



Government of India

“Democracy is the art and science of mobilizing the entire physical, economic and spiritual resources of various sections of the people in the service of the common good of all.”

Mahatma Gandhi

BUDGET 2009-10

July 6, 2009

Key Features of Budget 2009-2010

CHALLENGES



- to lead economy to 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.

OVERVIEW OF THE ECONOMY



- Growth rate of Gross Domestic Product dipped from an average of over 9 per cent in the previous three fiscal years to 6.7 per cent during 2008-09.
- Whole sale price index rose to nearly 13 per cent in August, 2008 and had an equally sharp fall to zero per cent in March, 2009.
- The structure of India's economy changed over the last ten years with contribution of the services sector to GDP at well over 50 per cent and share of merchandise trade doubling to 38.9 per cent of GDP in 2008-09.
- Recognising economic recovery and growth as co-operative effort of the Central and State Governments, meeting with Finance Ministers of States held as part of preparation of the Budget. This is intended to become an annual feature.

TOWARDS ECONOMIC REVIVAL

Short-term Measures



- To counter the negative fallout of the global slowdown on the Indian economy, Government responded by providing three focused fiscal stimulus packages in the form of tax relief and increased expenditure on public projects along with RBI taking a number of monetary easing and liquidity enhancing measures.
- 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.1,86,000 crore.
- Measures taken by the Government were effective in arresting the fall in GDP growth rate in 2008-09. 6.7 per cent growth rate recorded in 2008-09.

Infrastructure Development

- 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. IIFCL and Banks are now in a position to support projects involving total investment of Rs.1,00,000 crore.



Highway and Railways

- 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 and 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.



Urban Infrastructure

- 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 Rajiv Awas Yojana (RAY), a new scheme announced.

Brihan Mumbai Storm Water Drainage Project (BRIMSTOWA)

- Provision for the project BRIMSTOWA initiated in 2007 and funded through Central Assistance to address the problem of flooding in Mumbai, enhanced from Rs.200 crore in Interim B.E. 2009-10 to Rs.500 crore in B.E. 2009-10 to expedite completion of the project.



Power

- 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.

Gas

- Blueprint to be developed for long distance gas pipelines leading to a National Gas Grid to facilitate transportation of gas across the length and breadth of the country.

Assam Gas Cracker Project

- Outlay for Assam Gas Cracker Project stepped up suitably in B.E. 2009-10.



AGRICULTURE DEVELOPMENT

- Target for agriculture credit flow set at Rs.3,25,000 crore for the year 2009-10. In 2008-09 agriculture credit flow was at Rs.2,87,000 crore.
- 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. Additional allocation of Rs.411 crore over Interim B.E. 2009-10 made for this.

Debt Relief for Farmers

- 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.



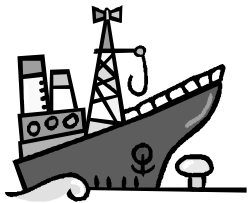
- Taskforce to be set up to examine the issue of debt taken by a large number of farmers in some regions of Maharashtra from private money lenders who were not covered by the loan waiver scheme announced last year.

Accelerated Irrigation Benefit Programme



- 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.

RESTORING EXPORT GROWTH



- 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 beyond the current deadline of September 30, 2009 to March 31, 2010.
- To facilitate flow of credit at reasonable rates, Rs.4,000 crore provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI). This will incentivise Banks and State Finance Corporations (SFCs) to lend to Micro and Small Enterprises (MSEs) by refinancing 50 per cent of incremental lending to MSEs during the current financial year.
- Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates to be paid as a special relief subject to documentary proof of loss of revenue in non-governmental advertisements, extended from 30th June, 2009 to 31st December, 2009.



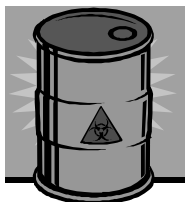
MEDIUM-TERM SUSTAINABILITY

- To bring the fiscal deficit under control, institutional reform measures to be initiated during the current year itself.

Fertilizer Subsidy



- To ensure balanced application of fertilizers for increasing agricultural productivity, Government intends to move towards a nutrient based subsidy regime so as to cover larger basket of fertilizers with innovative fertilizer products available in the market at reasonable prices.
- It is intended to move to a system of direct transfer of subsidy to the farmers in due course.



Petroleum and Diesel pricing Policy

- With almost three quarters of our oil consumption met through imports, it is important to recognise that domestic prices of petrol and diesel are broadly in sync with global prices. Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products.

Taxation

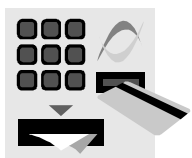
- SARAL – II forms to be introduced early.

People's ownership of PSUs

- 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 and will be given full support including capital infusion to grow and remain competitive.

