Confederation of Indian Industry
Since 1895

UNION BUDGET 2011-12

An Analysis

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28 February 2011

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Published by:
Confederation of Indian Industry (CII)
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Key Features of Union Budget 2011-12

Opportunities

- Swift and broad based growth in 2010-11 has put the economy back to its pre crisis growth trajectory.
- Significant progress in critical institutional reforms that would set the pace for double-digit growth in the near future.
- Dynamism in the rural economy due to scaled up flow of resources to the rural areas.

Challenges

- Structural concerns on inflation management to be addressed by improving supply response of agriculture to the expanding domestic demand and through stronger fiscal consolidation.
- Implementation gaps, leakages from public programmes and the quality of outcomes pose a serious challenge.
- Impression of drift in governance and gap in public accountability is misplaced. Corruption as a problem to be fought collectively. Government to improve the regulatory standards and administrative practices.
- Inputs from both sides of House are important in the wider national interest.
- Budget 2011-12 to serve as a transition towards a more transparent and result oriented economic management system in India.

Overview of the Economy

- The economy showed remarkable resilience and Gross Domestic Product (GDP) is estimated to have grown at 8.6 percent in 2011-11 in real terms.
- Principal concern is continued high food prices.
- Another major concern was shortcomings in distribution and marketing systems – this led to consumers being denied the benefit of seasonal fall in prices despite improved availability of food items.
- Monetary Policy measures taken are expected to address the issue of further moderation of inflation in coming months.
- Exports have grown by 29.4 percent while imports recorded a growth of 17.6 percent during April to January 2010-11 over the corresponding period last year.
- Indian economy expected to grow at 9 percent with an outside band of +/- 0.25 percent in 2011-12.
- Average inflation expected lower, smaller current account deficit expected.

Sustaining Growth

Fiscal consolidation

- Fiscal consolidation targets at Centre and States have shown positive effect on macro economic management of the economy.
- Amendment to Centre's FRBM Act, 2003 laying down the fiscal road map for the next five years to be introduced in the course of the year.
- Proposal to introduce the Public Debt Management Agency of India Bill in the next financial year.

Tax Reforms

- Direct Taxes Code (DTC) to be finalised for enactment during 2011-12. DTC proposed to be effective from April 1, 2012.
- Areas of divergence with States on proposed Goods and Services Tax (GST) have been narrowed. As a step towards roll out of GST, Constitution Amendment Bill proposed to be introduced in this session of Parliament. Significant progress in establishing GST Network (GSTN), which will serve as IT infrastructure for introduction of GST.

Expenditure Reforms

A Committee already set up by Planning Commission to look into the extant classification of public expenditure between plan, non-plan, revenue and capital.

Subsidies

- Nutrient Based Subsidy (NBS) has improved the availability of fertiliser; Government actively considering extension of the NBS regime to cover urea.
- Government to move towards direct transfer of cash subsidy to people living below poverty line in a phased manner for better delivery of kerosene, LPG and fertilisers. Task force set up to work out the modalities for the proposed system.

People's ownership of PSUs

- Overwhelming response to public issues of Central Public Sector Undertakings during current year leading to a higher than anticipated non-tax revenue.

Investment Environment

Foreign Direct Investment

- Discussions underway to further liberalise the FDI policy.

Foreign Institutional Investors

- SEBI registered mutual funds permitted to accept subscription from foreign investors who meet KYC requirements for equity schemes.
- To enhance flow of funds to infrastructure sector, the FII limit for investment in corporate bonds issued in infrastructure sector being raised.

Financial Sector Legislative Initiatives

- In order to take the process of financial sector reforms further, various legislations proposed in 2011-12.

- Amendments proposed to the Banking Regulation Act in the context of additional banking licences to private sector players.

Public Sector Bank Capitalisation

- 6,000 crore to be provided during 2011-12 to enable public sector banks to maintain a minimum of Tier I CRAR of 8 per cent.

Recapitalisation of Regional Rural Banks

- 500 crore to be provided to enable Regional Rural Banks to maintain a CRAR of at least 9 per cent as on March 31, 2012.

Micro Finance Institutions

- "India Microfinance Equity Fund" of 100 crore to be created with SIDBI. Government considering putting in place appropriate regulatory framework to protect the interest of small borrowers.
- "Women's SHG's Development Fund" to be created with a corpus of 500 crore.

Rural Infrastructure Development Fund

- Corpus of RIDF XVII to be raised from 16,000 crore to 18,000 crore.

Micro Small and Medium Enterprises

- 5,000 crore to be provided to SIDBI for refinancing incremental lending by banks to these enterprises.
- 3,000 crore to be provided to NABARD to provide support to handloom weaver co-operative societies which have become financially unviable due to non-repayment of debt by handloom weavers facing economic stress.
- Public sector banks to achieve a target of 15 per cent as outstanding loans to minority communities under priority sector lending at the earliest.

Housing Sector Finance

- Existing scheme of interest subvention of 1 per cent on housing loan further liberalised.
- Existing housing loan limit enhanced to 25 lakh for dwelling units under priority sector lending.
- Provision under Rural Housing Fund enhanced to ` 3,000 crore.
- To enhance credit worthiness of economically weaker sections and LIG households, a Mortgage Risk Guarantee Fund to be created under Rajiv Awas Yojana.
- Central Electronic Registry to prevent frauds involving multiple lending on the same immovable property to become operational by March 31, 2011.

Financial Sector Legislative Reforms Commission

- Financial Sector Legislative Reforms Commission set up to rewrite and streamline the financial sector laws, rules and regulations.
- Companies Bill to be introduced in the Lok Sabha during current session.

Agriculture

- Removal of production and distribution bottlenecks for items like fruits and vegetables, milk, meat, poultry and fish to be the focus of attention this year.
- Allocation under Rashtriya Krishi Vikas Yojana (RKVY) increased from 6,755 crore to 7,860 crore, a growth of 16.4 percent.

Bringing Green Revolution to Eastern Region

- To improve rice based cropping system in this region, allocation of 400 crore has been made.

Integrated Development of 60,000 pulses villages in rainfed areas

- Allocation of 300 crore to promote 60,000 pulses villages in rainfed areas.

Promotion of Oil Palm

- Allocation of 300 crore to bring 60,000 hectares under oil palm plantations.
- Initiative to yield about 3 lakh Metric tonnes of palm oil annually in five years.

Initiative on Vegetable Clusters

- Allocation of 300 crore for implementation of vegetable initiative to provide quality vegetable at competitive prices.

Nutri-cereals

- Allocation of 300 crore to promote higher production of Bajra, Jowar, Ragi and other millets, which are highly nutritious and have several medicinal properties.

National Mission for Protein Supplement

- Allocation of 300 crore to promote animal based protein production through livestock development, dairy farming, piggery, goat rearing and fisheries.

Accelerated Fodder Development Programme

- Allocation of ` 300 crore for Accelerated Fodder Development Programme to benefit farmers in 25,000 villages.

National Mission for Sustainable Agriculture

- Government to promote organic farming methods, combining modern technology with traditional farming practices.

Agriculture Credit

- Credit flow for farmers raised from 3,75,000 crore to 4,75,000 crore in 2011-12, a growth of 26.7 percent.
- Interest subvention proposed to be enhanced from 2 per cent to 3 per cent for providing short-term crop loans to farmers who repay their crop loan on time.
- In view of enhanced target for flow of agriculture credit, capital base of NABARD to be strengthened by 3,000 crore in phased manner.
- 10,000 crore to be contributed to NABARD's Short-term Rural Credit fund for 2011-12.

Mega Food Parks

- Approval being given to set up 15 more Mega Food Parks during 2011-12.

Storage Capacity and Cold Chains

- Augmentation of storage capacity through private entrepreneurs and warehousing corporations to be fast tracked.
- Capital investment in creation of modern storage capacity will be eligible for viability gap funding of the Finance Ministry.

Agriculture Produce Marketing Act

- In view of recent episode of inflation, need for State Governments to review and enforce a reformed Agriculture Produce Marketing Act.

Infrastructure and Industry

- Allocation of 2,14,000 crore for infrastructure in 2011-12. This is an increase of 23.3 per cent over 2010-11. This also amounts to 48.5 per cent of total plan allocation.
- Government to come up with a comprehensive policy for further developing PPP projects.
- IIFCL to achieve cummulative disbursement target of 20,000 crore by March 31, 2011 and 25,000 crore by March 31, 2012.
- Under take out financing scheme, seven projects sanctioned with debt of 1,500 crore. Another 5,000 crore will be sanctioned during 2011-12.
- To boost infrastructure development, tax free bonds of ` 30,000 crore proposed to be issued by Government undertakings during 2011-12.

National Manufacturing Policy

- Share of manufacturing in GDP expected to grow from about 16 per cent to 25 per cent over a period of 10 years. Government will come out with a manufacturing policy.
- Two Committees set up for greater transparency and accountability in procurement policy; and for allocation, pricing and utilisation of natural resources.
- Issues relating to reconciliation of environmental concern from various departmental activities including those related to infrastructure and mining to be considered by a Group of Ministers.
- National Mission for hybrid and electric vehicle to be launched.
- Financial Assistance to be made available for metro projects in Delhi, Mumbai, Bengaluru, Kolkata and Chennai.
- Capital investment in fertilizer production proposed to be included as an infrastructure sub-sector.

Exports

- Of 23 suggestions made by Task Force on Transaction Cost, constituted by the Department of Commerce, 21 suggestions already implemented. Action to be taken on the remaining two suggestions. Transaction Cost of 2,100 crore will thus be mitigated.
- Self assessment to be introduced in Customs to modernize the Customs administration.
- Proposal to introduce scheme for refund of taxes paid on services used for export of goods.

- Mega Cluster Scheme to be extended for leather products. Seven mega leather clusters to be set up during 2011-12.
- Jodhpur to be included for the development of a handicraft mega cluster.

Black Money

- Five fold strategy to be put into operation to deal with the problem of generation and circulation of black money.
- Membership of various international fora engaged in anti money laundering,
- Financial integrity and Economic development, Exchange of information for tax purposes and transparency, secured.
- Various Tax Information Exchange Agreements (TIEA) and Double Taxation Avoidance Agreements (DTAA) concluded. Foreign Tax Division of CBDT has been strengthened to effectively handle increase in tax information exchange and transfer pricing issues.
- Enforcement Directorate strengthened three fold to handle increased number of cases registered under amended Money Laundering Legislation.
- Finance Ministry has commissioned study on unaccounted income and wealth held within and outside the country.
- Comprehensive national policy to be announced in near future to strengthen controls over prevention of trafficking on narcotic drugs.

Strengthening Inclusion

- National Food Security Bill (NFSB) to be introduced in the Parliament during the course of this year.
- Allocation for social sector in 2011-12 (` 1,60,887 crore) increased by 17 percent over current year. It amounts to 36.4 per cent of total plan allocation.

Bharat Nirman

- Proposed allocation for Bharat Nirman to be increased by Rs 10,000 crore from the current year to Rs 58,000 crore in 2011-12
- Aims to provide Rural Broadbrand Connectivity to all 2,50,000 Panchayats in the country in the next three years

MGNREGA

- The Government has decided to index the wage rate notified under the MGNERGA to the Consumer Price Index for Agricultural Labour.
- From April 1, 2011, remuneration of Anganwadi workers increased from Rs 1,500 per month to Rs 3,000 per month and for Anganwadi helpers from Rs 750 per month to Rs 1,500 per month.

Scheduled Castes and Tribal Sub-Plan

- Specific Allocation earmarked towards Scheduled Castes Sub-Plan and Tribal Sub-Plan in the Budget.
- Allocation for Primitive Tribal groups increased from Rs 185 crore in 2010-11 to Rs 244 crore in 2011-12

Education

- Allocation for education increased by 24 percent over current year.

