

Key Features of Budget 2010-2011

CHALLENGES

- To quickly revert to the high GDP growth path of 9 per cent and then find the means to cross the 'double digit growth barrier'.
- To harness economic growth to consolidate the recent gains in making development more inclusive.
- To address the weaknesses in government systems, structures and institutions at different levels of governance.

OVERVIEW OF THE ECONOMY

- India among the first few countries in the world to implement a broad-based counter-cyclic policy package to respond to the negative fallout of the global slowdown.
- The Advance Estimates for Gross Domestic Product (GDP) growth for 2009-10 pegged at 7.2 per cent. The final figure expected to be higher when the third and fourth quarter GDP estimates for 2009-10 become available.
- The growth rate in manufacturing sector in December 2009 was 18.5 per cent – the highest in the past two decades.
- A major concern during the second half of 2009-10 has been the emergence of double digit food inflation. Government has set in motion steps, in consultation with the State Chief Ministers, which should bring down the inflation in the next few months and ensure that there is better management of food security in the country.

CONSOLIDATING GROWTH

Fiscal Consolidation

- With recovery taking root, there is a need to review public spending, mobilise resources and gear them towards building the productivity of the economy.
- Fiscal policy shaped with reference to the recommendations of the Thirteenth Finance Commission, which has recommended a calibrated exit strategy from the expansionary fiscal stance of last two years.
- It would be for the first time that the Government would target an explicit reduction in its domestic public debt-GDP ratio.

Tax reforms

- On the Direct Tax Code (DTC) the wide-ranging discussions with stakeholders have been concluded – Government will be in a position to implement the DTC from April 1, 2011.
- Centre actively engaged with the Empowered Committee of State Finance Ministers to finalise the structure of Goods and Services Tax (GST) as well as the modalities of its expeditious implementation. Endeavour to introduce GST by April, 2011

People's ownership of PSUs

- Ownership has been broad based in Oil India Limited, NHPC, NTPC and Rural Electrification Corporation while the process is on for National Mineral Development Corporation and Satluj Jal Vidyut Nigam. This will raise about Rs 25,000 crore during the current year.
- Higher amount proposed to be raised during the year 2010-11.

Fertiliser subsidy

- A Nutrient Based Subsidy policy for the fertiliser sector has been approved by the Government and will become effective from April 1, 2010.
- This will lead to an increase in agricultural productivity and better returns for the farmers, and overtime reduce the volatility in demand for fertiliser subsidy and contain the subsidy bill.

Petroleum and Diesel pricing policy

- Expert Group to advise the Government on a viable and sustainable system of pricing of petroleum products has submitted its recommendations.
- Decision on these recommendations will be taken in due course.

Improving Investment Environment*Foreign Direct Investment*

- Number of steps taken to simplify the FDI regime.
- Methodology for calculation of indirect foreign investment in Indian companies has been clearly defined.
- Complete liberalisation of pricing and payment of technology transfer fee and trademark, brand name and royalty payments.

Financial Stability and Development Council

- An apex level Financial Stability and Development Council to be set up with a view to strengthen and institutionalise the mechanism for maintaining financial stability.
- This Council would monitor macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues.

- RBI is considering giving some additional banking licenses to private sector players. Non Banking Financial Companies could also be considered, if they meet the RBI's eligibility criteria.

Public Sector Bank Capitalisation

- Rs.16,500 crore provided to ensure that the Public Sector Banks are able to attain a minimum 8 per cent Tier-I capital by March 31, 2011.

Recapitalisation of Regional Rural Banks (RRB)

- Government to provide further capital to strengthen the RRBs so that they have adequate capital base to support increased lending to the rural economy.

Corporate Governance

- Government has introduced the Companies Bill, 2009 in the Parliament to replace the existing Companies Act, 1956, which will address issues related to regulation in corporate sector in the context of the changing business environment.

Exports

- Extension of existing interest subvention of 2 per cent for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises.

