

## Summary of Budget FY 2015-16 for Electronics Systems Design and Manufacturing (ESDM) Sector

1. **Boost for indigenous manufacturing of Mobile Handsets:** Excise duty structure for mobile handsets including cellular phones is being changed from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit.
2. **Boost for indigenous manufacturing of Tablets:** Excise duty structure of 2% without CENVAT credit or 12.5% with CENVAT credit is being prescribed for tablet computers. To facilitate this, parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers and their sub-parts for use in manufacture of parts, components and accessories are being fully exempted from Basic Customs Duty (BCD), Countervailing Duty (CVD) and Special Additional Duty of Customs (SAD).
3. **Boost for indigenous manufacturing of TVs:** Reduction of BCD of Back Light Unit Module for use in the manufacture of LCD/LED TV panels from 10% to Nil and that of Organic LED (OLED) TV panels from 10% to Nil.
4. **Boost for indigenous manufacturing of ITA Products:** To address the problem of CENVAT credit accumulation, for all goods **except populated PCBs**, falling under any Chapter of the Customs Tariff, for use in manufacture of Information Technology Agreement (ITA) bound goods (where BCD is Nil), SAD has been reduced from 4% to Nil.
5. **Boost for indigenous manufacturing of LED Lights:** SAD on inputs for use in the manufacture of LED drivers and MCPCB (Metal Clad Printed Circuit Board) for LED lights, fixtures and LED lamps has been reduced from 4% to Nil. Excise duty on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps has been reduced from 12% to 6%.
6. **Boost for indigenous manufacturing of Medical Electronic Products:** BCD, Excise Duty / CVD and SAD have been fully exempted on specified raw materials [battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in the manufacture of pacemakers. BCD on certain specified inputs for use in the manufacture of flexible medical video endoscopes has been reduced from 5% to 2.5%.
7. **Boost for indigenous manufacturing of Solar Photovoltaic Cells:** Excise duty on round copper wire and tin alloys for use in the manufacture of Solar PV ribbon for manufacture of solar PV cells reduced to Nil rate subject to certification by Department of Electronics and Information Technology (DeitY).
8. **Boost for indigenous manufacturing of integrated circuit (IC) modules for smart cards:** Excise duty on Wafers for use in the manufacture of integrated circuit (IC) modules for smart cards reduced from 12% to 6%.

9. **Boost for indigenous manufacturing of Microwave Ovens:** BCD on Magnetron upto 1KW for use in the manufacture of microwave ovens reduced to Nil.
10. **Rationalization of tariff structure for manufacture of optical fibre cables:** High Density Poly Ethylene (HDPE) for use in the manufacture of telecommunication grade optical fibre cables reduced from 7.5% to Nil.

## **Other Measures Announced**

A major challenge is that manufacturing has declined from 18% to 17% of GDP as per new GDP data; and manufacturing exports have remained stagnant at about 10% of GDP. The Make in India programme is aimed at meeting this challenge, thus creating jobs.

1. Goods and Services Tax (**GST**) will put in place a state-of-the-art indirect tax system by **1<sup>st</sup> April, 2016**.

2. **Establishment of Atal Innovation Mission (AIM) in NITI:** AIM will be an Innovation Promotion Platform involving academics, entrepreneurs, and researchers and draw upon national and international experiences to foster a culture of innovation, R&D and scientific research in India. The platform will also promote a network of world-class innovation hubs and Grand Challenges for India. Initially, a sum of Rs.150 crore will be earmarked for this purpose.

3. India has a well regarded and world-class IT industry with revenues of about US\$ 150 billion, over US\$ 100 billion of exports, employing nearly 40 lakh people directly. We are now seeing a growing interest in start-ups. Experimenting in cutting edge technologies, creating value out of ideas and initiatives and converting them into scalable enterprises and businesses is at the core of our strategy for engaging our youth and for inclusive and sustainable growth of the country. Concerns such as a more liberal system of raising global capital, incubation facilities in our Centres of Excellence, funding for seed capital and growth, and ease of Doing Business etc. need to be addressed to create lakh of jobs and hundreds of billion dollars in value. With this objective, Government is establishing a mechanism to be known as **SETU (Self-Employment and Talent Utilisation)**. SETU will be a Techno-Financial, Incubation and Facilitation Programme to support all aspects of start-up businesses, and other self-employment activities, particularly in technology-driven areas. Rs. 1,000 crore being set aside initially in NITI Aayog for this purpose.

4. **Ease of doing business in India:** The e-Biz Portal integrates 14 regulatory permissions at one source. Good States are embracing and joining this platform. However, if we really want to create jobs, we have to make India an investment destination which permits the start of a business in accordance with publically stated guidelines and criteria. FM intends to appoint an Expert Committee for this purpose to examine the possibility and prepare a draft legislation where the need for multiple prior permissions can be replaced with a pre-existing regulatory mechanism.

5. The Ministry of New Renewable Energy has revised its target of renewable energy capacity to 1,75,000 MW till 2022, comprising **100,000 MW Solar**, 60,000 MW Wind, 10,000 MW Biomass and 5000 MW Small Hydro.

6. A **National Skills Mission** will soon be launched through the Skill Development and Entrepreneurship Ministry. The Mission will consolidate skill initiatives spread across

several Ministries and allow us to standardize procedures and outcomes across our 31 Sector Skill Councils.

7. **Digital India:** We are making good progress towards making Digital India. The National Optical Fibre Network Programme (NOFNP) of 7.5 lakh kms. networking 2.5 lakh villages is being further speeded up by allowing willing States to undertake its execution, on reimbursement of cost as determined by Department of Telecommunications. Andhra Pradesh is the first State to have opted for this manner of implementation.

8. **It is proposed to reduce the rate of Corporate Tax from 30% to 25% over the next 4 years.** This will lead to higher level of investment, higher growth and more jobs. This process of reduction has to be necessarily accompanied by rationalisation and removal of various kinds of tax exemptions and incentives for corporate taxpayers, which incidentally account for a large number of tax disputes.

9. To attract capital, both domestic and foreign, **Tax 'pass through' is proposed to be allowed to both Category-I and Category-II Alternative Investment Funds**, so that tax is levied on the investors in these Funds and not on the Funds per se. This will step up the ability of these Funds to mobilise higher resources and make higher investments in small and medium enterprises, infrastructure and social projects and provide the much required private equity to new ventures and start-ups.

10. The present taxation structure has an inbuilt incentive for fund managers to operate from offshore locations. To encourage such offshore fund managers to relocate to India, it is proposed to **modify the Permanent Establishment (PE) norms** to the effect that mere presence of a fund manager in India would not constitute PE of the offshore funds resulting in adverse tax consequences.

11. To facilitate technology inflow to small businesses at low costs, it is proposed to reduce the rate of income tax on royalty and fees for technical services **from 25% to 10%**.

12. As part of the movement towards GST, it is proposed to subsume the Education Cess and the Secondary and Higher Education Cess in Central Excise duty. In effect, **the general rate of Central Excise Duty** of 12.36% including the cesses is **being rounded off to 12.5%**.

13. Introduction of GST is eagerly awaited by Trade and Industry. To facilitate a smooth transition to levy of tax on services by both the Centre and the States, it is proposed to increase the present rate of **service tax** plus education cesses from 12.36% to **a consolidated rate of 14%**.

14. To further facilitate the ease of doing business, **online central excise and service tax registration will be done in two working days.** The assesseees under these taxes will be allowed to issue digitally signed invoices and maintain electronic records. These measures will cut down lot of paper work and red tape. Time limit for taking CENVAT credit on inputs and input services is being increased from six months to one year as a measure of business facilitation.

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