Sarva Shiksha Abhiyan

- Rs 21,000 crore allocated, which is 40 percent higher than Budget for 2010-11
- Pre-metric scholarship scheme to be introduced for needy SC/ST students studying in class IX and X

National Knowledge Network

- Connectivity to all 1,500 institutions of Higher Learning and Research through optical fibre backbone to be provided by March, 2012

Innovations

- National Innovation Council set up to prepare road map for innovations in India
- Special grant provided to various universities and academic institutions to recognize execellence

Skill Development

- Additional Rs 500 crore proposed to be provided for National Skill Development Fund during the next year
- An international award with prize money of Rs 1 crore being instituted for promoting values of universal brotherhood as part of National celebrations of 150th Bith Anniversary of Gurudev Rabindranath Tagore

Health

- 20 percent increase in planned allocation for Health
- Scope of Rashtriya Swasthya Bima Yojna to be expanded to widen the coverage

Financial Inclusion

- Target of providing banking facilities to all 73,000 habitations having a population of over 2,000 to be completed during 2011-2012

Unorganized Sector

- Exit norms under co-contributory pension scheme “Swavalamban” to be relaxed. Benefit of Government contribution to be extended from three to five years for all subscribers who enroll during 2010-11 and 2011-2012
- Eligibility for pension under Indira Gandhi National Old Age Pension Scheme for BPL beneficiaries reduced from 65 years of age to 60 years. Those above 80 years of age will get pension of Rs 500 per month instead of Rs 200 at present.

Environment and Climate Change

Forests

- Rs 200 crore proposed to be allocated for Green India Mission from National Clean Energy Fund

Environmental Management

- Rs 200 crore proposed to be allocated for launching Environmental Remediation Programmes from National Clean Energy Fund

Cleaning of Rivers and Lakes

- Special allocation of Rs 200 crore proposed to be provided for clean-up of some more important lakes and rivers other than Ganga.

Some Other Initiative

- To boost development in North Eastern Region and Special category States, allocation for Special Assistance doubled.
- Rs 8,000 crore provided in current year for development needs of Jammu and Kashmir.
- Allocation made in 2011-12 to meet the infrastructure needs for Ladakh (Rs 100 crore) and Jammu region (Rs 150 crore).
- Allocation under Backward Regions Grant Fund increased by over 35 per cent.
- Funds allocated under Integrated Action Plan (IAP) for addressing problems related to Left Wing extremism affected districts. 60 selected Tribal and backward districts provided with 100 per cent block grant of Rs 25 crore and Rs 30 crore per district during 2010-11 and 2011-12 respectively.
- A lump-sum ex-gratia compensation of Rs9 lakh for 100 per cent disability to be granted for personnel of Defence and Para Military forces discharged from service on medical ground on account of disability attributable to government service.
- Provision of Rs 1,64,415 crore, including Rs 69,199 crore for capital expenditure to be made for Defence Services in 2011-12.
- To build judicial infrastructure, plan provision for Department of Justice increased by three fold to Rs 1,000 crore.

Census 2011

- To enumerate castes other than Schedule Castes and Schedule Tribes in Census 2011, ‘caste’ to be canvassed as a separate time bound exercise.

Improving Governance

UID Mission

From October 1, 2011 ten lakh Aadhaar numbers will be generated per day.

IT Initiatives.

- Various IT initiatives taken for efficient tax administration. These include e-filing and e-payment of taxes, adoption of ‘Sevottam’ concept by CBEC and CBDT, web based facility for tax payers to track the resolution of refunds and credit for pre-paid taxes and augmentation of processing capacity.
- Under Mission mode projects, funds released to 31 projects received from States/ UTs for computerisation of Commercial taxes. This will allow States to align with roll out of GST.
- Bill to amend the Indian Stamp Act proposed to be introduced shortly.
- A new scheme with an outlay of Rs 300 crore to be launched to provide assistance to States to modernise their stamp and registration administration and roll out e-stamping in all the districts in the next three years.

- A new simplified form 'Sugam' to be introduced to reduce the compliance burden of small tax payers falling within presumptive taxation.
- Three more benches of Settlement Commission to be set up to fast track the disposal of cases.
- Steps initiated to reduce litigation and focus attention on high revenue cases.
- Group of Ministers constituted to consider measures for tackling corruption. Recommendations to be made in a time bound manner.

Performance Monitoring and Evaluation System

- In pursuance of recommendations of Second Administrative Reforms Commission, 62 departments covered under Performance Monitoring and Evaluation System (PMES) to assess their effectiveness.

TAGUP

- Recommendations of Technology Advisory Group for Unique Projects (TAGUP) submitted and accepted in principle.

Budget 2011-12

- Gross Tax receipts are estimated at Rs9,32,440 crore.
- Non-tax revenue receipts estimated at Rs 1,25,435 crore.
- Total expenditure proposed at Rs 12,57,729 crore.
- Increase of 18.3 per cent in total Plan allocation.
- Increase of 10.9 per cent in the Non-plan expenditure.
- XI Plan expenditure more than 100 per cent in nominal terms than envisaged for the Plan period.
- Increase of 23 per cent in Plan and Non-plan transfer to States and UTs.
- Fiscal Deficit brought down from 5.5 per cent in BE 2010-11 to 5.1 per cent of
- GDP in RE 2010-11.
- Fiscal Deficit kept at 4.6 per cent of GDP for 2011-12.
- Fiscal Deficit to be progressively reduced to 3.5 per cent by 2013-14.
- "Effective Revenue Deficit" estimated at 2.3 per cent of GDP in the Revised
- Estimates for 2010-11 and 1.8 per cent for 2011-12.
- All subsidy related liabilities brought into fiscal accounting.
- Net market borrowing of the Government through dated securities in 2011-12 would be Rs 3.43 lakh crore.
- Central Government debt estimated at 44.2 per cent of GDP for 2011-12 as against 52.5 per cent recommended by the 13th Finance Commission.

Part B Tax Proposals

Direct Taxes

- Exemption limit for the general category of individual taxpayers enhanced from ` 1,60,000 to Rs1,80,000 giving uniform tax relief of Rs 2,000.

- Exemption limit enhanced and qualifying age reduced for senior citizens.
- Higher exemption limit for Very Senior Citizens, who are 80 years or above.
- Current surcharge of 7.5 per cent on domestic companies proposed to be reduced to 5 per cent.
- Rate of Minimum Alternative Tax proposed to be increased from 18 per cent to 18.5 per cent of book profits.
- Tax incentives extended to attract foreign funds for financing of infrastructure.
- Additional deduction of Rs 20,000 for investment in long-term infrastructure bonds proposed to be extended for one more year.
- Lower rate of 15 per cent tax on dividends received by an Indian company from its foreign subsidiary.
- Benefit of investment linked deduction extended to businesses engaged in the production of fertilisers.
- Investment linked deduction to businesses developing affordable housing.
- Weighted deduction on payments made to National Laboratories, Universities and Institutes of Technology to be enhanced to 200 per cent.
- System of collection of information from foreign tax jurisdictions to be strengthened.
- A net revenue loss of Rs11,500 crore estimated as a result of proposals.

Indirect Taxes

- To stay on course for transition to GST.
- Central Excise Duty to be maintained at standard rate of 10 per cent.
- Reduction in number of exemptions in Central Excise rate structure.
- Nominal Central Excise Duty of 1 per cent imposed on 130 items entering in the tax net.
- Lower rate of Central Excise Duty enhanced from 4 per cent to 5 per cent.
- Optional levy on branded garments or made up proposed to be converted into a mandatory levy at unified rate of 10 per cent.
- Peak rate of Custom Duty held at its current level.

Agriculture and Related Sectors

- Scope of exemptions from Excise Duty enlarged to include equipments needed for storage and warehouse facilities on agricultural produce.
- Basic Custom Duty reduced for specified agricultural machinery from 5 per cent to 2.5 per cent.
- Basic Custom Duty reduced on micro-irrigation equipment from 7.5 per cent to 5 per cent.
- De-oiled rice bran cake to be fully exempted from basic Custom Duty. Export Duty of 10 per cent to be levied on its export.

Manufacturing Sector

- Basic Custom Duty reduced for various items to encourage domestic value addition vis-à-vis imports, to remove duty inversion and anomalies and to provide a level playing field to the domestic industry.
- Rate of Export Duty for all types of iron ore enhanced and unified at 20 per cent ad valorem. Full exemption from Export Duty to iron ore pellets.

- Basic Custom Duty on two critical raw materials of cement industry viz. petcoke and gypsum is proposed to be reduced to 2.5 per cent.
- Cash dispensers fully exempt from basic Customs Duty.

Environment

- Full exemption from basic Customs Duty and a concessional rate of Central
- Excise Duty extended to batteries imported by manufacturers of electrical vehicles.
- Concessional Excise Duty of 10 per cent to vehicles based on Fuel cell technology.
- Exemption granted from basic custom duty and special CVD to critical
- Parts/assemblies needed for Hybrid vehicles.
- Reduction in Excise Duty on kits used for conversion of fossil fuel vehicles into

Hybrid vehicles.

- Excise Duty on LEDs reduced to 5 per cent and special CVD being fully exempted.
- Basic Customs Duty on solar lantern reduced from 10 to 5 per cent.
- Full exemption from basic Customs Duty to Crude Palm Stearin used in manufacture of laundry soap.
- Full exemption from basic Excise Duty granted to enzyme based preparation for pre-tanning.

Infrastructure

- Parallel Excise Duty exemption for domestic suppliers producing capital goods needed for expansion of existing mega or ultra mega power projects.
- Full exemption from basic Customs Duty to bio-asphalt and specified machinery for application in the construction of national highways.

Other Proposals

- Scope of exemptions from basic Customs Duty for work of art and antiquities extended to apply for exhibition or display in private art galleries open to the general public.
- Exemption from Import Duty for spares and capital goods required for ship repair units extended to import by ship owners.
- Concessional basic Custom Duty of 5 per cent and CVD of 5 per cent available to newspaper establishments for high speed printing presses extended to mailroom equipment.
- Jumbo rolls of cinematographic film fully exempted from CVD by providing full exemption from Excise Duty.
- Out right concession to factory-built ambulances from Excise Duty.
- Relief measures proposed for raw pistachio, bamboo for agarbatti, lactose for the manufacture of homoeopathic medicines, sanitary napkins, baby and adult diapers.
- Proposals relating to Customs and Central Excise estimated to result in a net revenue gain of Rs 7,300 crore.

Service Tax

- Standard rate of Service Tax retained at 10 per cent, while seeking a closer fit between present regime and its GST successor.

- Hotel accommodation in excess of ` 1,000 per day and service provided by air conditioned restaurants that have license to serve liquor added as new services for levying Service Tax.
- Tax on all services provided by hospitals with 25 or more beds with facility of central air conditioning.
- Service Tax on air travel both domestic and international raised.
- Services provided by life insurance companies in the area of investment and some more legal services proposed to be brought into tax net.
- All individual and sole proprietor tax payers with a turn over upto Rs 60 lakh freed from the formalities of audit.
- To encourage voluntary compliance the penal provision for Service Tax are being rationalised. Similar changes being carried out in Central Excise and Custom laws.
- Proposals relating to Service Tax estimated to result in net revenue gain of Rs 4,000 crore.
- Proposals relating to Direct Taxes estimated to result in a revenue loss of Rs 11,500 crore and those related to Indirect Taxes estimated to result in net revenue gain of Rs 11,300 crore.

Chapter 2
Macroeconomic Perspectives

Chapter 2

Macroeconomic Perspectives

I. Introduction

Budget 2011 was presented at a time when the Indian economy had rebounded to its pre crisis growth trajectory while inflation has emerged as a major concern. In an attempt to address the structural nature of inflation, the Finance Minister stated in his budget speech that the major focus for 2011-12 will be to remove production and distribution bottlenecks for items like fruits and vegetables, milk, meat, poultry and fish, which has kept inflation for 2010-11 as high as 9.4%. In India, 40% of total food produce is wasted due to lack of adequate infrastructure such as warehouses, cold storage and transportation. Thus, the announcement of measures to build infrastructure for the agriculture sector by approving 15 Mega Food Parks during 2011-12, sanctioning 24 new cold storage facilities and to increase storage capacity by 40 lakh tonnes are indeed welcome. These measures are likely to reduce the supply bottlenecks that currently exist in the agriculture sector.

Another major focus of Budget 2011 was investment in infrastructure. Funds allocated to this sector amounted to Rs 214,000 crore, which is an increase of 23.3% over 2001-11 and amounts to around 49.0% of the total plan allocation. Other measures to enhance the flow of funds to the sector include increase in FII limits for investment in corporate bonds and provision of tax free status to infrastructure bonds. Tax rates applicable on interest paid on overseas borrowing in case of infrastructure debt funds were reduced to 5% instead of the regular withholding tax rate of 20%. This is in line with CII recommendations that have made it clear that infrastructure development is a pre-requisite for manufacturing and agricultural sector growth.