Agriculture Growth

- Government will follow a *four-pronged strategy*, covering

(a) Agricultural production

- Rs. 400 crore provided to extend the green revolution to the eastern region of the country comprising Bihar, Chattisgarh, Jharkhand, Eastern UP, West Bengal and Orissa.
- Rs. 300 crore provided to organise 60,000 “pulses and oil seed villages” in rain-fed areas during 2010-11 and provide an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas.
- Rs. 200 crore provided for sustaining the gains already made in the green revolution areas through conservation farming, which involves concurrent attention to soil health, water conservation and preservation of biodiversity.

(b) Reduction in wastage of produce

- Government to address the issue of opening up of retail trade. It will help in bringing down the considerable difference between farm gate, wholesale and retail prices.
- Deficit in the storage capacity met through an ongoing scheme for private sector participation – FCI to hire godowns from private parties for a guaranteed period of 7 years.

(c) Credit support to farmers

- Banks have been consistently meeting the targets set for agriculture credit flow in the past few years. For the year 2010-11, the target has been set at Rs.3,75,000 crore.

- In view of the recent drought in some States and the severe floods in some other parts of the country, the period for repayment of the loan amount by farmers extended by six months from December 31, 2009 to June 30, 2010 under the Debt Waiver and Debt Relief Scheme for Farmers.

- Incentive of additional one per cent interest subvention to farmers who repay short-term crop loans as per schedule, increased to 2% for 2010-11.

(d) Impetus to the food processing sector

- In addition to the ten mega food park projects already being set up, the Government has decided to set up five more such parks.
- External Commercial Borrowings to be available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.

Infrastructure

- Rs 1,73,552 crore provided for infrastructure development which accounts for over 46 per cent of the total plan allocation.
- Allocation for road transport increased by over 13 per cent from Rs. 17,520 crore to Rs 19,894 crore.
- Rs 16,752 crore provided for Railways, which is about Rs.950 crore more than last year.

India Infrastructure Finance Company Limited (IIFCL)

- IIFCL's disbursements are expected to touch Rs 9,000 crore by end March 2010 and reach around Rs 20,000 crore by March 2011.
- IIFCL has refinanced bank lending to infrastructure projects of Rs. 3,000 crore during the current year and is expected to more than double that amount in 2010-11.
- The take-out financing scheme announced in the last Budget is expected to initially provide finance for about Rs. 25,000 crore in the next three years.

Energy

- Plan allocation for power sector excluding RGGVY doubled from Rs.2230 crore in 2009-10 to Rs.5,130 crore in 2010-11.
- Government proposes to introduce a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks.
- A "Coal Regulatory Authority" to create a level playing field in the coal sector proposed to be set up.
- Plan outlay for the Ministry of New and Renewable Energy increased by 61 per cent from Rs.620 crore in 2009-10 to Rs.1,000 crore in 2010-11.
- Solar, small hydro and micro power projects at a cost of about Rs.500 crore to be set up in Ladakh region of Jammu and Kashmir.

Environment and Climate change

- National Clean Energy Fund for funding research and innovative projects in clean energy technologies to be established.
- One-time grant of Rs.200 crore to the Government of Tamil Nadu towards the cost of installation of a zero liquid discharge system at Tirupur to sustain knitwear industry.
- Rs.200 crore provided as a Special Golden Jubilee package for Goa to preserve the natural resources of the State, including sea beaches and forest cover.
- Allocation for National Ganga River Basin Authority (NGRBA) doubled in 2010-11 to Rs.500 crore.
- Schemes on bank protection works along river Bhagirathi and river Ganga-Padma in parts of Murshidabad and Nadia district of West Bengal included in the Centrally Sponsored Flood Management Programme.
- A project at Sagar Island to be developed to provide an alternate port facility in West Bengal.

INCLUSIVE DEVELOPMENT

- The spending on social sector has been gradually increased to Rs.1,37,674 crore in 2010-11, which is 37% of the total plan outlay in 2010-11.
- Another 25 per cent of the plan allocations are devoted to the development of rural infrastructure.

