



MAIT welcomes focus on 'inclusive growth & equitable development' and 'Environment & Energy' in the Union Budget

**Excise duty enhanced by 2%; customs duty remain unchanged
Roadmap for GST – convergence of Excise Duty and Service Tax rates at 10%
Monitoring of IT implementation in key Government projects**

We are glad that the Hon'ble Finance Minister has unveiled the roadmap for GST with a definite date for implementation i.e. April, 2011. Unification of the rate on excise duty and the service tax has been a step in the right direction towards implementation of the GST. The rate of service tax as well as that of excise duty will now be 10%. This will also help mitigate the issue of CENVAT overflow for manufacture of IT products in the country.



Exemption of Special additional Duty (SAD) on pre-packaged goods for retail is also a welcome step as refunds for SAD were not forthcoming. However, to sustain hardware manufacturing in the country in the long run, it is critical that SAD on the input components be exempted as well.

It is heartening that the Hon'ble Finance Minister has recognised the strong potential of the electronics industry and its role in energy generation. In this regard, the announcement of concessional customs duty of 5 percent on machinery, equipment etc. for setting up photovoltaic and solar thermal power generating units is welcome.

Lastly, MAIT welcomes the setting up of the Technology Advisory Group under the chairmanship of Mr Nandan Nilekani for monitoring effective IT implementation in projects of National eminence. Timely completion of IT implementation in Government projects is not only critical to the growth and development of the country but also essential for delivering services to the citizens.

- Vinnie Mehta, Executive Director, MAIT

Highlights of the Union Budget 2010-11

(as applicable to the IT industry)

Policy Directions

- a. The declared policy objective - 'to quickly revert to a high GDP growth'; ' harness economic growth to consolidate the recent gains in making development more inclusive' and making robust 'government systems, structures and institutions at different levels of governance'.
- b. 9% target growth in short-run and double digit in the next couple of years
- c. Strengthening and improving the economic & regulatory framework of the country.
- d. Budget focus on infrastructure and social sectors – rural development, education, healthcare and employment generation.
- e. Direct Tax Code (DTC) and Goods and Service Tax (GST) to be introduced from April 2011.

Customs Duty

- a. No change in basic customs duty. All products listed under the IT Agreement of the WTO to continue to attract nil customs duty, however Peak rate of Customs duty continues to be 7.5%.
- b. Exemption of 4% Special Additional duty (SAD) on finished goods imported for trading, however, SAD to continue on imported components.
- c. Exemption of Basic Customs Duty (BCD) and SAD on parts of mobile phones – battery chargers and hands-free until March 2011.

Excise Duty/CVD

- a. Mean CENVAT rate enhanced to 10% from 8%
- b. Select IT products continue to be valued on MRP for Excise Duty under Section 4A.
- c. 4% CVD introduced on Microprocessors, FDD, HDD, CD/DVD drives etc. However for purposes of manufacturing/assembly of computers/laptops these continue to be exempted.
- d. Exemption of CVD on parts of mobile phones –battery chargers and hands-free until March 2011.

Service Tax

- a. Rate of Service tax continues at 10%.
- b. Pre-packaged IT software, with license for right to use, exempted from Service Tax in case the full value of software (value of right to use and the value of media) have been subjected to Excise duty/CVD.

Direct/Income Tax

- a. No change in rates of corporate taxation. Corporate tax to continue at 30 per cent.
- b. Surcharge on domestic companies reduced to 7.5% from 10%.
- c. Minimum Alternate Tax (MAT) increased to 18% from existing 15 %.
- d. Enhancement of weighted deduction to 200% from 150% for in-house R&D.

Duty Structure on IT products

(effective February 27, 2010)

S. No.	Item	HSN	Basic Customs Duty	Excise/ CVD	Additional Duty <i>** (Refundable for finished goods/offset against Excise duty for components)</i>
1.	Computers – Desktops, Notebooks	84.71	0%	10%	4%
2.	Parts of 8471 (ADP machines)	8473.30	0%	10%	4%
3.	HDDs/FDDs/CD-ROM Drives/DVDs/Flash Drives/Combo Drives *	8471.70	0%	0%	4%
4.	Other Storage Devices	8471.70	0%	10%	4%
5.	Microprocessors*	8473.30	0%	0%	4%
6.	ICs	85.42	0%	10%	4%
7.	Motherboard & Populated PCBs	8473.30	0%	10%	4%
8.	Monitors (CRT & LCD)	8528.41 8528.51	0%	10%	4%
9.	Parts & Accessories of 8471 related to Monitors and Projectors	8529.90	0%	10%	4%
10.	Printers and Plotters	8443.31 8443.32	0%	10%	4%
11.	Machines which perform two or more of the functions of printing, copying or facsimile transmission, capable of connecting to an	8443.31	0%	10%	4%

	automatic data processing machine or to a network				
12.	Parts & Accessories of 8471 related to Printers, Multifunctional devices and Plotters	8443.99.50 8443.99.51 8443.99.52	0%	10%	4%
13.	Projectors of a kind solely or principally used in an automatic data processing system of heading 8471	8528.61	0%	10%	4%
14.	Other Apparatus for Carrier Current line System or for Digital Line System; Router, Modems and other apparatus	8517.50	0%	10%	4%
15.	Other Finished Goods – Keyboards etc.	84.71	0%	10%	4%
16.	Colour Data Graphic Display tube	8529.9090	0%	10%	4%
17.	Cellular (Mobile) Phones	8517.12	0%	0%	4%
18.	Parts and Accessories of Mobile phones (including those for battery chargers and hands-free)	8517.70	0%	0%	0%
19.	UPS	85.04	NIL for EDP Machines (otherwise 7.5%)	10%	4%

* 4% CVD when sold in retail.

** Exemption in case of import for retail