products, bars, rods, angles, shapes, sections, wires etc. (7218 to 7229)	8	8	8	5	5	5
Articles of iron & steel Castings, forgings, tubes, pipes etc. (73)	8	8	8	10	10	10
Inputs for steel						
Melting scrap of iron or steel (7204)	8	8	8	NIL	NIL	NIL
Scrap of stainless steel for melting (7204 21)	8	8	8	5	5	5
Metallurgical coke (metcoke) (2704)	NIL	NIL	NIL	NIL	NIL	NIL
Ferro-nickel (7202 60 00)	8	8	8	5	NIL	5
Nickel Oxide sinters (7501) Unwrought nickel not alloyed 97502 10 00)	8	8	8	2	NIL	2

Impact of Budget 2009-10

- ⇒ No change in customs and excise duties on steel products as well as their inputs.

Telecommunication

Industry Issues

There are two segments of Telecommunication industry viz wireless telephony and fixed line. Over the last 5 years, the fixed line industry has been overshadowed by the mobile phone sector. Despite much larger share of wireless connectivity, fixed line has remained equally competitive in terms of call rate pricing to the end consumer.

There are about 38.6 million fixed lines and about 315 million wireless phones users as of August 2008 in India. One of the key reason for success of mobile phones can be attributed to NIL duties on wireless equipment. Similar benefits have not be provided to fixed line phones.

With scarce spectrum in wireless, there is need to supplement wireless growth with fixed-line as it will always be the scaleable option.

One of the important factor for increase in wireless growth is the reduction in price of wireless handsets due to exemption of duties. Similar treatment needs to be given to fixed line Consumer Premise Equipments (CPE) like telephones and modems to give boost to this sector.

What CII wanted What CII wanted

Exempt excise duty on the fixed-line phones and broadband consumer premise equipment as well as on their parts used for the manufacture.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Specified goods and parts thereof for basic/cellular mobile telephone services, internet service or closed user's group 64 KBPS domestic data network via INSAT satellite system service, radio paging/Public mobile radio paging services - list 22, 23,24 (84,85,90)	8	8	8	NIL	NIL	NIL
Cellular phones and radio trunking terminals (8517, 8525 60)	NIL	NIL	NIL	NIL	NIL	NIL
Parts, components and accessories of mobile handsets including cellular phones (85 or any other chapter)	NIL	NIL	NIL	NIL	NIL	NIL
Fixed-line telephone hand sets (8517 11 10)	8	NIL	8	NIL	NIL	NIL
Modems for fixed line phones (8517 62 30)	8	NIL	8	NIL	NIL	NIL

Impact of Budget 2009-10

⇒ Special CVD has been exempted upto 06.07.2010 on parts, components and accessories of mobile handsets including cell phones.

Textile Machinery

Industry Issues

Customs duty on textile machines is 7.5%. However, some of the inputs like rubber components, seamless steel tubes and ceramic compactors attract 10% customs duty.

Accessories, parts and components of textile machinery fall under tariff heading 8448 and attract customs duty of 7.5% which needs to be reduced to 5%.

CVD on 16 textile machines /equipment used by silk is exempted but 8% CVD is applicable on parts imported for manufacturing of these machines.

Shuttleless looms are allowed for import at concessional customs duty of 5%. Shuttleless looms (rapier, air jet, water jet) have been developed by indigenous manufacturers and only few dedicated components, not manufactured in India, are imported. Reduction of customs duty on such components from 5% to NIL would help the indigenous manufacturers to be competitive.

There are 40 items of machinery or equipment in list 2 of Central excise notification 6/2006 on which excise duty is 4%. Components for these machine attract excise duty of 8%. This anomalous situation needs to be corrected.

What CII wanted What CII wanted

Allow the indigenous manufacturers of textile machines to import rubber components, seamless steel tubes and ceramic components at duty rate of 7.5%.

Reduce customs duty from 7.5% to 5% on accessories, parts and components of textile machines falling under tariff heading 8448.

Reduce CVD to NIL on parts required for manufacture of 16 textile machines and equipment used by silk industry, which attract NIL CVD.

Reduce customs duty from 5% to NIL on imported components of shuttleless looms.