Education

- Plan allocation for school education increased by 16 per cent from Rs.26,800 crore in 2009-10 to Rs.31,036 crore in 2010-11.
- In addition, States will have access to Rs.3,675 crore for elementary education under the Thirteenth Finance Commission grants for 2010-11.

Health

- An Annual Health Survey to prepare the District Health Profile of all Districts shall be conducted in 2010-11.
- Plan allocation to Ministry of Health & Family Welfare increased from Rs 19,534 crore in 2009-10 to Rs 22,300 crore for 2010-11.

Financial Inclusion

- Appropriate Banking facilities to be provided to habitations having population in excess of 2000 by March, 2012.
- Insurance and other services to be provided using the Business Correspondent model. By this arrangement, it is proposed to cover 60,000 habitations.
- Augmentation of Rs.100 crore each for the Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund, which shall be contributed by Government of India, RBI and NABARD.

Rural Development

- Rs. 66,100 crore provided for Rural Development.
- Allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme stepped up to Rs.40,100 crore in 2010-11.
- An amount of Rs.48,000 crore allocated for rural infrastructure programmes under Bharat Nirman.
- Unit cost under Indira Awas Yojana increased to Rs.45,000 in the plain areas and to Rs.48,500 in the hilly areas. Allocation for this scheme increased to Rs.10,000 crore.
- Allocation to Backward Region Grant Fund enhanced by 26 per cent from Rs.5,800 crore in 2009-10 to Rs 7,300 crore in 2010-11.
- Additional central assistance of Rs 1,200 crore provided for drought mitigation in the Bundelkhand region.

Urban Development and Housing

- Allocation for urban development increased by more than 75 per cent from Rs.3,060 crore to Rs.5,400 crore in 2010-11.
- Allocation for Housing and Urban Poverty Alleviation raised from Rs.850 crore to Rs.1,000 crore in 2010-11.
- Scheme of one per cent interest subvention on housing loan upto Rs.10 lakh, where the cost of the house does not exceed Rs.20 lakh — announced in the last Budget — extended up to March 31, 2011. Rs.700 crore provided for this scheme for the year 2010-11.
- Rs.1,270 crore allocated for *Rajiv Awas Yojana* as compared to Rs.150 crore last year.

Micro, Small & Medium Enterprises

- High Level Council on Micro and Small Enterprises to monitor the implementation of the recommendations of High-Level Task Force constituted by Prime Minister.
- Allocation for this sector to be increased from Rs.1,794 crore to Rs.2,400 crore for the year 2010-11.
- The corpus for Micro-Finance Development and Equity Fund doubled to Rs.400 crore in 2010-11.

Unorganised Sector

National Social Security Fund for unorganised sector workers

- National Social Security Fund for unorganised sector workers to be set up with an initial allocation of Rs.1000 crore. This fund will support schemes for weavers, toddy tappers, rickshaw pullers, bidi workers etc.
- *Rashtriya Swasthya Bima Yojana* benefits extended to all such Mahatma Gandhi NREGA beneficiaries who have worked for more than 15 days during the preceding financial year.

- A new initiative, “Swavalamban” will be available for persons who join New Pension Scheme (NPS), with a minimum contribution of Rs.1,000 and a maximum contribution of Rs.12,000 per annum during the financial year 2010-11, wherein Government will contribute Rs.1,000 per year to each NPS account opened in the year 2010-11. Allocation of Rs.100 crore made for this initiative.

Skill development

- National Skill Development Corporation has approved three projects worth about Rs 45 crore to create 10 lakh skilled manpower at the rate of one lakh per annum.
- An extensive skill development programme in the textile and garment sector to be launched by leveraging the strength of existing institutions and instruments of the Textile Ministry to train 30 lakh persons over 5 years.