What is truly impressive is that the fiscal consolidation measures continued to moderate fiscal deficit bringing it down to 5.1% of GDP in 2010-11, lower than the budget estimate of 5.5% while the target for 2011-12 is set at 4.6%. If the budgeted target is achieved, it would help in checking the rise in inflation and interest rates and facilitate larger credit availability to the private sector. However, there are some risks to this estimate. The buoyancy in gross tax revenue, assumed to grow at 18.0% in 2011-12, is dependent on the overall growth environment. Given that many improvements are taking place in the tax environment, this estimate is probably achievable. More importantly, the estimates on the expenditure side are a cause for concern. The Budget has assumed that the overall subsidy bill is likely to fall by 12.5% and has budgeted a fall of 9.1% in fertilizer subsidy and a huge 38.4% fall in petroleum subsidy. This appears a little unrealistic given that petroleum prices are rising and have recently crossed the level of US$ 100 per barrel.

Estimated Tax Collections

	2009-10	2010-11 RE	2011-12BE
Gross tax revenue (Rs Crore)	624,527	786,888	932,440
Growth (%)	**3.0**	**26.0**	**18.0**
- Excise (Rs Crore)	103,621	137,778	164,116
Growth (%)	**-4.6**	**33.0**	**19.0**
Customs (Rs Crore)	83,324	131,800	151,700
Growths (%)	**-16.6**	**58.2**	**15.1**
- Service (Rs Crore)	58,422	69,400	82,000
Growth (%)	**-4.1**	**18.8**	**18.2**
- Corporation (Rs Crore)	244,725	296,377	359,990
Growth	**14.7**	**21.1**	**21.5**
- Income (Rs Crore)	132,315	149,066	172,026
Growth	**24.8**	**12.7**	**15.4**

Expenditure on subsidies

	2008-09 (Crore Rs)	2009-10 (Crore Rs)	Growth (%)	2010-11RE (Crore Rs)	2011-12BE (Crore Rs)	Growth (%)
Fertilizer	48,555	61,264	26.2	54,977	49,998	-9.1
Food	43,751	58,443	33.6	60,600	60,573	-0.04
Petroleum	2,852	14,951	424.2	38,386	23,640	-38.4
Interest	3,493	2,686	-23.1	5,223	6,868	31.5
Other	3,009	4,006	33.1	4,968	2,490	-49.9
Total Subsidies	**129,708**	**141,351**	**9.0**	**164,153**	**143,570**	**-12.5**

II. Sectoral Initiatives

The sectoral focus of the Budget 2011-2012 was aligned to priorities related to longer-term growth strategy. The three key elements that stand out are:

- Addressing constraints on industrial growth due to infrastructure and skill deficits
- Incentivizing agriculture with an eye to expanding rural incomes that makes domestic consumption growth sustainable in the longer run
- Incentivizing value addition in the export sector as a strategy diversify the export basket and augment export income over the longer-run

This section provides a brief analysis of these sectoral initiatives

Agriculture

The agriculture sector was the major beneficiary in this budget that saw the deepening of older schemes and the announcement of new ones. Some of the key initiatives announced were:

- Projects targeted at the removal of production and distribution bottlenecks of items like fruits and vegetables, milk, meat, poultry and fish, which account for more than 70 per cent of the WPI basket for primary food items through an expansion of the ongoing Rashtriya Krishi Vikas Yojana (RKVY)
- Expansion of the ongoing initiative to expand the Green Revolution to Eastern India by targeting the improvement in the rice based cropping system of Assam, West Bengal, Orissa, Bihar, Jharkhand, Eastern Uttar Pradesh and Chhattisgarh would be enhanced by an allocation of Rs. 400 crores
- Further deepening of government's initiative on pulses and oil-seeds. Rs. 300 crores has been allocated for the integrated Development of 60,000 pulses villages in rainfed areas, and amount of 300 crores has been allocated to bring 60,000 hectares under oil palm plantation, by integrating the farmers with the markets
- Rs. 300 crores has been earmarked for a new initiative aimed to at improving farm to fork distribution of vegetables by focusing on the development of vegetable clusters, especially near urban areas.

Agro-sector Logistics

Given rising food price inflation, the government is now serious about addressing the supply side constraints in agriculture. Thus, capital investment in the creation of modern storage capacity has been made eligible for viability gap funding scheme and cold chains and post-harvest storage has been recognized as an infrastructure sub-sector.

In addition, full exemption on excise and customs duty for a large number of farm storage and refrigeration equipment and their parts have been announced to allow for cheaper sourcing of such hardware by the agro logistics sector.

Farm sector credit

This budget has also improved access to farm credit by raising the target of credit flow to the farmers from `3,75,000 crore this year to `4,75,000 crore in 2011-12 and by extending the existing interest subvention scheme of providing short term crop loans to farmers.

Infrastructure

The government has made infrastructure a development a priority item in this year's budget, with an allocation of Rs. 2,14,000 crore is being made for this sector which amounts to 48.5 per cent of the Gross Budgetary Support to plan expenditure.

To address capacity constraints in key infrastructure such as ports, railways, and highways, the government has also decided to allow tax free bonds of Rs. 30,000 crore to be issued by various Government undertakings in the year 2011-12. If such sums are raised efficiently and projects conceptualized, then they will not only add much needed capacity in core infrastructure, but also generate demand for private sector construction and infrastructure related services.

SPV for attracting FDI in infrastructure

A major initiative in this year's budget is the proposal to create a special purpose vehicle (SPV) to attract foreign funds for infrastructure. This SPV would be in the form of notified infrastructure debt funds, and interest payment on such borrowings would be subject to a much reduced withholding tax of just 5%, and the income from this fund would be exempt from all taxes.

Urban Transport and Housing

The budget has prioritized two other key areas of infrastructure; urban transport and low cost housing that have the potential to create considerable additional demand for private infrastructure firms. The Finance Minister has committed to starting work on Delhi Metro Phase-III and Mumbai Metro Line III, while the ongoing Metro projects of Bengaluru, Kolkata and Chennai will be provided financial assistance for speedy implementation

The minister has also proposed an investment linked deduction to businesses which develop affordable housing under a notified scheme. This would be of great interest to real estate development firms who are now shifting their focus to B and C category towns and industrial corridor linked housing projects.

Skilling

While the education sector as a whole saw a significant increase in allocation (Rs. 52, 047 crores) with an increase of 24% over last year, a key development from an industry perspective was the focus on the development of vocational training. The Minister announced a revised Centrally Sponsored Scheme "vocationalisation of Secondary Education" that would be implemented from 2011-12 to improve the employability of India's future workers. An additional Rs. 500 crore has also been allocated to the National Skill Development Fund for the next year

Manufacturing

The government has a set a target for the manufacturing sector to contribute 25% of India's GDP in ten years time from the current level of 16%. In order to achieve this target, the Minister promised to come out with a National Manufacturing Policy aimed at bringing down the compliance burden of the industry through self-regulation and help make Indian industry globally competitive.

The budget included more concrete proposals on developing a strategic trade policy that aimed at developing value-addition and minimizing the exports of raw materials. Some of the key proposals are:

- Textiles: Reduction in basic customs duty for raw silk, cotton waste and for certain intermediates used for technical fibre and yarn

- Chemicals: Reduction in the basic custom duty for intermediate chemicals
- Metallurgy: Reduction in basic customs duty for ferrous and some non-ferrous raw materials and scrap metals. The imposition of high export duty on iron-ore will also aid domestic value addition
- Paper and Wood: Reduction in basic customs duty for Rayon grade wood and waste paper

The electronic devices and machinery sector has been a particular beneficiary of this strategic thinking. This makes sense given that domestic demand in this industry is rapidly expanding, creating economies of scale that could be leveraged to turn India into a global manufacturing for such products. Some of the key initiatives for this sector are

- Reduction in basic customs duty on intermediate parts and components used for mobile handsets and battery chargers
- The list of specified raw materials for use in electronics/IT industry, eligible for custom duty exemption is being expanded to include some more items
- LEDs used for manufacture of LED lights and light fixtures are being fully exempted from levy of special duty of customs leviable under Section 3(5) of the Customs Tariff Act, 1975

Capital Goods for the Power sector

A level playing field has been created for domestic capital goods industry by extending excise duty exemption to balance the concessional basic customs duty of 2.5 per cent and full exemption from CVD enjoyed by capital goods imported for the expansion of existing mega or ultra mega power projects.

Environmental Goods

Keeping in mind the fundamentals of sustainable governance and India's commitment to reduce carbon intensity, the government has introduced several measures in budget 2011-12. These measures essentially reduce the duty applied on environmental goods. While good from an environmental perspective, such a move could impair the fledgling domestic environmental goods industry from over dependence on imported intermediates for domestic production, especially imports from China. Some of the key measures are:

- Full exemption on customs and excise duty on batteries used in electric vehicles including two-wheelers
- Concessional excise duty of 10 per cent to vehicles based on hydrogen cell technology
- Specified parts of hybrid vehicles have been granted full exemption from basic customs duty and special CVD. In addition, a concessional rate of excise duty of 5 per cent is being prescribed to incentivize their domestic production
- The basic customs duty on solar lanterns is being reduced from 10 per cent to 5 per cent, while inputs used in the manufacture of solar modules/ cells is being reduced to zero. The reduction of duty on solar lanterns might expose the domestic industry, especially in the SME segment to foreign competition without giving it the time to leverage the zero rate of duty on imported inputs.

Services

The key feature for the services sector has been the inclusion of new services within the ambit of services tax. This will increase the price for these services. However, the services targeted are typically used by the urban middle-class who would be in a better position to absorb such costs. These services include:

- Hotel accommodation (targeted at hotels 2-star and above)
- Air-conditioned Restaurants (serving liquor)
- Air travel
- High end Hospitals (i.e. with central air-conditioning)

IT and ITES

While there are no new proposals aimed at IT and ITES industry, the proposal to levy MAT of 18.5% on developers of Special Economic Zones as well as units operating in SEZs will have a negative impact on this sector.

However, there is some good news for this sector as well. The proposal to lower the rate of tax on dividends received by an Indian company from its foreign subsidiary would benefit the IT and ITES sector the most as it is the most internationalized sector in Indian industry.

III. Inclusive Development

Inclusive growth and development by its very definition implies an equitable allocation of resources with benefits accruing to every section of society. Reaffirming the government commitment for inclusive growth and development, the Budget 2011-12 has not only proposed significant augmentation of funds available to various schemes, but has also proposed a number of new initiatives. It has proposed an allocation of Rs 1,60,887 crore for social sector in 2011-12 (amounting to 36.4 per cent of the total plan allocation) which is an increase of 17 per cent over current year. The National Food Security Bill (NFSB) is proposed to be introduced in the Parliament during the course of this year. A majority of these schemes are designed to create employment and increase rural incomes.

From an industry perspective, rising rural incomes have been a source of increased demand that has tempered the shocks arising out of the global economic crisis. However, there is some concern that some of these schemes might not be fiscally sustainable and thereby cannot be seen as a source of sustainable consumption demand.

Some of the major initiatives on social sector are as follows.

Bharat Nirman

For the year 2011-12, the Bharat Nirman has seen its allocation going up by Rs 10,000 to Rs 58,000 crore. A key feature of Bharat Nirman in this budget has been the proposal to provide Rural Broadband Connectivity to all 2,50,000 Panchayats in the country in three years.

MGNREGA

In an attempt to keep the real wages of employees constant under the scheme, the Government has decided to index the wage rates notified under the MGNREGA to the Consumer Price Index for Agricultural Labour, resulting in a significant enhancement of wages for the beneficiaries across the country.

Education

For the purposes of universalizing access to secondary education, increasing the percentage of our scholars in higher education and providing skill training the Budget 2011-12 has proposed an allocation of Rs 52,057 crore, which is an increase of 24 per cent over the current year. This is a positive step considering that Public spending on education in India constitutes only around 3% of GDP and needs to be steeped up significantly, if the demographic advantages have to exploited to the to the fullest potential.

