

**FM ANNOUNCES FRESH ADDITIONAL RELIEF PACKAGE IN
HIS REPLY TO THE DEBATE ON FINANCE BILL-2010**

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Finance Minister, Shri Pranab Mukherjee, while replying to the debate on Finance Bill-2010 in Lok Sabha today, announced an additional relief package. The extracts from the Finance Minister's speech are as follows:

“Coffee Debt Relief Package 2010

The Coffee growers in the country have been facing long standing financial problems ever since the coffee prices fell to very low levels during the period 2000-2004. Relief Packages in the form of Special Coffee Term Loan 2002 and Special Coffee Relief Package 2005 were sanctioned to revive coffee sector, besides other initiatives like PM's Relief Package for Debt Stressed farmers and Debt Waiver and Debt Relief Scheme 2008. However, a large number of affected growers did not get the required relief.

The Government has now decided to approve a fresh Coffee Debt Relief Package, specifically for the small growers. As per this, for pre-2002 loans, 50 per cent of the total liability shall be waived subject to a maximum benefit of Rs.5 lakh per farmer to be borne by Government of India. An additional 25 per cent shall be waived by banks and balance shall be rescheduled. The Package also envisages 20 per cent waiver of liability under Crop Loans

with 10 per cent each being borne by the Government of India and banks respectively, subject to a maximum benefit of Rs.1 lakh. For Post-2002 Term Loans, 10 per cent of the total liability shall be waived subject to a maximum benefit of Rs.1 lakh. The Package shall also provide relief to medium and large farmers who shall be permitted to reschedule the loans. The total financial implication for the Government of India is Rs.241.33 crore while benefit to Coffee growers will be around Rs.362.82 crore.

Direct Taxes

While introducing the Finance Bill, 2010 in respect of Direct Taxes, emphasis has been on relief to individual taxpayers, encouraging research and development in the country, providing some relief measures in view of the recessionary impact and rationalization of procedure and steps to mitigate compliance cost. Based on the discussions and representations received after the introduction of the Finance Bill, certain further reliefs and concessions on direct taxes are proposed.

Availability of modern hospitals is a priority area for the country and private sector participation is desirable in order to provide better healthcare facilities to citizens. Currently, hospitals (of more than 100-bed capacity) constructed in any area other than the “excluded area” are eligible for claiming hundred per cent deduction under section 80-IB (11C) of the Income Tax Act. Considering the pressing need for more hospitals all over the country, it is proposed to include the business of a new hospital anywhere in India, with at least one hundred beds for patients, as a ‘specific business’ for availing the benefit of investment linked deduction.

Another priority of the Government is to make India slum free. The Ministry of Housing & Urban Poverty Alleviation has issued draft Guidelines for Slum-Free City Planning. The Rajiv Awas Yojana (RAY) for slum-dwellers and the urban poor envisages 'slum-free India' by encouraging States/Union Territories to tackle the problem of slums in a definitive manner. For this purpose, it is proposed to also include the business of developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central Government or a State Government as a 'specified business' for availing the benefit of investment linked deduction.

In consequence of the decision to allow tax-neutrality for conversion of a company in to Limited Liability partnership (LLP), it is proposed to also exempt from taxation the transfer of shares by the shareholders of the company in respect of such a conversion.

Service Tax

Ever since I proposed imposition of service tax on international and domestic air passengers in the Budget this year, I have received number of representations expressing concern that this levy would adversely affect the civil aviation sector and would make air travel prohibitive. I would like to clarify that it would not be so. The effective rates of levy, when they come into effect, would be a maximum of Rs.100 per travel for domestic journey in any class and a maximum of Rs.500 per travel for international journey by economy class. Further, domestic air travel to and from the North-Eastern sector would be exempt even from this moderate tax.

The construction sector has requested for a review of the changes in the service tax law proposed in this year's Budget. Several suggestions have been made by the trade associations. Considering all the inputs, I propose to provide tax relief to this sector by enhancing their rate of abatement from 67% to 75% of the gross value where such value includes the value of the land constructed upon. Certain procedural bottlenecks relating to the completion certificate prescribed in the law would also be simplified.

With a view to give thrust to the low cost housing schemes for the urban poor, I propose to exempt service tax on constructions under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and under Rajiv Awas Yojna.

The above changes relating to construction sector would be effective from a notified date after enactment of the Finance Bill, 2010.