Social Welfare

- Plan outlay for Women and Child Development stepped up by almost 50 per cent.
- The ICDS platform being expanded for effective implementation of the Rajiv Gandhi Scheme for Adolescent Girls.
- “Saakshar Bharat” to further improve female literacy rate launched with a target of 7 crore non-literate adults which includes 6 crore women.
- *Mahila Kisan Sashaktikaran Pariyojana* to meet the specific needs of women farmers to be launched with a provision of Rs 100 crore as a sub-component of the National Rural Livelihood Mission.
- Plan outlay of the Ministry of Social Justice and Empowerment enhanced by 80 per cent to Rs.4500 crore. With this enhancement, the Ministry will be able to revise rates of scholarship under its post-matric scholarship schemes for SCs and OBC students.
- Plan allocation for the Ministry of Minority Affairs increased by 50 per cent from Rs.1,740 crore to Rs.2,600 crore for the year 2010-11.

STRENGTHENING TRANSPARENCY & PUBLIC ACCOUNTABILITY

- Financial Sector Legislative Reforms Commission to be set up to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.
- Rs 1,900 crore allocated to the Unique Identification Authority of India (UIDAI) for 2010-11. UIDAI will be able to meet its commitments of issuing the first set of UID numbers in the coming year
- A Technology Advisory Group for Unique Projects (TAGUP) to be set up to look into various technological and systemic issues for effective tax administration and financial governance.
- Independent Evaluation Office (IEO) chaired by the Deputy Chairman, Planning Commission to be set up to evaluate the impact of flagship programmes.

- Allocation for Defence increased to Rs. 1,47,344 crore including Rs 60,000 crore for capital expenditure.
- About 2,000 youth to be recruited as constables in five Central Para Military Forces from Jammu and Kashmir in the year 2010.
- Planning Commission to prepare an integrated action plan for the thirty-three left wing extremism affected districts. Adequate funds will be made available to support the action plan.
- Government has approved the setting up of the National Mission for Delivery of Justice and Legal Reforms to help reduce legal backlog in courts from an average of 15 years at present to 3 years by 2012.

BUDGET ESTIMATES 2010-11

- The Gross Tax Receipts are estimated at Rs. 7,46,651 crore
- The Non Tax Revenue Receipts are estimated at Rs. 1,48,118 crore.
- The net tax revenue to the Centre as well as the expenditure provisions in 2010-11 have been estimated with reference to the recommendations of the Thirteenth Finance Commission.
- The total expenditure proposed in the Budget Estimates is Rs. 11,08,749 crore, which is an increase of 8.6 per cent over last year.
- The Plan and Non Plan expenditures in BE 2010-11 are estimated at Rs. 3,73,092 crore and Rs. 7,35,657 crore respectively. While there is 15 per cent increase in Plan expenditure, the increase in Non Plan expenditure is only 6 per cent over the BE of previous year.
- Fiscal deficit for BE 2010-11 at 5.5 per cent of GDP, which works out to Rs.3,81,408 crore.
- Taking into account the various other financing items for fiscal deficit, the actual net market borrowing of the Government in 2010-11 would be of the order of Rs.3,45,010 crore. This would leave enough space to meet the credit needs of the private sector.
- The rolling targets for fiscal deficit are pegged at 4.8 per cent and 4.1 per cent for 2011-12 and 2012-13, respectively.
- Against a fiscal deficit of 7.8 per cent in 2008-09, inclusive of oil and fertilizer bonds, the comparable fiscal deficit is 6.9 per cent as per the Revised Estimates for 2009-10.
- Conscious effort made to avoid issuing bonds to oil and fertilizer companies. Government would like to continue with this practice of extending Government subsidy in cash, thereby bringing all subsidy related liabilities into Government's fiscal accounting.