The Budget has also proposed revising the existing operational norms of *Sarva Shiksha Abhiyan* to implement the right of children to free and compulsory education which has come into force from April 1, 2010. For the year 2011-12, it has proposed an allocation of Rs 21,000 crore, up 40 per cent over the Budget for 2010-11 for the scheme. This is a step in desired direction to leverage India's demographic advantage. The government is also mindful of the employability factor of and has proposed a revised Centrally Sponsored Scheme "Vocationalisation of Secondary Education" from 2011-12 to improve the employability of the youth. The SC and ST communities, a large number of whom are still unable to access education opportunties, would avail a scholarship benefit in classes ninth and tenth, which is expected to cover about 40 lakh students from these categories.

Key indicators of Inclusive Development

	2010-11	2011-12	y-o-y growth
Integrated Child Development Scheme (ICDS)	8700	10000	14.9
Centrally Sponsored Scheme on Micro Irrigation	1000	1300	30.0
National Rural Health Mission	15440	17840	15.5
Integrated Watershed Management Programme	2458	2549	3.7
National Food Security Mission	1350	1250	-7.4
National Agriculture Insurance Scheme	950	550	-42.1
Sarva Shiksha Abhyan	15000	21000	40.0
Mid Day Meal Scheme	9440	10380	10.0
Rural Development	66100	74100	12.1
Social Services		153812	
Urban development	5400	6210	15.0
Ministry of Social Justice and Employment	4500	5375	19.4
Ministry of Minority Affairs	2600	2850	9.6

Skill Development

The Finance Minister informed the House that National Skill Development Council (NSDC) is well on course to achieve its mandate of creation of 15 crore skilled workforce two years ahead of 2022. The Budget 2011-12 has allocated an additional Rs 500 crore to NSDC during the next year as further boost to skill development programs. However, given the substantial skill shortage in the country, the scheme should be rolled out at a much larger level.

Health

For health, the plan allocation in 2011-12 has been increased by 20 per cent to Rs 26,760 crore. The Rashtriya Swasthya Bima Yojana, which was earlier extended to MGNREGA beneficiaries, beedi workers and others is proposed to be further extended to cover unorganized sector workers in hazardous mining and associated industries.

Financial Inclusion

The previous year Budget had advised Banks to provide banking facilities to habitations having a population of over 2000 by March, 2012. The Banks have identified about 73,000 such habitations for providing banking facilities using appropriate technologies. During this year, banks will cover 20,000 villages, whereas the remaining would be covered next year. Financial inclusion is not only expected to mobilize capital for industry by harnessing hitherto untapped savings, it is also expected to increase the ability for availing credit, adding to consumption and investment led demand that will act as a positive multiplier for industry.

Unorganized sector

The Budget has proposed several positive measures to cover the unorganized sector. Given the success of co-contributory pension scheme "Swavalamban"announced by the finance minister last year, he has proposed relaxing the exit norms whereby a subscriber under Swavalamban will be allowed to exit at the age of 50 years instead of 60 years, or a minimum tenure of 20 years, whichever is later. Similarly, under the on-going *Indira Gandhi National Old Age Pension* Scheme for BPL beneficiaries, the eligibility for pension is proposed to be reduced from 65 years at present to 60 years. Further, the pension amount is being raised from Rs 200 at present to Rs 500 per month for people 80 years and above.

Regional Development Initiatives

A number of initiatives have been announced to address the issues of backward regions. In order to boost development in the North Eastern Region and Special Category States, the allocation for special assistance has been almost doubled to Rs 8,000 crore for 2011-12. The Government’s special support to Jammu & Kashmir is anchored in Rs 28,000 crore Prime Minister's Reconstruction Plan. In addition, for the current year, about Rs 8,000 crore has been provided for the State's development needs. Further, to give a boost to the development of backward regions, the allocation under the Backward Regions Grant Fund has been increased by 35 per cent to Rs 9,890 crore.

Chapter 3
Fiscal Situation

Chapter 3

Fiscal Situation

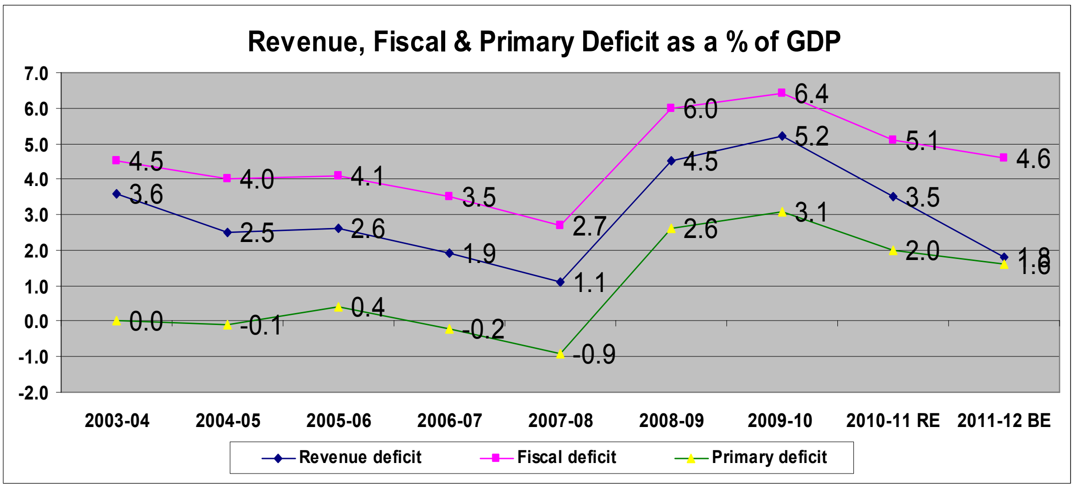
I. Fiscal Deficit

The fiscal deficit situation has improved continuously since the enactment of the fiscal responsibility and budget management Act (FRBMA) in 2003, dropping from 5.9 percent of GDP in 2002-03 to 2.7 percent of GDP 2007-08. In 2008-09 the economic scenario changed drastically, due to the global economic meltdown. The fiscal stimulus became the need of the hour and therefore the deviations from FRBMA targets became inevitable. The fiscal deficit shot up to 6.1 percent of GDP in 2008-09 because of the large provisions for fiscal packages, increased subsidies and salary hikes under the sixth pay commission. Deficit increased further to 6.7 percent of GDP in 2009-10, mainly on account of continuation of fiscal stimulus package provided to the industry in order to sustain the growth momentum.

The data on Indian economy as per the recent economic survey confirm economic recovery and commendable growth in almost all the indicators, of course with some concerns like food inflation etc. The budget 2011-12 shows the intention of the government to stick to stronger fiscal consolidation path to ensure greater stability while acknowledging the need for striking balance between demand and supply side aspects for better macro-economic management.

Trend in Deficits

The Budgeted estimates for fiscal deficit as a percentage of GDP for 2011-12 is expected to be 4.6 percent as compared to 5.1 percent for revised estimates (RE) of 2010-11. The new numbers therefore reflect a decrease of 0.5 percent in the estimated fiscal deficit for 2011-12 over the revised estimates (RE) of 2010-11.



Fiscal performance in 2010-11 along with the growth in the economy has been better than the budget estimates of 2010-11.The fiscal deficit for the revised estimates (RE) 2010-11 has been projected as 5.1 percent of GDP which is marginally lower than the original projections of 5.5 percent for the budget estimates (BE) of 2010-11. The improved figures are on account of the upward revision of GDP estimates, robust tax collections and higher realizations from the auction of telecommunication spectrum.

The revenue and primary deficits are placed at 1.8 percent and 1.6 percent respectively for 2011-12 (BE) as against 2.3 percent and 2.0 percent respectively for 2010-11 (RE) and 4.0 percent and 1.9 percent respectively for 2010-11 (BE).

Changes in Deficits (Rs Crores)

	2010-11 BE	2010-11 RE	2011-12 BE	Growth (%)	
				2010-11 (RE) over 2010-11(BE)	2011-12(BE) over 2010-11(RE)
Revenue Deficits	276,512	269884	307270	-2.4	13.9
Fiscal Deficits	381,408	400998	412817	5.1	2.9
Primary Deficits	132,744	160241	144831	20.7	-9.6
As % of GDP					
Revenue Deficits	4.0	2.3	1.8		
Fiscal Deficits	5.5	5.1	4.6		
Primary Deficits	1.9	2.0	1.6		

The fiscal deficit in absolute terms has increased from Rs. 381,408 crore to Rs 400,998 crore as per revised estimates for 2010-11 over budget estimates 2010-11 which is 5.1 percent higher than the budget estimates and is estimated at Rs 412,817 crore for 2011-12. The estimates are 2.9 percent higher than the revised estimates for 2010-11.

The primary deficit which reflects new borrowing requirement has increased from Rs. 132,744 crore in 2010-11 to Rs.160,241 crore as per revised estimate for 2010-11 and estimated at Rs.144,831 crore for 2011-12.

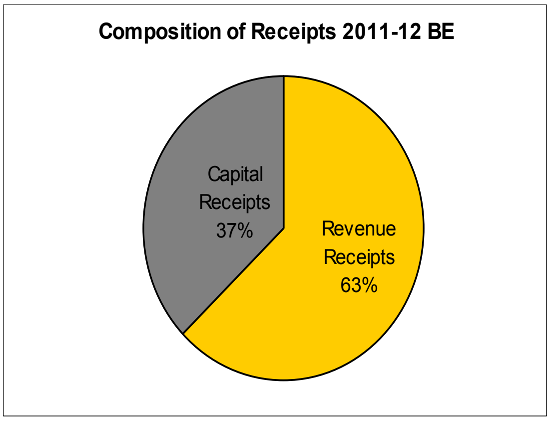
II. Receipts

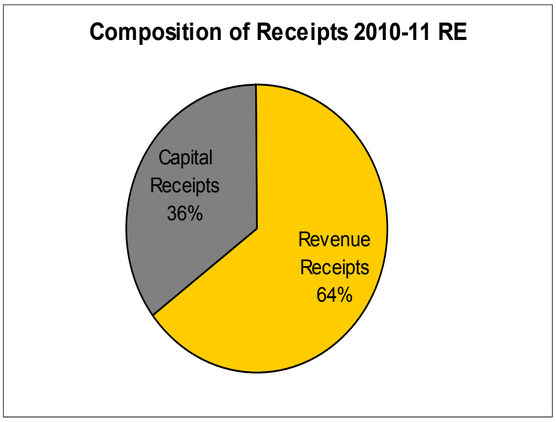
The Budget estimates (BE) of the total receipts during 2011-12 stands at Rs. 1257729 crore, which is 3.4 percent higher than the Revised estimates (RE) for 2010-11. Out of the total receipts, the revenue and capital receipts have shown an increase of 0.8% and 8.1% respectively.

Receipts (Rs. Crores)

				Share(%) in total receipts	Growth (%)		
	2010-11(BE)	2010-11 (RE)	2011-12 (BE)	2011-12 (BE)	2010-11 (RE) over 2010-11 (BE)	2011-12 (BE) over 2010-11 (RE)	Average Annual Growth Rate (2004-05 to 2011-12(BE)
Revenue Receipts	**682212**	**783833**	**789892**	**62.8**	**14.9**	**0.8**	**14.8**
Tax Revenue	534094	563685	664457	52.8	5.5	17.8	15.5
Non-Tax Revenue	148118	220148	125435	10.0	48.6	-43.0	11.6
Capital Receipts	**426537**	**432743**	**467837**	**37.2**	**1.5**	**8.1**	**19.6**
Recoveries of Loans	5129	9001	15020	1.2	75.5	66.8	-10.5
Other receipts	40000	22744	40000	3.2	-43.1	75.8	53.6
Borrowings and other liabilities	381408	400998	412817	32.8	5.1	2.9	22.9
Total Receipts	**1108749**	**1216576**	**1257729**	**100.0**	**9.7**	**3.4**	**16.4**

The share of revenue receipts in total receipts is estimated to decrease from 64 percent in 2010-11 (RE) to around 63 percent in 2011-12 (BE) while that of capital receipts is expected to increase from 36 percent to 37.2 percent during the same period. The increase in share of capital receipts is mainly on account of recoveries of loans and other receipts which are estimated to grow at an impressive rate of 66.8 and 75.8 percent respectively according to the budget estimates of 2011-12.