Financial Sector

- The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.
- Scheduled commercial banks allowed to set up off-site ATMs without prior approval subject to reporting.
- A sub-committee of State Level Bankers Committee (SLBC) to identify and formulate an action plan for providing banking facilities in under-banked/unbanked areas in the next three years. Rs.100 crore set aside as one-time grant in-aid to ensure provision of at least one centre/Point of Sales (POS) for banking services in each of the unbanked blocks.
- Government has established Competition Commission of India, an autonomous regulatory body. An Appellate body headed by a retired judge of Supreme Court also constituted.



TOWARDS INCLUSIVE DEVELOPMENT

National Rural Employment Guarantee Scheme (NREGS)

- Allocation under NREGS increased by 144 per cent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09.
- To increase productivity of assets and resources under NREGA, convergence with other schemes relating to agriculture, forests, water resources, land resources, rural roads initiated. In the first stage 115 pilot districts selected for convergence.

National Food Security Act

- 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 in rural or urban areas. Food Security Bill to be put on the website of the Department of Food and Public Distribution for public debate.





Bharat Nirman

- 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) to boost the resource base of NHB for refinance operations in rural housing sector.



Pradhan Mantri Adarsh Gram Yojana (PMAGY)

- New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation of Rs.100 crore launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 per cent.



EMPOWERMENT OF WEAKER SECTIONS

- The Swarna Jayanti Gram Swarozgar Yojana (SGSY) restructured as National Rural Livelihood Mission to make it universal in application, focused in approach and time bound 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.
- There are over 22 lakh Women's Self Help Groups linked with banks. Reach of SHGs to be widened to enrol at least 50 per cent of all rural women in India as members of SHGs 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.



Female Literacy

- 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.



Integrated Child Development Services (ICDS)

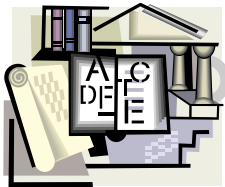
- All ICD Services to be extended to every child under the age of six by March, 2012.

Student Loans to Weaker Sections

- 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 to pursue any of the approved courses of study in technical and professional streams from recognised institutions in India.

Welfare of Minorities

- 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. This includes Rs.990 crore for Multi-Sectoral Development Programme for Minorities, Grants-in-aid to Maulana Azad Education Foundation, National Minorities Development and Finance Corporation and pre and post matric scholarship for minorities.
- Allocations made for the new schemes of National Fellowship for Students from minority community and Grants-in-aid to Central Wakf Council for computerization of records of State Wakf Boards.
- Rs.25 crore each allocated for establishing new campuses at Murshidabad in West Bengal and Malappuram in Kerala by Aligarh Muslim University.



Welfare of workers in the unorganized sector

- Action initiated to ensure implementation of social security schemes for occupation like weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labour, construction labour, mine workers, bidi workers and rickshaw pullers. Necessary financial allocation will be made for these schemes.



Employment Exchanges

- New project for modernization of Employment Exchange in public private partnership to be launched so that a job seeker can register on line from anywhere and approach any employment exchange.



Handloom

- One handloom mega cluster each in West Bengal and Tamil Nadu and one powerloom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).

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 and climate change

- In furtherance to National Action Plan on Climate Change, eight national missions representing a multi-pronged long-term and integrated approach to be launched.
- National Ganga River Basin Authority set up. 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.

TOWARDS BUILDING ACCOUNTABLE INSTITUTIONS

Improving Delivery of Public Services



- Unique Identification Authority of India (UIDAI) to set up online data base with identity and biometric details of Indian residents and provide enrolment and verification services across country. Provision of Rs.120 crore made for this in the Budget.
- First set of unique identity number to be rolled out in 12 to 18 months.

National Security



- Additional amount of Rs.430 crore provided over Interim B.E. 2009-10 to modernise 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.
- Programme for housing to create 1 lakh dwelling units for Central Para-military Forces personnel to be launched through innovative financing model.

One Rank One Pension for Ex-servicemen (OROP)

- Based on the recommendation of the Committee headed by the Cabinet Secretary on OROP, government has decided to substantially improve the pension of pre 01.01.2006 defence pensioners below officer rank and bring pre 10.10.1997 pensioners on par with post 10.10.1997 pensioners. The decisions to be implemented from 01st July, 2009 and will cost more than Rs.2,100 crore annually.

Education



- Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore and 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.
- Rs.50 crore allocated for Punjab University, Chandigarh. Plan allocation for Chandigarh to be suitably enhanced during the year to provide better infrastructure to the people of Chandigarh.

Commonwealth Games, 2010



- Outlays to be stepped up from Rs.2,112 crore in Interim Budget to Rs.3,472 crore in regular Budget 2009-10.

Srilankan Tamils

- Rs.500 crore allocated for rehabilitation of internally displaced persons and reconstruction of the northern and eastern areas of Sri Lanka. Ministry of External Affairs to work closely with the Sri Lankan Government.

Cyclone Aila

- Rs.1,000 crore allocated for programme for rebuilding the damaged infrastructure caused due to cyclone Aila in West Bengal.