- The Centralized Processing Centre at Bengaluru is now fully functional and is processing around 20,000 returns daily. This initiative will be taken forward by setting up two more Centres during the year.
- The Income Tax department has introduced “*Sevottam*”, a pilot project at Pune, Kochi and Chandigarh through Aayakar Seva Kendras, which provide a single window system for registration of all applications including those for redressal of grievances as well as paper returns. The scheme will be extended to four more cities in the year.
- Automation of Central Excise & Service Tax, has already been rolled out throughout the country this year. Similarly, a Mission Mode Project for computerization of Commercial Taxes in States has been approved recently. With an outlay of Rs. 1133 crore of which the Centre’s share is Rs. 800 crore, the project will lay the foundation for the launch of GST.
- The income tax department to notify SARAL-II form for individual salaried taxpayers for the coming assessment year.
- Scope of cases which may be admitted by the Settlement Commission expanded to include proceedings related to search and seizure cases pending for assessment. Scope of Settlement Commission also expanded in respect of Central Excise and Customs to include certain categories of cases that hitherto fell outside its jurisdiction.
- Bi-lateral discussions commenced to enhance the exchange of bank related and other information to effectively track tax evasion and identify undisclosed assets of resident Indians lying abroad.

Direct Taxes

- Income tax slabs for individual taxpayers to be as follows

Income upto Rs 1.6 lakh	Nil
Income above Rs 1.6 lakh and upto Rs. 5 lakh	10 per cent
Income above Rs.5 lakh and upto Rs. 8 lakh	20 per cent
Income above Rs. 8 lakh	30 per cent

- Deduction of an additional amount of Rs. 20,000 allowed, over and above the existing limit of Rs.1 lakh on tax savings, for investment in long-term infrastructure bonds as notified by the Central Government
- Besides contributions to health insurance schemes which is currently allowed as a deduction under the Income-tax Act, contributions to the Central Government Health Scheme also allowed as a deduction under the same provision.
- Current surcharge of 10 per cent on domestic companies reduced to 7.5 per cent.
- Rate of Minimum Alternate Tax (MAT) increased from the current rate of 15 per cent to 18 per cent of book profits.

- To further encourage R&D across all sectors of the economy, weighted deduction on expenditure incurred on in-house R&D enhanced from 150 per cent to 200 per cent. Weighted deduction on payments made to National Laboratories, research associations, colleges, universities and other institutions, for scientific research enhanced from 125 per cent to 175 per cent.
- Payment made to an approved association engaged in research in social sciences or statistical research to be allowed as a weighted deduction of 125 per cent. The income of such approved research association shall be exempt from tax.
- Benefit of investment linked deduction under the Act extended to new hotels of two-star category and above anywhere in India to boost investment in the tourism sector.
- Allow pending projects to be completed within a period of five years instead of four years for claiming a deduction of their profits, as a one time interim relief to the housing and real estate sector. Norms for built-up area of shops and other commercial establishments in housing projects to be relaxed to enable basic facilities for their residents.
- Limits for turnover over which accounts need to be audited enhanced to Rs. 60 lakh for businesses and to Rs. 15 lakh for professions.
- Limit of turnover for the purpose of presumptive taxation of small businesses enhanced to Rs. 60 lakh.
- If tax has been deducted on payment by way of any expense and is paid before the due date of filing the return, such expenditure to be allowed for deduction. Interest charged on tax deducted but not deposited by the specified date to be increased from 12 per cent to 18 per cent per annum.
- To facilitate the conversion of small companies into Limited Liability Partnerships, transfer of assets as a result of such conversion not to be subject to capital gains tax.
- “The advancement of any other object of general public utility” to be considered as “charitable purpose” even if it involves carrying on of any activity in the nature of trade, commerce or business provided that the receipts from such activities do not exceed Rs.10 lakh in the year .
- Proposals on direct taxes estimated to result in a revenue loss of Rs. 26,000 crore for the year.

Indirect Taxes

- Rate reduction in Central Excise duties to be partially rolled back and the standard rate on all non-petroleum products enhanced from 8 per cent to 10 per cent *ad valorem*.
- The specific rates of duty applicable to portland cement and cement clinker also adjusted upwards proportionately. Similarly, the *ad valorem* component of excise duty on large cars, multi-utility vehicles and sports-utility vehicles increased by 2 percentage points to 22 per cent.