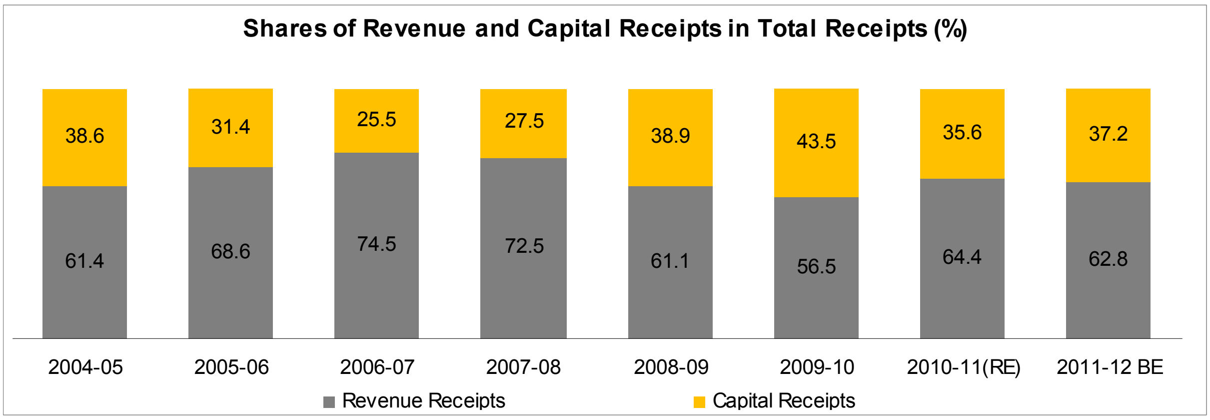




The variations between RE and BE for 2010-11 show an increase of 14.9 percent in revenue receipts and an increase of 1.5 percent in capital receipts. As a result the overall receipts reflect an improvement of 9.7 percent.

Since 2004-05, total receipts have grown at an average annual growth of 16.4 percent with revenue and capital receipts growing at 14.6 and 19 percent respectively.

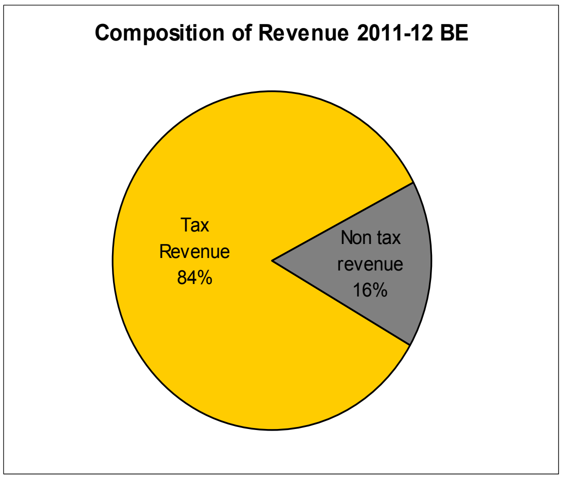
Looking at the contribution of revenue and capital receipts in total receipts over a period of eight years, it can be seen that revenue receipts have throughout been the major contributor to the growth of total receipts.

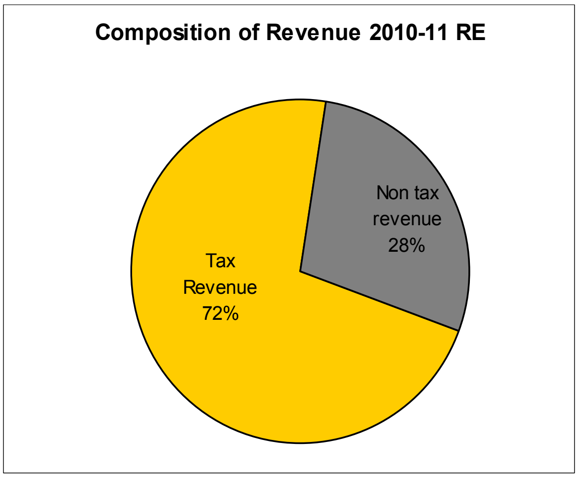


Revenue Receipts

Revenue receipts comprise of tax revenue and non tax revenue. The share of tax revenue in revenue receipts is estimated to increase from 72 percent in 2010-11 RE to 84 percent in 2011-12 BE and that of non tax revenue is estimated to decrease from 28 percent to 16 percent.

The revised estimate of non tax revenue for 2010-11 shows a remarkable improvement of 48.6 percent over the budget estimates. This is due to bounty collections from the auction of 3G spectrum.





Tax Revenue

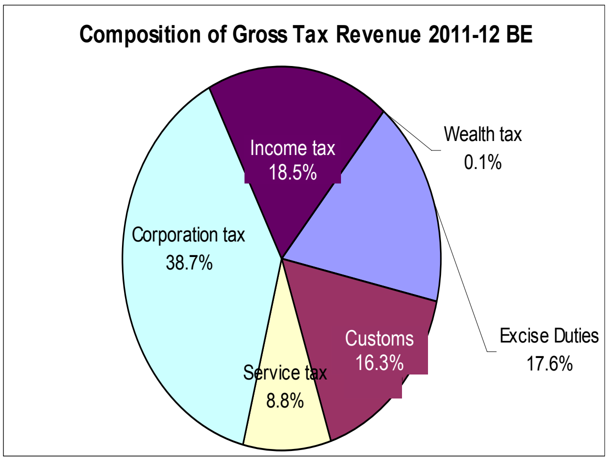
Tax revenue has been the major contributor to the revenue receipts. In 2011-12 BE receipts from Gross tax stands at Rs. 932440 crore which is 18.5 percent higher than the revised estimates of 2010-11. This increase is largely on account of higher receipts from corporation tax , service tax and excise duties which are estimated to show an increase of 21.5 ,18.2 and 19.1 percent respectively in 2011-12. A regime of reasonable rates of taxation, improved tax administration and a widening of the tax base are the major factors behind this increase.

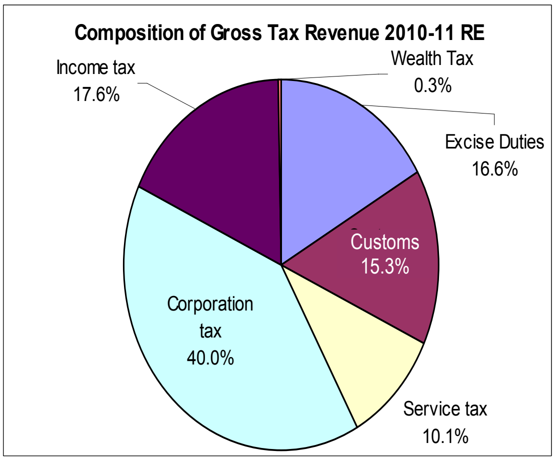
Gross Tax Revenue

	2010 -11 BE	2010-11 RE	2011-12 BE	Growth (%)	
				2010-11 (RE) over 2010-11 (BE)	2011-12(BE) over 2010-11(RE)
Gross Tax Revenue	**746651**	**786888**	**932440**	**5.4**	**18.5**
Corporation Tax	301331	296377	359990	-1.6	21.5
Income Tax	120566	149066	172026	23.6	15.4
Wealth Tax	603	557	635	-7.6	14.0
Customs	115000	131800	151700	14.6	15.1
Union Excise Duties	132000	137778	164116	4.4	19.1
Service Tax	68000	69400	82000	2.1	18.2
Taxes on Union Territories	1651	1910	1973	15.7	3.3

Comparing the 2010 RE with 2010-11 BE, the gross tax revenue has increased by 5.4 percent. This increase is largely on account of robust income tax collections.

Comparing the composition of Gross Tax Revenue of 2011-12 BE with 2010-11 RE, it is found that the share of income tax has increased from 17.6 percent to 18.5 percent while that of corporation tax has declined from 40 percent to 38.7 percent.

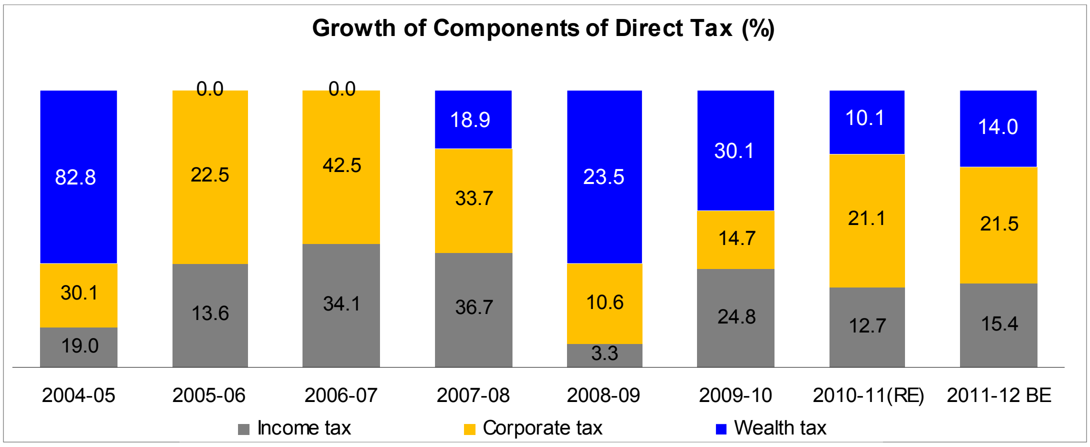




In 2011-12, the shares of both excise and custom duties in Gross tax revenue are expected to go up.

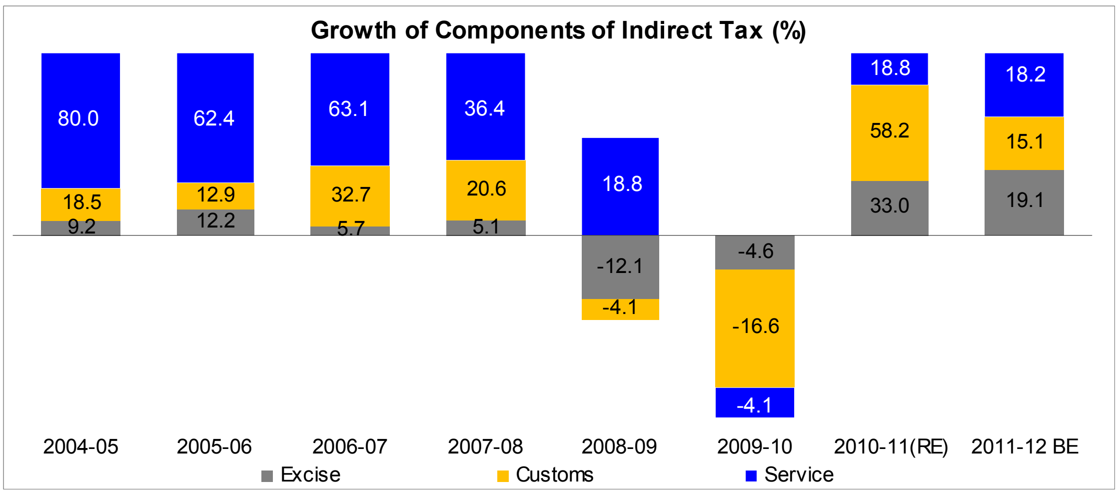
Direct Tax

The direct tax receipts are estimated at Rs 532651 crore in 2011-12 BE showing a growth of 19.5 percent over the 2010-11 RE. Over the years the growth of corporate tax collections has been more than the growth of income tax which has enabled reasonably good direct tax collections.

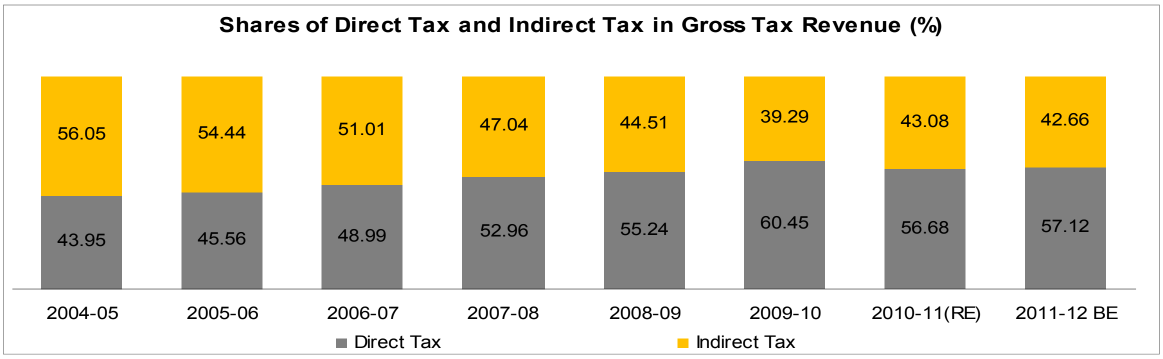


Indirect Tax

The indirect tax collections for 2011-12 are estimated at Rs. 397816 crore registering a growth of 17.4 percent over the 2010-11 RE with excise, customs and service expecting to grow by 19.1, 15.1 and 18.2 percent respectively over 2010-11 RE.