BUDGET ESTIMATE 2009-10



- Budget Estimates provide for a total expenditure of Rs.10,20,838 crore consisting of Rs.6,95,689 crore under Non-plan and Rs.3,25,149 crore under Plan registering an increase of 37 per cent in Non-plan expenditure and 34 per cent in Plan expenditure over B.E. 2008-09.

- Total expenditure in B.E. 2009-10 increased by 36 per cent over B.E. 2008-09.
- Increase in Non-plan expenditure is mainly due to implementation of Sixth Central Pay Commission recommendations, increased food subsidy and higher interest payment arising out of larger fiscal deficit in 2008-09.

- Interest payments estimated at Rs.2,25,511 crore constituting about 36 per cent of Non-plan revenue expenditure in B.E. 2009-10.

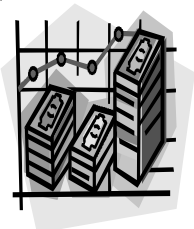
- Subsidies up from Rs.71,431 crore in B.E. 2008-09 to Rs.1,11,276 crore in B.E. 2009-10.



- Outlay for Defence up from Rs.1,05,600 crore in B.E. 2008-09 to Rs.1,41,703 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 of their GSDP. This will enable the States to borrow Rs.21,000 crore additionally over Interim B.E. 2009-10.



- Gross tax receipts budgeted at Rs.6,41,079 crore in B.E. 2009-10 compared to Rs.6,87,715 crore in B.E. 2008-09.

- Non-tax revenue receipts estimated at Rs.1,40,279 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.

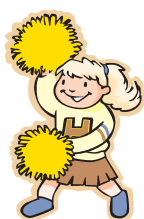
TAX PROPOSALS



- Tax reform, like all reforms, is a process and not an event. Thrust of reforms has been to improve the efficiency and equity of our tax system. This is sought to be achieved by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the base and accompanied by requisite re-engineering of key business processes coupled with automation.
- Recent initiative, on direct taxes side, of the setting up of a Centralized Processing Centre (CPC) at Bengaluru where all electronically filed returns, and paper returns filed in entire Karnataka, will be processed.
- Centre's Tax-GDP ratio has increased to 11.5 per cent in 2008-09 from a low of 9.2 per cent in 2003-04. Share of direct taxes in the Centre's tax revenues has increased to 56 percent in 2008-09 from 41 percent in 2003-04, reflecting sharp improvement in equity of our tax system.
- Structural changes in direct taxes to be pursued by releasing the new Direct Taxes Code within the next 45 days and in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from 1st April, 2010.
- The Direct Taxes Code, along with a Discussion Paper, to be released to the public for debate. The Direct Taxes Code Bill will be finalised for introduction in Lok Sabha sometime during the Winter Session based on the inputs received.
- The Authorities for Advance Rulings on Direct and Indirect Taxes to be merged by amending the relevant Acts.
- Agreement has been reached on the basic structure of GST in keeping with the principles of fiscal federalism enshrined in the Constitution. Broad contour of 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.



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, including medical treatment, of a dependent who is a person with severe disability 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 i.e. for the financial year 2010-11.



- Fringe Benefit Tax on the value of certain fringe benefits provided by employers to their employees to be abolished.
- Scope of provisions relating to 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. 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. Under this method, all capital expenditure, other than expenditure on land, goodwill and financial instruments to be fully allowable as deduction.
- 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. Central Board of Direct Taxes (CBDT) to be empowered to formulate 'safe harbour' rules to reduce the impact of judgemental errors in determining transfer price in international transactions.



- 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.
- To mitigate the practical difficulties faced by charitable organisations, 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.

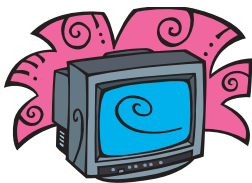


- Tax holiday under section 80-IB(9) of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, to be extended to natural gas. This tax benefit to be available to undertakings in respect of profits derived from the commercial production of mineral oil and natural gas from oil and gas blocks which are awarded under the NELP-VIII round of bidding. The section to be retrospectively amended to provide that “undertaking” for the purposes of section 80-IB(9) will mean all blocks awarded in any single contract.

Indirect Taxes

- Proposals on indirect taxes to seek to achieve stable framework by maintaining 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 (other than tola 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.1000 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.

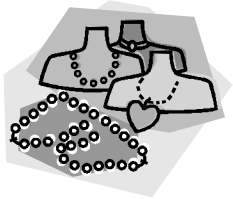




- Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries to be reduced from '20% + Rs.10000' to '8% + Rs.10000'.
- Excise duty on Special Boiling Point spirits to be reduced to 14%.
- Excise duty on naphtha to be reduced to 14%.
- Duty 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 (leviable under Banking and other financial services or under Foreign exchange broking service) 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. Thus there would be no need for the exporter to first pay the tax and later claim refund in respect of these services.
- 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.



Tax proposals on direct taxes to be revenue neutral. On indirect taxes, estimated net gain to be Rs.2,000 crore for a full year.