Reduce excise duty from 8% to 4% on components of 40 specified textiles machinery and equipment to bring at par with the excise duty applicable on complete machines/ equipment.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Textile machinery (8444 to 8447, 8451 except 8451 21 00)	8	8	8	7.5	7.5	7.5
Inputs						
Auxiliary machinery, parts and components for textile machinery of headings 8444 to 8447 (8448)	8	8	8	7.5	5	7.5

Impact of Budget 2009-10

⇒ There is no change in excise and customs duties on textile machinery.

Tiles

Industry Issues

Over the years, customs duty rates on ceramic tiles, has been brought down to 10%. In the budget 2007, customs duty on certain inputs was reduced to 5% giving some relief to the tiles manufacturers. However some other inputs still attract customs duty of 7.5%, and 10%.

Under Asia-Pacific Trade Agreement, ceramic tiles imported from China are eligible for 57% concession on the applied rate of customs duty. This results in effective duty of 4.3% which is less than the duty rate of 5% applicable on the basic input clays. In the year 2007-08, out of total imports of Rs. 59,965 lakh of tiles under tariff heading 6907 and 6908, imports from China were Rs. 45,477 lakh.

Import of ceramic and vitrified tiles from Sri Lanka attracts NIL customs duty under India-Sri Lanka Free Trade Agreement with effect from 18th March 2003.

Taking these factors into account customs duty on inputs for ceramic tiles needs to be reduced.

What CII wanted What CII wanted

Reduce customs duty from 5% to 2% on clays i.e. at par with ores.

Reduce customs duty to 5% on those inputs of ceramic tiles, which attract duty rate of 7.5% and 10%.

What the Government gave

Item	% abatement of RSP	Excise Duty (%)			Customs Duty (%)		
		2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Glazed ceramic tiles (6908)	40	8	8	8	10	10	10
Ceramic tiles manufactured in a factory not using electricity for firing of kiln and without taking CENVAT Credit (69)		4	4	8			
Vitrified tiles, whether polished or not (6907 10 10, 6907 90 10))	40	8	8	8			
Inputs							
Clays (2508 40)		NIL	NIL	NIL	5	2	5
Carboxymethyl cellulose (CMC) and Polikim (3912 31 00)		8	8	8	7.5	5	7.5
Abrasives and diamond impregnated cutting and grinding tools (6804 21 90, 6804 10 00, 6804 21 10)		8	8	8	10	5	10

Impact of Budget 2009-10

- ⇒ Excise duty has been increased from 4% to 8% on ceramic tiles, manufactured in a factory not using electricity for firing the kiln.
- ⇒ Abatement on RSP for levy of excise duty has been increased from 40% to 45% on vitrified tiles and glazed tiles.

Tractors

Industry Issues

Government has exempted excise duty on tractors vide excise notification 6/2006-sl.no.40. Excise duty is also exempted vide excise notification 6/2006-sl.no.92 on parts produced and used within the factory of manufacture of tractors. This helps the companies having single location unit in reducing the cost of their tractors.

Most of the tractors manufactures are having multi locational units and parts manufactured in one unit are transferred to other units. Such manufacturers have to pay excise duty of 8% on parts so transferred for which no CENVAT credit can be availed. This adds to their cost. The exemption of excise duty on tractor parts vide sl.no.92 of excise notification 6/2006 needs to be extended to such cases also.

What CII wanted What CII wanted

Extend the existing provision of NIL excise duty on parts of tractors when produced in any factory of the manufacturer.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Tractors (except road tractors for semi-trailers of engine capacity more than 1800 cc) (8701)	NIL	NIL	NIL	10	10	10
Inputs						
Parts of tractors (8708 or any other chapter)	8	8	8	As applicable	As applicable	As applicable
Parts used within the factory of production for manufacture of tractors (any chapter)	NIL	NIL	NIL	As applicable	As applicable	As applicable
Parts manufactured and transferred to other unit of same manufacturer (any chapter)	8	NIL	8	As applicable	As applicable	As applicable

Impact of Budget 2009-10

⇒ Customs and excise duties on tractors continue at earlier rates.

Tyres & Tubes

Industry Issues

Concessional / preferential customs duty on automotive tyres under various Trade Agreements is NIL to 8.6%, which is lower than the applied rate of 10%. Import of tyres under tariff heading 4011 increased from Rs.28,565 lacs in 2005-06 to Rs.63,868 lacs in 2006-07 and Rs.99,667 lacs in 2007-08. Major portion of import of tyres was from China in 2007-08 and that too under concessional tariff of 8.6%.