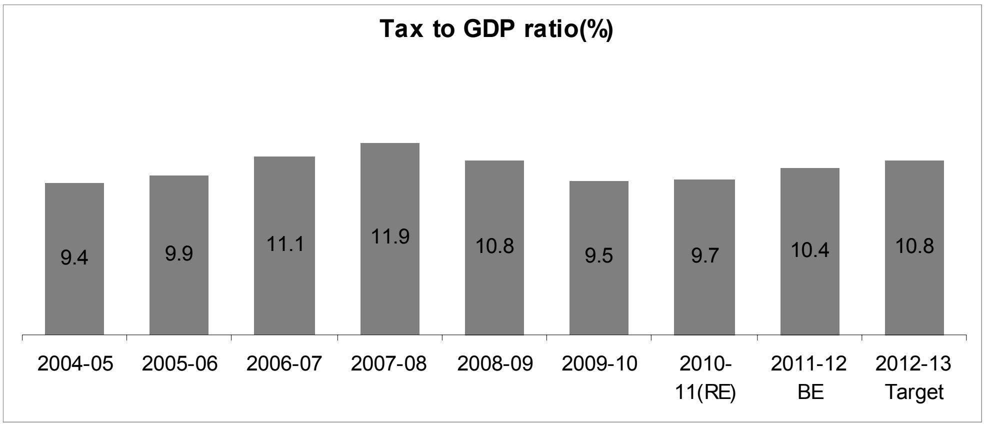


Looking at the contribution of direct and indirect taxes in Gross Tax revenue over the years, direct tax has always been the major contributor with the present share of 57.12 percent in the total gross tax collections. The increase in direct tax collections reflects improvement in the equity of our tax system.



Tax GDP ratio

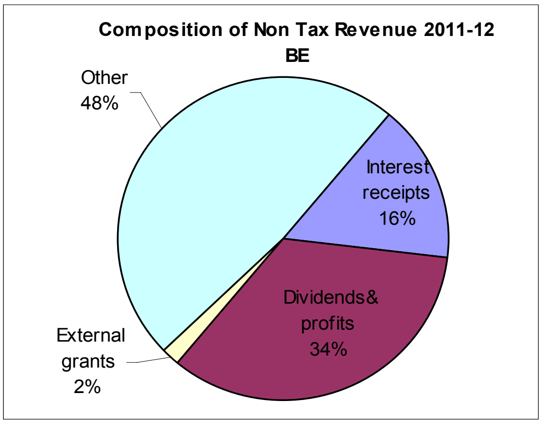
Tax-GDP ratio for 2011-12 is estimated to be 10.4 percent which shows an improvement over the revised estimate for 2010-11. The finance ministry has kept a target of 10.8 percent for 2012-13.

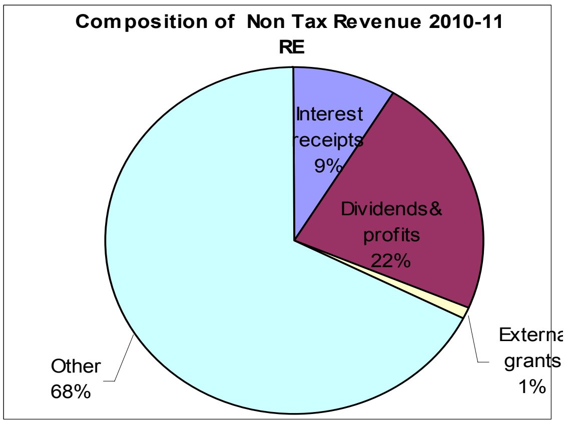


Non Tax Revenue

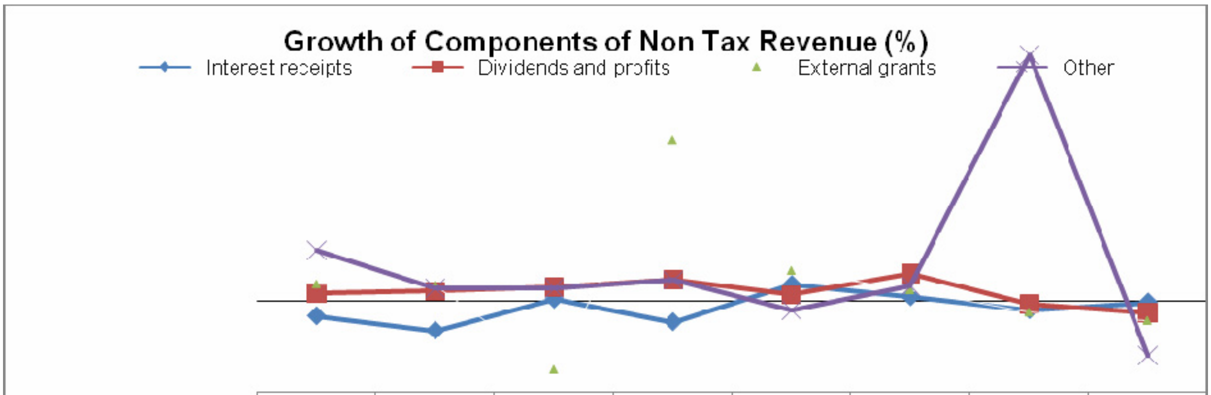
In 2011-12 receipts from non tax revenue are estimated to be Rs. 125345 crores. The revised estimate of non tax revenue for 2010-11 shows a remarkable improvement of 48.6 percent. This is due to bounty collections from the auction of 3G spectrum.

The composition of Non Tax Revenue is shown below:



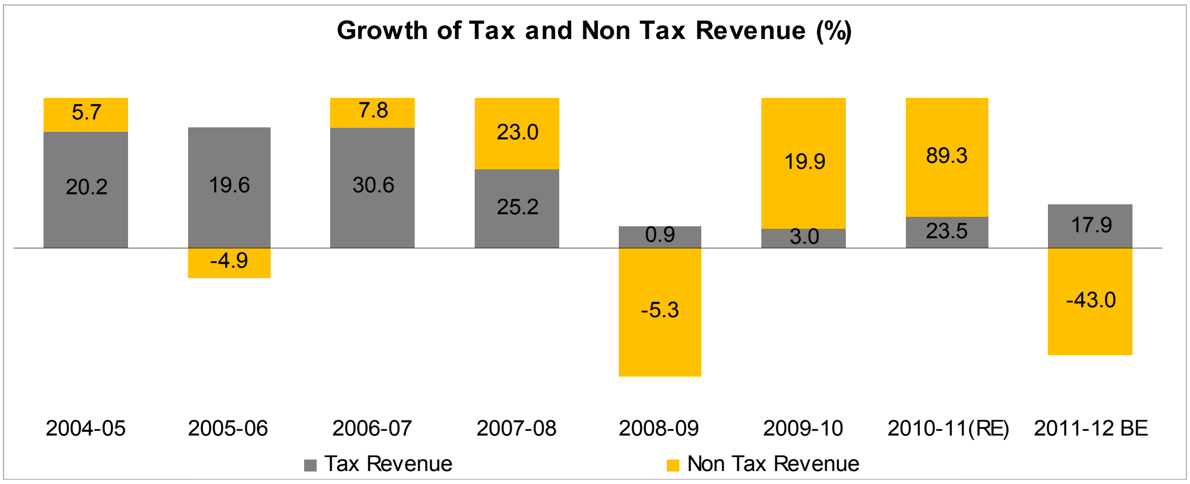


The non tax revenue in 2011-12 is estimated to record a negative growth of 43.0 percent over the revised estimates of 2010-11. This is due to the heavy base of non tax revenue observed in 2010-11.



	2004 05	2005 06	2006 07	2007 08	2008 09	2009 10	2010 11(RE)	2011 12 BE
Interest receipts	-16.0	-32.0	2.2	-22.5	18.3	5.0	-9.3	-0.8
Dividends and profits	8.4	11.0	15.2	23.2	6.9	30.2	-3.0	-12.5
External grants	18.7	16.0	-75.0	176.6	33.3	12.4	-12.3	-21.2
Other	55.6	14.5	14.7	23.0	-9.7	17.3	270.3	-59.5

In 2010-11, the receipts from non tax showed a whopping growth of 89.3 percent over the actual estimates of 2009-10. This is largely on account of heavy collections from auction of 3G spectrum.



III. Expenditure

The total expenditure during 2010-11(RE) marginally exceeded the budget estimates for fiscal year 2010-11 owing to upward revision in both plan and non plan expenditure. The plan expenditure increased by 5.9 percent in 2010-11(RE) as compared to 2010-11(BE) due to higher than expected spending on plan capital expenditure which has increased by 17.5 percent in 2010-11(RE) over budget estimate while, plan revenue expenditure has increased by 3.7 percent in 2010-11(RE) over 2010-11(BE).

Similar trend is witnessed in non-plan expenditure at aggregate level, which has increased by 11.7 percent during 2010-11 over the budget estimate. This swell in non-plan expenditure, however was triggered by higher spending of 12.9 percent on non-plan revenue component owing to more than anticipated spending on defence (3.9 percent), subsidies (41.2 percent) and social services (19.0 percent) over 2010-11(BE), while the non-plan capital expenditure increased by 3.0 percent in 2010-11(RE).

Trend in Major Components of Expenditure

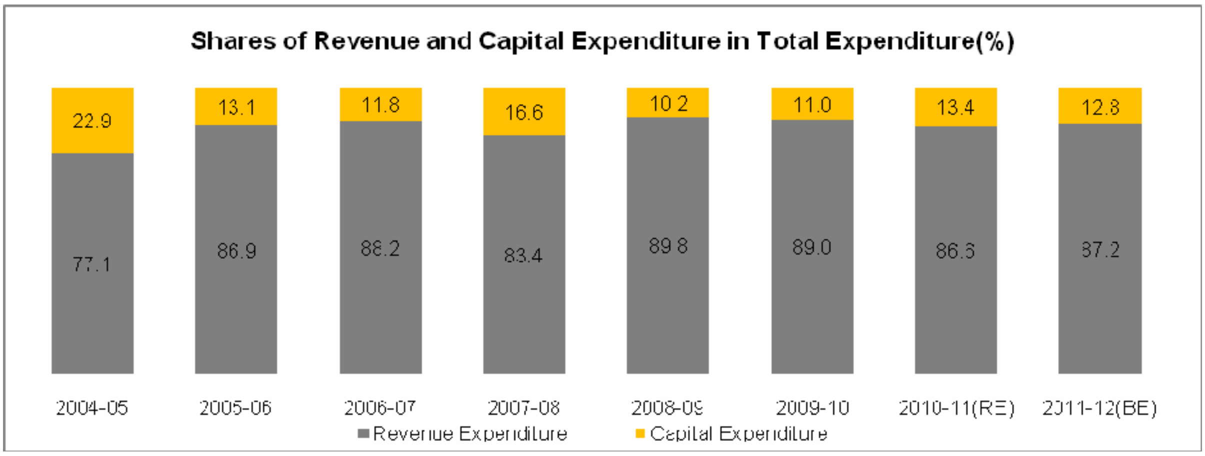
Expecting further spurt in overall expenditure, total budgeted expenditure for 2011-12 has been revised upward to Rs. 1257729 from the revised estimate of 2010-11. Though, proposed expenditure has gone up in absolute terms but in relative terms the increase has been of 3.4 percent, much less in comparison to last year' revised figure (9.7 percent). This reflects the resolve of the government to fast return to fiscal prudence. However more concerted effort is required in this direction as total expenditure has grown at an annual average of 17.5 percent during 2004-05 and 2010-11(RE).