- Restore the basic duty of 5 per cent on crude petroleum; 7.5 per cent on diesel and petrol and 10 per cent on other refined products. Central Excise duty on petrol and diesel enhanced by Re.1 per litre each.
- Some structural changes in the excise duty on cigarettes, cigars and cigarillos to be made coupled with some increase in rates. Excise duty on all non-smoking tobacco such as scented tobacco, snuff, chewing tobacco etc to be enhanced. Compounded levy scheme for chewing tobacco and branded unmanufactured tobacco based on the capacity of pouch packing machines to be introduced.

Agriculture & Related Sectors

- Provide project import status with a concessional import duty of 5 per cent for the setting up of mechanised handling systems and pallet racking systems in 'mandis' or warehouses for food grains and sugar as well as full exemption from service tax for the installation and commissioning of such equipment.
- Provide project import status at a concessional customs duty of 5 per cent with full exemption from service tax to the initial setting up and expansion of
 - ◆ Cold storage, cold room including farm pre-coolers for preservation or storage of agriculture and related sectors produce ; and
 - ◆ Processing units for such produce.
- Provide full exemption from customs duty to refrigeration units required for the manufacture of refrigerated vans or trucks.
- Provide concessional customs duty of 5 per cent to specified agricultural machinery not manufactured in India;
- Provide central excise exemption to specified equipment for preservation, storage and processing of agriculture and related sectors and exemption from service tax to the storage and warehousing of their produce; and
- Provide full exemption from excise duty to trailers and semi-trailers used in agriculture.
- Concessional import duty to specified machinery for use in the plantation sector to be, extended up to March 31, 2011 along with a CVD exemption.
- To exempt the testing and certification of agricultural seeds from service tax.
- The transportation by road of cereals, and pulses to be exempted from service tax. Transportation by rail to remain exempt.
- To ease the cash flow position for small-scale manufacturers, they would be permitted to take full credit of Central Excise duty paid on capital goods in a single installment in the year of their receipt. Secondly, they would be permitted to pay Central Excise duty on a quarterly, rather than monthly, basis.

Environment

- To build the corpus of the National Clean Energy Fund, clean energy cess on coal produced in India at a nominal rate of Rs.50 per tonne to be levied. This cess will also apply on imported coal.

- Provide a concessional customs duty of 5 per cent to machinery, instruments, equipment and appliances etc. required for the initial setting up of photovoltaic and solar thermal power generating units and also exempt them from Central Excise duty. Ground source heat pumps used to tap geo-thermal energy to be exempted from basic customs duty and special additional duty.
- Exempt a few more specified inputs required for the manufacture of rotor blades for wind energy generators from Central Excise duty.
- Central Excise duty on LED lights reduced from 8 per cent to 4 per cent at par with Compact Fluorescent Lamps.
- To remedy the difficulty faced by manufacturers of electric cars and vehicles in neutralising the duty paid on their inputs and components, a nominal duty of 4 per cent on such vehicles imposed. Some critical parts or sub-assemblies of such vehicles exempted from basic customs duty and special additional duty subject to actual user condition. These parts would also enjoy a concessional CVD of 4 per cent.
- A concessional excise duty of 4 per cent provided to “soleckshaw”, a product developed by CSIR to replace manually-operated rickshaws. Its key parts and components to be exempted from customs duty.
- Import of compostable polymer exempted from basic customs duty.

Infrastructure

- Project import status to ‘Monorail projects for urban transport’ at a concessional basic duty of 5 per cent granted.
- To allow resale of specified machinery for road construction projects on payment of import duty at depreciated value.
- To encourage the domestic manufacture of mobile phones accessories, exemptions from basic, CVD and special additional duties are now being extended to parts of battery chargers and hands-free headphones. The validity of the exemption from special additional duty is being extended till March 31, 2011.

