

HIGHLIGHTS OF THE BUDGET, 2009-2010

Shri Pranab Mukherjee, Hon'ble Minister of Finance, presented the Budget for the year 2009-2010 on 6th July, 2009. Some of the highlights/salient features of the proposals with reference to manufacture and exports of textiles are as follows:-

Measures to farmers

- Interest subvention scheme for short term crop loans upto Rs. 3 lakhs per farmer at the interest of 7% per annum to be continued. Additional subvention of 1% to be paid from this year, as incentive to those farmers who repay short term crop loan on schedule. Additional allocation of Rs. 411 crores over interim B.E. 2009-10 made for this.
- 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.

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 (including Textiles) 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.

Handlooms

- 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).

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.

Corporate/Direct Taxes

- No change in the Corporate Tax rates
- 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 deductions of 150% on expenditure incurred on in-house R & D to all manufacturing business being extended expect 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 Alternative Tax (MAT) to be increased from 10% to 15% of book profits. The period allowed to carry forward the tax credit under MAT to be extended from seven year to ten years.
- Commodity Transaction Tax (CTT) to be abolished.
- 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.
- 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.

Customs duties

- Customs duty on cotton waste/wool waste to be reduced from 15% to 10%.

Central Excise duties

- Excise duty rate on items currently attracting 4% to be raised to 8% with following major exceptions:
 - Paraxylene
- 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

- 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.

EOU/s

- Sun-set clauses for deduction in respect of export profits under sections 10A and 10B (relating to Export Oriented Units) of the Income-tax Act being extended by one more year i.e. for the financial year 2010-11.
- 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.

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

- 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.

TUF Scheme & other Schemes

- The planned allocation of funds for TUFS & other Schemes is as follows:
 - Rs. 3140 cores for Technology Upgradation Fund Scheme
 - Rs. 397 crores for Integrated Textile Park.
 - Rs. 340 crores for Handloom Scheme
 - Rs. 220 crores for Handicraft Scheme