



THE COTTON TEXTILES EXPORT PROMOTION COUNCIL
(Sponsored by Government of India)

HIGHLIGHTS OF THE UNION BUDGET, 2008-2009

Shri P. Chidambaram, Hon'ble Union Minister of Finance, presented the Union Budget for the year 2008-2009 on 29th February 2008. Some of the highlights/salient features of the proposals which have a bearing on manufacture and exports of Textiles are as follows:-

Customs Duties

- No change in peak rate of Customs Duty. The present peak rate of 10% to continue.
- Naptha used for manufacturing of polymers to be subject to the normal rate of 5 per cent Customs Duty. However, naphtha used for production of fertilisers will continue to be exempted from import duty.

Excise Duties

- Shuttle-less looms have been removed from the exemption of excise duty levy and will now attract an excise duty of 8%
- The General CENVAT to be reduced from 16% to 14% on all goods.
- Removal of excise duty of 1 per cent called National Calamity Contingent Duty (NCCD) on polyester filament yarn

Sales Tax

- Central Sales Tax (CST) to be reduced to 2% from the present rate of 3%

Service Tax

- The threshold limit of exemption for small service providers to be increased from Rs.8 lakhs per year to Rs.10 lakhs per year.
- The right to use goods, in cases where VAT is not payable has been brought under the Service tax net.



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➤ **TUF/Textile Parks**

- The Schemes of Technology Upgradation Fund (TUF) and Integrated Textile Parks (SITP) to be continued in the Eleventh Plan period.
- The budgetary provision for TUF to be increased from Rs. 911 crore in the current year to Rs. 1,090 crore in 2008-09.
- The budgetary provision for SITP to be maintained at Rs.450 crore in 2008-09.
- Six centres for development as mega-cluster have been identified. Each mega-cluster would require about Rs.70 crore. An initial provision of Rs.100 crore has been made for the year 2008-09. The centres identified are as follows:
 - Varanasi and Sibsagar for handlooms,
 - Bhiwandi and Erode for powerlooms
 - Narsapur and Moradabad for handicrafts.

Foreign Trade

- Government is sensitive to the needs of the export sector and will continue to respond sympathetically as the situation demands

General

- Govt and RBI to jointly take steps to manage capital inflow. Govt will also monitor foreign fund inflow.
- Total FDI has reached a level of US\$ 12.7 billion during April-December 2007
- Budgetary allocation of Rs. 12,966 Crore for national highway development programmes
- No changes in corporate tax and corporate surcharge tax
- Banking cash transaction tax to be withdrawn from April 1, 2009



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- Dividend Distribution Tax (DDT) remains unchanged at 15%. However dividend of subsidiary company will be exempted from DDT
- Increase in the rate of tax to 15 per cent on short term capital gains under Section 111A and Section 115AD
- The budgetary allocation under the health insurance scheme for the families of weavers to be increased to Rs.340 crore in 2008-09.
- Establishing a non-profit corporation aimed at providing world-class skill development programme with an outlay of Rs.15,000 crore as capital from Government, the public and private sector, and bilateral and multilateral sources. The proposed Government's equity in the non-profit corporation would be at Rs.1,000 crore