Medical Sector

- Uniform, concessional basic duty of 5 per cent, CVD of 4 per cent with full exemption from special additional duty prescribed on all medical equipments. A concessional basic duty of 5 per cent is being prescribed on parts and accessories for the manufacture of such equipment while they would be exempt from CVD and special additional duty.
- Full exemption currently available to medical equipment and devices such as assistive devices, rehabilitation aids etc. retained. The concession available to Government hospitals or hospitals set up under a statute also retained.
- Specified inputs for the manufacture of orthopaedic implants exempted from import duty.

- To address the difficulties experienced by film industry in importing digital masters of films for duplication or distribution loaded on electronic medium *vis-a-vis* those imported on cinematographic film, owing to a differential customs duty structure, customs duty to be charged only on the value of the carrier medium. The same dispensation would apply to music and gaming software imported for duplication. In all such cases the value representing the transfer of intellectual property rights would be subjected to service tax.
- Provide project import status at a concessional customs duty of 5 per cent with full exemption from special additional duty to the initial setting up “Digital Head End” equipment by multi-service operators.

Precious Metals

- Rates on precious metals indexed as follows:
 - ◆ On gold and platinum from Rs.200 per 10 grams to Rs.300 per 10 grams
 - ◆ On silver from Rs.1,000 per kg to Rs.1,500 per kg.
- Basic customs on Rhodium – a precious metal used for polishing jewellery reduced to 2 per cent.
- Basic customs duty on gold ore and concentrates reduced from 2 per cent *ad valorem* to a specific duty of Rs.140 per 10 grams of gold content with full exemption from special additional duty. Further, the excise duty on refined gold made from such ore or concentrate reduced from 8 per cent to a specific duty of Rs.280 per 10 grams.

Other Proposals

- Full exemption from import duty available to specified inputs or raw materials required for the manufacture of sports goods expanded to cover a few more items.
- Basic customs duty on one of key components in production of micro-wave ovens, namely magnetrons, reduced from 10 per cent to 5 per cent.
- Value limit of Rs. 1 lakh per annum on duty-free import of commercial samples as personal baggage enhanced to Rs. 3 lakh per annum.
- Outright exemption from special additional duty provided to goods imported in a pre-packaged form for retail sale. This would also cover mobile phones, watches and ready-made garments even when they are not imported in pre-packaged form. The refund-based exemption is also being retained for cases not covered by the new dispensation.
- Toy balloons fully exempted from Central Excise duty.
- Reduction in basic customs duty on long pepper from 70 per cent to 30 per cent;
- Reduction in basic customs duty on asafoetida from 30 per cent to 20 per cent;
- Reduction in central excise duty on replaceable kits for household type water filters other than those based on RO technology to 4 per cent;

- Reduction in central excise duty on corrugated boxes and cartons from 8 per cent to 4 per cent;
- Reduction in central excise duty on latex rubber thread from 8 per cent to 4 per cent; and
- Reduction in excise duty on goods covered under the Medicinal and Toilet Preparations Act from 16 per cent to 10 per cent.
- Proposals relating to customs and central excise are estimated to result in a net revenue gain of Rs. 43,500 crore for the year.

Service Tax

- Rate of tax on services retained at 10 per cent to pave the way forward for GST.
- Certain services, hitherto untaxed, to be brought within the purview of the service tax levy. These to be notified separately.
- Process of refund of accumulated credit to exporters of services, especially in the area of Information Technology and Business Process Outsourcing, made easy by making necessary changes in the definition of export of services and procedures.
- Accredited news agencies which provide news feed online that meet certain criteria, exempted from service tax.
- Proposals relating to service tax are estimated to result in a net revenue gain of Rs 3,000 crore for the year.
- Proposals on direct taxes estimated to result in a revenue loss of Rs. 26,000 crore for the year. Proposals relating to Indirect Taxes estimated to result in a net revenue gain of Rs.46,500 crore for the year. Taking into account the concessions being given in the tax proposals and measures taken to mobilise additional resources, the net revenue gain is estimated to be Rs. 20,500 crore for the year.

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