Trends in Expenditure (Rs Crores)

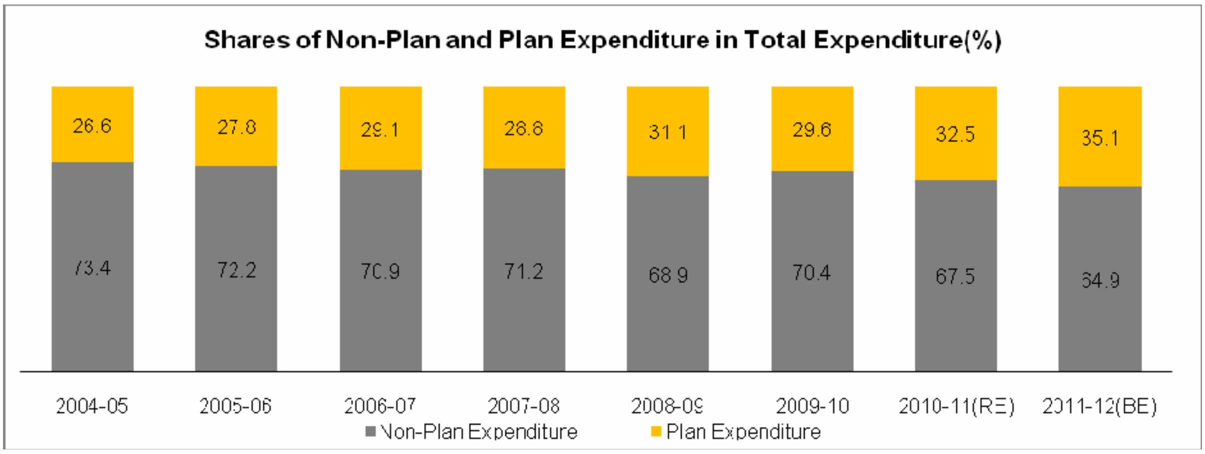
	2010-2011 BE	2010-2011 RE	2011-2012 BE	percent age Share 2011-12(BE)	Growth (%)		
					2010-11(RE) over 2010-11(BE)	2011-12(BE) over 2010-11(RE)	Avg. Annual Growth Rate 2004-05 to 2010-11(RE)
Non-Plan Expenditure	**735657**	**821552**	**816182**	**64.9**	**11.7**	**-0.7**	**16.1**
On Revenue Account	643599	726749	733558	58.3	12.9	0.9	17.4
On Capital Account	92058	94803	82624	6.6	3.0	-12.8	8.1
Plan Expenditure	**373092**	**395024**	**441547**	**35.1**	**5.9**	**11.8**	**20.8**
On Revenue Account	315125	326928	363604	28.9	3.7	11.2	24.3
On Capital Account	57967	68096	77943	6.2	17.5	14.5	10.2
Total Expenditure (Plan and Non-Plan)	**1108749**	**1216576**	**1257729**	**100.0**	**9.7**	**3.4**	**17.5**
Total Revenue Expenditure	**958724**	**1053677**	**1097162**	**87.2**	**9.9**	**4.1**	**19.2**
Total Capital Expenditure	**150025**	**162899**	**160567**	**12.8**	**8.6**	**-1.4**	**9.0**

The growth in total expenditure for the next financial year 2011-12 would also be led by faster growth in revenue expenditure (4.1 percent) in comparison to capital expenditure (-1.4 percent). This development in turn would raise the share of revenue expenditure in total expenditure from 83.7 percent in 2010-11(RE) to 87.2 percent in 2011-12(BE), whereas that of capital expenditure would contract from 13.3 percent in 2010-11(RE) to 12.8 percent in 2011-12(BE).

While, growth in revenue expenditure is likely to moderate to 4.1 percent in 2011-12(BE) on account of lower outlay on fertilizer subsidy due to the introduction of nutrient based subsidy, economic services and social services.

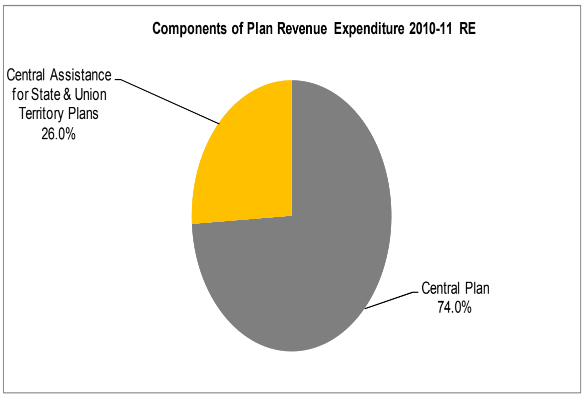


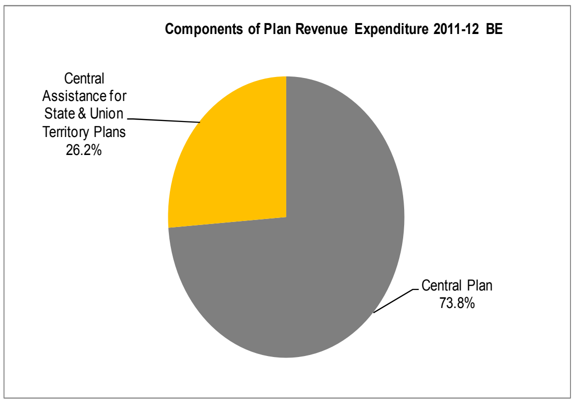
Furthermore, rise in the share of plan expenditure in total expenditure to 35.1 percent in 2011-12(BE) from 32.5 percent in 2010-11(RE), revalidates government adherence to FRBM guidelines for public expenditure management. For 2011-12, the plan expenditure is expected to grow by 11.8 percent, which is higher than the growth of 5.9 percent witnessed during 2010-11(RE). This surge in plan expenditure will be led by increase in both plan revenue and capital components. Former is expected to go up by 11.2 percent compared to 3.7 percent last year (RE), whereas, latter would see a growth of 14.5 percent as against 17.5 percent last year (RE). The medium to long term growth trend shows that plan and non plan expenditure has been growing at an annual rate of 20.8 percent and 16.1 percent respectively in the last six years (2004-05 to 2010-11(RE)).



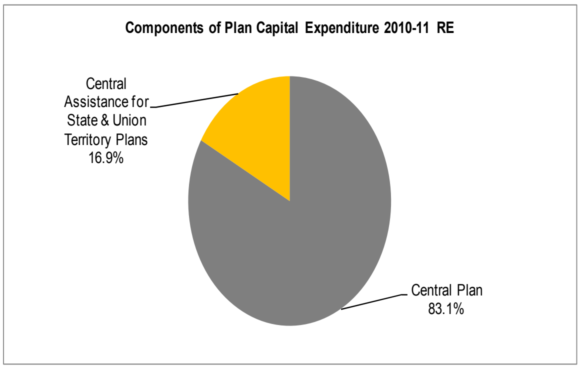
Composition of Plan Revenue and Capital Expenditure

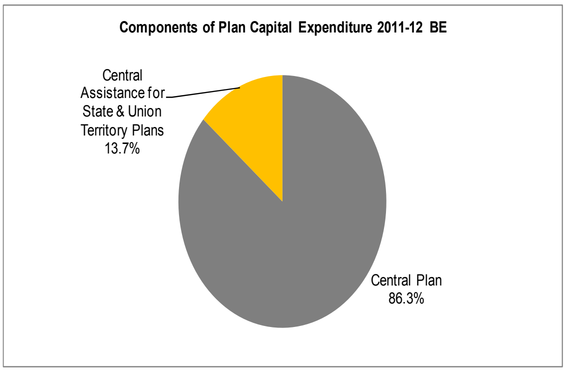
In 2010-11(RE) plan revenue expenditure constituted about 82.7 percent of the plan expenditure, which almost remained same at 82.3 percent in 2011-12(BE). Of the total plan revenue expenditure, during 2010-11 (RE) 74.0 percent was spent on central plan and remaining 26.0 percent on central assistance for States/ UTs plans. In recent budget estimate, the respective shares have risen to 73.8 percent and 26.2 percent.





Similar trend has been observed in plan capital expenditure too. The share of central plan is projected to rise from 83.1 percent in 2010-11 (RE) to 86.3 percent during the next financial year. While, the share of States/ UTs declined from 16.9 percent in 2010-11(RE) to 13.7 percent in 2011-12(BE). This is slightly worrisome; as it has been noticed in the past that Union government usually ends up favouring those States/UTs having been represented by their government.



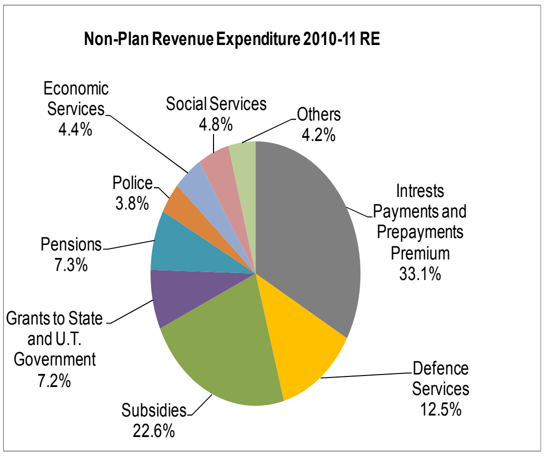


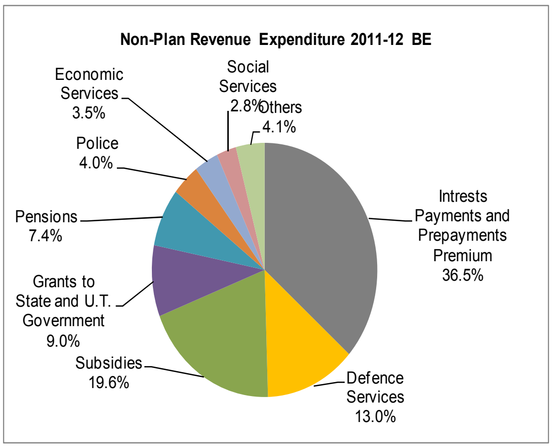
To ensure balanced regional development and inclusive growth in real sense, it is imperative that central assistance to States/UTs plan especially plan capital expenditure should increase in coming years after giving due consideration to the regional dynamics.

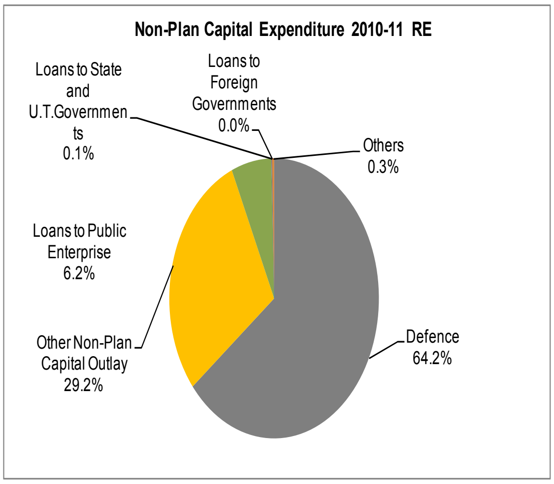
Composition of Non-Plan Revenue and Capital Expenditure

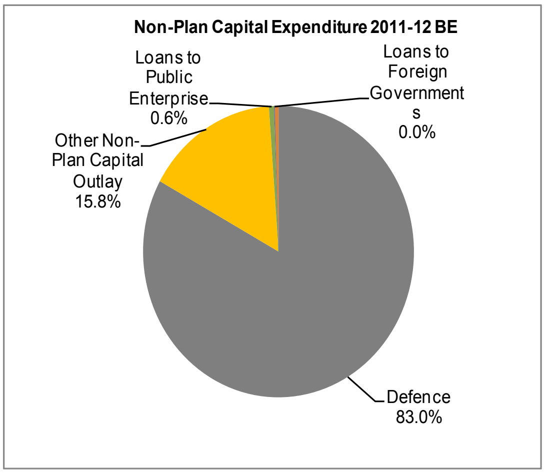
Non-plan revenue expenditure, which constitutes over 59.7 percent in the total expenditure, is dominated by three major components, namely, interest payments, subsidies and defence in 2010-11(RE). These three items together accounted for 68.2 percent of total non-plan revenue expenditure. However it is likely to increase marginally to 69.1 percent of the total non-plan revenue expenditure. While, expenditure has significantly increased on interest payment (11.3. percent), defence (4.9 percent) and grants to States/UTs governments (26.1 percent) in 2011-12(BE) from -3.2 percent, 3.9 percent and 14.4 percent respectively in 2010-11(RE). The non plan revenue is likely to shoot up amidst unfavorable developments: (a) impact of geo political tension created in Libya and Middle East on global crude oil prices and hence on our burgeoning imports' bill knowing the fact that India meets about 80 percent of its crude oil requirement through imports; (b) further bloating of food subsidy bill due to proposed inclusion of edible oil and pulses under Public distribution System by several states because of elevated level of food inflation and (c) widening of fertilizer subsidy bill on account of rising input prices and fertilizers in the international market which has somewhat negated the impact of much talked about nutrient based subsidy (reform) policy (d) the magnitude of roll back of fiscal stimulus provided during financial crisis given the fact that Europe and USA have still not recovered fully from the world's largest economic crisis. Going forward, only high growth in revenue base, fiscal prudence, regress subsidy reforms and check on political expediency holds the key for overall fiscal consolidation along with reorientation of funds towards more productive purposes. Else high government borrowing to meet non plan revenue expenditure might pose challenge not just for expenditure meant to be spend on capital items but could also lead to potential crowding out of private investment.