I have received suggestions that the present service tax exemption available to the vocational training institutes affiliated to the National Council for Vocational Training and offering courses in designated trades should also be extended to "Modular Employment Skill Development courses" provided by the training institutes registered under 'Skill Development Initiative Scheme' of the Ministry of Labour. As this initiative intends to generate employment to the rural and urban poor, school dropouts and semi-skilled labourers, I propose to accept this suggestion and exempt such courses with immediate effect. The notification to this respect is being issued today.

Indirect Taxes

I shall now take up specific issues. Hon'ble Members would recall that I had proposed an increase in excise duty on almost all tobacco products including cigars and cheroots. I have received a large number of representations on behalf of the manufactures of 'hand-rolled cheroots' – an industry located primarily in the cottage and household sector. Considering the nature of this labour-intensive industry, I now propose to reduce the excise duty on hand-rolled cheroots priced upto Rs.3 per stick to 10% ad valorem. Similarly, the additional excise duty on this product shall now be 1.6% ad valorem.

Full exemption from excise duty has been provided to betel nut product commonly known as 'supari'. This exemption is now being extended to scented supari.

Central excise duty on corrugated boxes and cartons was reduced from 8% to 4% when they are manufactured starting from kraft paper. I propose to extend the exemption to cover units that manufacture such cartons from corrugated paper or paperboard also.

Paper and paperboard manufactured from non-conventional raw material such as waste paper attract a concessional excise duty of 4% subject to certain conditions. Waste paper is chargeable to an excise duty of CVD of 10%. Domestic industry has represented that this creates an inversion leading to the accumulation of Cenvat credit. I propose to reduce the excise duty

on waste paper to 4% to rectify this anomaly.

As the Hon'ble Members are aware, the excise exemption for small scale units is not available to goods that bear the brand name of another person. A relaxation of this condition is available in respect of specified packing materials which are normally not sold under the brand name that they bear. In order to resolve disputes about the coverage of this relaxation, I propose to extend it to all types of packing material.

Automobile components have been subjected to excise duty on the basis of their retail sale price. In order to resolve disputes about the coverage of this provision, it was amended so as to make it applicable to parts, components and assemblies of vehicles of Chapter 87 of the Excise Tariff. Since these components are also used for earthmoving machinery like loaders, excavators etc., I now propose to apply this provision to the parts, components and assemblies of such machinery as well.

Tunnel boring machines are critical for hydroelectric projects. Since these are not produced domestically, full exemption from customs duty was provided in this budget. It has been represented that owing to their huge size these machines are incapable of import in a single consignment. Considering this practical difficulty the exemption is being extended to parts and components of tunnel boring machines.

Hon'ble Members would recall that the customs duty regime on medical equipment was rationalized in this budget by prescribing a uniform basis duty of 5% and CVD of 4%. In doing so listed exemptions were dispensed with. I have received a number

of representations in respect of Ostomy appliances in whose case a concession has been removed. Considering that these are mainly used by cancer patients, I propose to provide this concession to such appliances.

Basic customs duty on 11 specified drugs including two anti-cancer and one for the treatment of AIDS is being reduced to 5%. These drugs are also being exempted from CVD by way of excise duty exemption.

'Optical Disc Drives' (ODD) are ITA-bound and thus permissible for import without payment of duty. I propose to fully exempt specified parts or components required for the manufacture of ODD from basic customs duty.

Cigarette filter rods are manufactured from acetate rayon tow. While full CVD of 10% and special CVD of 4% is applicable to tow, the excise duty on filter rods is 10% creating an inversion in duty. I propose to fully exempt acetate rayon tow from special CVD of 4%.

Flax fibre and yarn are not produced in India in significant quantities. I propose to fully exempt them from basic customs duty in order to encourage domestic value addition.

As the House is aware, an export duty at the statutory rate of Rs.2500 per metric tonne (PMT) was imposed on raw cotton with effect from 9th April, 2010 in order to contain the spiraling prices by disincentivizing exports. The Government has been keenly watching the quantum of exports well as the price situation. In order to meet any future exigency, the statutory rate for this item

is being enhanced to Rs.10,000 PMT while maintaining the effective rate at the current level. For this purpose, an official amendment to the Finance Bill, 2010 is being moved.

Except in the case of export duty on raw cotton, the changes in the customs and excise duties would come into force with immediate effect. The notifications in this respect are being issued today.

In December, 2009 the export duty on iron ore lumps was enhanced from 5% to 10% and on fines from Nil to 5%. Keeping in view the trend in the quantum of exports and domestic and international prices, the duty on iron ore lumps is being increased further to 15%.

In response to representations from the domestic producers of stainless steel, I propose to reduce basic customs duty on stainless steel melting scrap from 5% to 2.5%.”

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