Tyre industry is raw material intensive and natural rubber is one of the main input. Customs duty on tyres has been gradually reduced to 10%, whereas, there has been no reduction in customs duty on natural rubber smoked sheets and technically specified natural rubber (TSNR) and duty on these continues at 20% since 23rd July 1996. This is an anomalous situation and needs to be corrected.

What CII wanted What CII wanted

Reduce customs duty from 20% to 7.5% on natural rubber smoked sheets (4001 21 00) and technically specified natural rubber (4001 22 00) subject to tariff rate quota allocation in a financial year.

What the Government gave

Item	Excise Duty (%)			Customs Duty (%)		
	2008-09	What CII wanted	Budget 2009-10	2008-09	What CII wanted	Budget 2009-10
Pneumatic tyres of truck, bus, car, LCV, tractor and two wheelers (4011)	8	8	8	10	10	10
Inputs						
Natural Rubber-smoked sheets (4001 21 00) Natural Rubber – Technically specified (4001 22 00)	Cess Rs.1.50/kg	Cess Rs.1.50/kg	Cess Rs.1.50/kg	20	7.5	20
Chlorobutyl or bromobutyl rubber (4002 39 00) Butyl rubber (4002 31 00) Carbon black (2803 00 10)	8	8	8	5	5	5
Nylon tyre cord fabric (NTCF) (5902 10) Steel tyre cord (7312 90 00)	8	8	8	10	10	10
Polyester tyre cord fabric (5902 20)	4	4	8	5	5	5

Impact of Budget 2009-10

- ⇒ Excise duty has been increased from 4% to 8% on polyester tyre cord fabric.
- ⇒ There is no other change in duties for this sector.

Annexures

Annexure: I

Budget at a Glance

(In Crore of Rupees)

	Items	2007-08 (Actuals)	2008-09 Budget Estimates	2008-09 Revised Estimates	2009-10 Budget Estimates
1	Revenue Receipts	541,864	602,935	562,173	614,497
	2. Tax Revenue (net to centre)	439,547	507,150	465,970	474,218
	3. Non-Tax Revenue	102,317	95,785	96,203	140,279
4	Capital Receipts (5+6+7)*	170,807	147,949	338,780	406,341
	5. Recoveries of Loans	5,100	4,497	9,698	4,225
	6. Other Receipts	38,795	10,165	2,567	1,120
	7. Borrowings and other liabilities**	126,912	133,287	326,515	400,996
8	Total Receipts (1+4)*	712,671	750,884	900,953	1,020,838
9	Non-Plan Expenditure	507,589	507,498	617,996	695,689
	10. On Revenue Account of which	420,861	448,352	561,790	618,834
	11. Interest Payments	171,030	190,807	192,694	225,511
	12. On Capital Account	86,728	59,146	56,206	76,855
13	Plan Expenditure	205,082	243,386	282,957	325,149
	14. On Revenue Account	173,572	209,767	241,656	278,398
	15. On Capital Account	31,510	33,619	41,301	46,751
16	Total Expenditure (9+13)	712,671	750,884	900,953	1,020,838
	17. Revenue Expenditure (10+14)	594,433	658,119	803,446	897,232
	18. Capital Expenditure (12+15)	118,238	92,765	97,507	123,606
19	Revenue Deficit (17-1)	52,569 (1.1)	55,184 (1.0)	241,273 (4.4)	282,735 (4.8)
20	Fiscal Deficit (16-(1+5+6))	126,912 (2.7)	133,287 (2.5)	326,515 (6.0)	400,996 (6.8)
21	Primary Deficit (20-11)	-44,118 (-0.9)	-57,520 (-1.1)	133,821 (2.5)	175,485 (3.0)

Note:

- * = Does not include receipts in respect of Market Stabilization Scheme.
- ** =Includes draw- down of cash balance.
- GDP for BE 2009-10 has been projected at Rs. 5856569 crore assuming 10.05% growth over the revised estimates of 2008-2009 (Rs. 5321753 crore) released by CSO.

Annexure: II

Key Indicators (2005-06 to 2008-09)

	Items	2005-06	2006-07	2007-08	2008-09
1	GDP at factor cost (% Growth)	9.5	9.7	9.0 ^{QE}	6.7 ^{RE}
2	Agriculture, forestry and fishing (% Growth)	5.8	4.0	4.9	1.6
3	Industries (% Growth)	10.2	11.0	8.1	3.9
4	Services (% Growth)	10.6	11.2	10.9	9.7
5	GDP at Market prices (Rs. Crores)	3,580,344	4,129,173	4,723,400	5,321,753
6	Gross Domestic Savings (% of GDP)	34.2	35.7	37.7	n.a
7	Gross Capital Formation (% of GDP)	35.5	36.9	39.1	n.a
8	Food grain Production (% Growth)	5.8	4.0	6.2	-0.4 ^a
9	Index of Industrial Production (% Growth)	8.2	11.6	8.5	2.4
10	Manufacturing (% Growth)	9.1	12.5	9.0	2.3
11	Electricity generated (% Growth)	5.2	7.2	6.4	2.8
12	Wholesale Price Index (Inflation)	4.5	5.4	4.7	8.4
13	Consumer Price Index (Inflation)	4.2	6.8	6.4	9.0
14	Money Supply (% Growth)	17.0	21.3	21.2	18.4
15	Imports (US\$, % Growth)	33.8	24.5	35.4	14.3
16	Exports (US\$, % Growth)	23.4	22.6	28.9	3.4
17	Trade Deficit (US\$ Million)	46.1	59.4	88.5	119.1
18	Current account balance (US\$ Billion)	-9.9	-9.6	-17.0	-29.8
19	Current account balance (% of GDP)	-1.2	-1.1	-1.5	-2.5
20	Foreign Direct Investments (US\$ Billion)(Net)	8.9	22.7	34.2	34.9
21	Portfolio Investments (US\$ Billion)	12.5	7.1	29.6	-14.0
22	Foreign exchange reserves (US\$ Billion)	151.6	199.2	309.7	251.9 ^c
23	External Debt (US\$ Billion)	138.1	171.3	224.6	229.9
24	External Debt (% of GDP)	17.2	18.1	19.0	22.0
25	Debt service ratio	10.1 ^d	4.7	4.8	4.6
26	Gross Tax Revenue (% of GDP)	10.2	11.5	12.6	11.8 ^{RE}
27	Revenue deficit (% of GDP)	2.6	1.9	1.1	4.4 ^{RE}
28	Fiscal deficit (% of GDP)	4.1	3.5	2.7	6.0 ^{RE}
29	Direct Tax (% of GDP)	4.6	5.3	6.3	6.5 ^{RE}
30	Indirect Tax (% of GDP)	5.6	5.8	5.9	5.3 ^{RE}
31	Total Expenditure (% of GDP)	14.1	14.1	15.1	16.9 ^{RE}

Source: Economic Survey (2008-09), RBI & Union Budget (2009-10).

Note: QE = Quick Estimates, RE = Revised Estimates, n .a = Not available, a = Computed on the basis of 3rd advance estimates for 2008-09, b = Current series of CPI (IW) with 2001 base was introduced w.e.f Jan 2006. Conversion factor from current to the old series is 4.63, c = As on Mar' 09, d = works out to 6.3%, with the exclusion of India Millennium Deposits (IMDs) repayments of US\$ 7.1 billion and pre – payment of US\$ 23.5 million.



Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organisation, playing a proactive role in India's development process. Founded over 114 years ago, it is India's premier business association, with a direct membership of over 7800 organisations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 385 national and regional sectoral associations.

CII catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmes. Partnerships with over 120 NGOs across the country carry forward our initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and water, to name a few.

Complementing this vision, CII's theme for 2009-10 is 'India@75: Economy, Infrastructure and Governance.' Within the overarching agenda to facilitate India's transformation into an economically vital, technologically innovative, socially and ethically vibrant global leader by year 2022, CII's focus this year is on revival of the Economy, fast tracking Infrastructure and improved Governance.

With 64 offices in India, 9 overseas in Australia, Austria, China, France, Germany, Japan, Singapore, UK, and USA, and institutional partnerships with 213 counterpart organisations in 88 countries, CII serves as a reference point for Indian industry and the international business community.

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