Composition of non plan capital expenditure has also undergone a change in 2011-12(BE). The defence expenditure is likely to increase substantially from 64.2 percent to 83.0 percent in 2011-12(BE), squeezing the outlay on other non plan capital items.



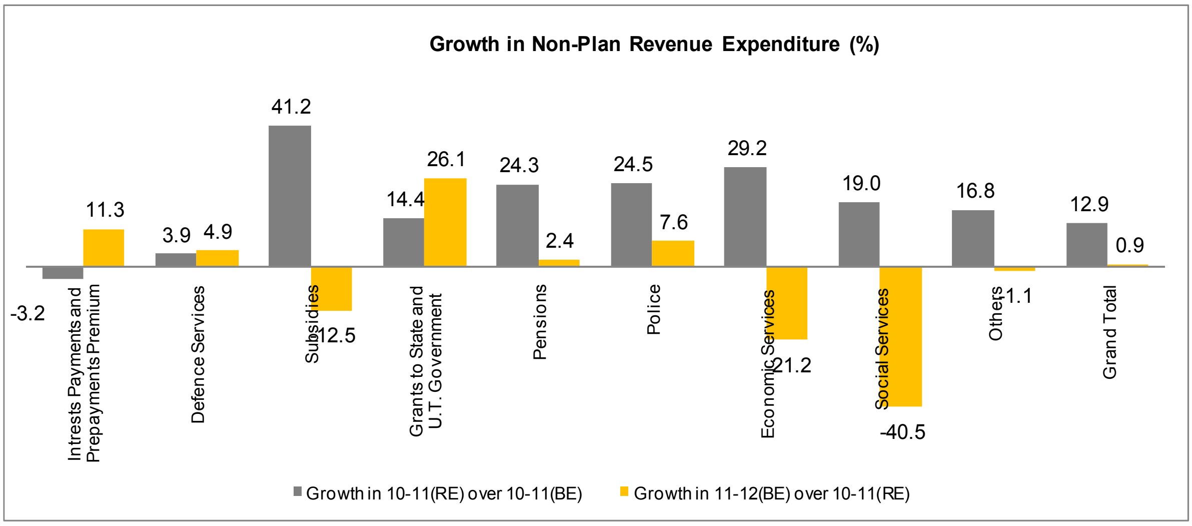






Trends in Subsidies

	2010-2011 BE	2010-2011 RE	2011-2012 BE	percentage Share 2011-12(BE)	Growth (%) 2010-11(RE) over 2010-11(BE)	2011-12(BE) over 2010-11(RE)	Avg. Annual Growth Rate 2004-05 to 2010-11(RE)
Food	55578	60600	60573	42.2	9.0	0.0	19.6
Fertiliser Subsidy	49981	54977	49998	34.8	10.0	-9.1	29.3
Petroleum Subsidy	3108	38386	23640	16.5	1135.1	-38.4	49.1
Other Subsidies	7557	10191	9359	6.5	34.9	-8.2	33.0
Total-Subsidies	**116224**	**164153**	**143570**	**100.0**	**41.2**	**-12.5**	**27.6**



Trends and Composition of Central Plan Outlay

The budget for the Central plan outlay is proposed to be around 47.1 percent of the total expenditure for the year 2011-12 and has gone up from -4.0 percent in 2010-11(RE) to 17.9 percent 2011-12(BE). Budgetary allocation has increased on agriculture (2.7 percent), irrigation and flood control (36.8 percent), energy (23.2. percent) from 16.7 percent, -21.5 percent and -13.9 percent respectively in 2010-11(RE). Yet, government's spending on the agriculture continues to be subdued. Given the stagnating productivity in agriculture and its continued reliance on monsoon, it may be desirous to rapidly increase the share of central plan expenditure in the sector. Furthermore, the government's continuing stress on inclusive growth is visible in increased social sector spending, whose share inched up from -0.3 percent in 2010-11(RE) to 13.9 percent in 2011-12(BE). Similar need for expansion in plan outlay exists in other critical areas including transport and general economic services. Allocation has declined on rural development (-0.3 percent) in 2011-12(BE).

Major Heads in Central Plan Outlay

Sectors	**2010-2011 BE**	**2010-2011 RE**	**2011-2012 BE**	**percentage Share 2011-12(BE)**	**Growth (%)**	
					2010- 11(RE) over 2010-11(BE)	**2011-12(BE) over 2010-11(RE)**
Agricultural & Allied Activities	12308	14362	14744	2.5	16.7	2.7
Rural Development	55190	55438	55288	9.3	0.4	-0.3
Irrigation & Flood Control	526	413	565	0.1	-21.5	36.8
Energy	146579	126225	155495	26.2	-13.9	23.2
Industry & Minerals	39019	38852	45214	7.6	-0.4	16.4
Transport	101997	98727	116861	19.7	-3.2	18.4
Communications	18529	12169	20256	3.4	-34.3	66.5
Science Technology & Environment	13677	12652	16186	2.7	-7.5	27.9
General Economic Services	7554	14878	15802	2.7	97.0	6.2
Social Services	127570	127157	144816	24.4	-0.3	13.9
General Services	1535	1377	7230	1.2	-10.3	425.1
Grand Total	**524484**	**502250**	**592457**	**100.0**	**-4.2**	**18.0**

Chapter 4
Direct Taxes

Chapter 4

Direct Taxes

With the expected implementation of the Direct Taxes Code from April 1, 2012, the Union Budget 2011-12 does not introduce any major tax reforms. Nevertheless, the Budget includes some tax reforms measures aimed at greater compliance with a greater focus on automation and procedural efficiency leading to enhanced simplification. The Minister pointed out that some of the more fundamental reforms are the ones that do not make headlines, but are involved with the nitty gritty of procedural details, a sentiment that is shared by many in the industry. Some reforms measures outlined in the Budget are:

- Simplified Income Tax Return for small taxpayers to be notified shortly;
- Exemption for filing of tax return by salaried employees;
- New Category of individuals introduced- Very Senior Citizens of age 80 years and above. Minimum exemption limit introduced as Rs. 5,00,000 resulting in tax savings of Rs 26,780.
- MAT introduced on developers of SEZ and units operating in them effective from AY 2012-13.
- Amendment in section 2(15) – Current monetary limit in respect of receipt from activities involving advancement of any other object of general public utility raised to 25 lakhs from 10 lakhs. (Applicable for AY 2012-13).

The following sections provide a quick analysis of the key direct tax proposals.

Key Direct Taxes Proposals

Income Tax

- Union Budget 2011 has continued to extend relief to individual tax payers by revising the tax slabs. The income tax exemption limit and rates of income tax, though, remains the same, however the tax slabs are revised as under :

Individuals

New Slab	Tax Rate
Upton Rs. 180000 *	NIL
180001 to 500000	10%
500000 to 800000	20%
800001 & above	30%

** In case of Resident Women Income 180000 is read as 190000*

** In case of Senior Citizen 180000 is read as 250000 for the residents in the age of 60 years or more and less than 80 years.*

- In case of residents who are more than 80 years of age, the tax slab rate would be as under:

New Slab	Tax Rate
Upton Rs. 500000 *	NIL
500001 to 800000	20%
800001 & above	30%

The proposal would be welcomed by senior citizens, as it would result in an overall increase in the number of people who could avail the benefit of reduced tax slab rates.

The Union Budget proposed under section 80CCF of the Act an additional deduction of Rs. 20,000 is allowed to individual or HUF from taxable income, for subscribing to long term infrastructure bonds as notified by the Government. This proposal is extended to another year and is welcomed. It would not only provide tax savings to individuals & HUF but also give extended stimulus to the infrastructure sector

<u>Corporate Tax</u>

- Surcharge in case of domestic companies has been reduced to 5% against the existing rate of 7.5%. Similarly in case of foreign companies, the surcharge is proposed to be reduced to 2% from the existing rate of 2.5%
- No change is proposed in the corporate tax rate as well as the education and secondary cess
- Exemption from DDT and MAT available to SEZ developers and SEZ units are proposed to be abolished effective from 1st June 2011 and 1st April 2012 respectively.
- The Union budget does not bring any change in Corporate Tax rate (i.e. 30%), in case of companies, however, the surcharge of 7.5%, in the case of a domestic companies, is proposed to be reduced to 5%. In case of companies other than domestic companies also, the surcharge is proposed to be reduced to 2% in place of existing 2.5%. Consequently the overall effective tax rate shall be reduced from 33.2175% to 32.45 % (30% + 5% + 3%) resulting in tax saving of 0.7725%. This is a welcome measure only for those domestic companies, who are not liable to MAT (which is proposed to be increased from 18% to 18.5%).
- Section 92C of the existing Act provides procedure for computation of arm's length price where no adjustment was to be made in case variation between the actual price of the transaction and the arm's length price does not exceed 5%. It is proposed to amend section 92C of the Act to provide that instead of variation of 5%, the allowable variation will be such percentage as may be notified by the Central Government.
- It is proposed to insert new clause 47 under section 10 so as to enable the Central Government to notify any infrastructure debt fund which is set up in accordance with prescribed guidelines. Upon, being notified, income of such debt fund would be exempt from tax. In addition to above, any interest received by any non-resident from such notified infrastructure debt fund shall be taxable @ 5% on gross amount. Accordingly withholding tax rate applicable on such interest has also been proposed to be 5% instead of 20% applicable in other case. The same is proposed to be effective from June 01, 2011.
- Concessional Tax rate of 15% is proposed on the Indian holding company on gross amount of dividend declared, distributed or paid by a foreign subsidiary to its Indian holding company.

<u>Minimum Alternative Tax</u>

- Tax rate under MAT provisions is proposed to be increased from 18% to 18.5% resulting in an effective tax rate of 20.0075% in place of existing 19.93%. MAT is also proposed to be levied on SEZ developers as well as units operating in them. The proposed amended would be effective from AY 2012-13.
- It is proposed to insert a new chapter XII-BA to levy Alternate Minimum Tax on adjusted total income in case of LLP @ 18.5% in line with MAT provisions applicable to Companies. The tax so paid would be allowed to be carried forward up to the tenth assessment year immediately succeeding assessment year for which such credit becomes allowable.

Transparency related measures

- Additional powers have been proposed to be given to Income-tax authorities (not below the rank of Asstt. Commissioner of Income-tax) to collect information on requests received from tax authorities outside India in relation to agreements referred to in section 90 or section 90A (Double tax avoidance agreement). This would be applicable even if no proceedings are pending before any income-tax authority.
- Due date for filing of return has been proposed to be extended for Corporate assesses who have undertaken international transactions and required to file Form 3CEB, from 30th September to 30th November. This is a welcome step since it would give leverage to the assesse to access various data available in public domain for the year under consideration.
- It is proposed to insert new section 285 wherein Liaison office in India would be required to file annual statement within 60 days from the end of financial year in the prescribed form and providing the prescribed details. This amendment is effective from June 01, 2011.
- *Tax incentives for R&D investment*The existing weighted deduction of 175% in case of payment to approved scientific research associations, National Laboratory, University, IIT, etc for the purpose of scientific research programme is also proposed to increase to 200%**.** This proposal would give a major stimulus for the business sector to invest more towards research and development activities.

Sectoral Tax Incentives and Measures

- Under the existing provisions of Section 80IA(4)(iv) provides deduction to power companies engaged in generation, transmission and distribution of power and substantial renovation in existing distribution lines. The said deduction was available only if they start operations before period ending 31st March 2011. It is proposed to extend the sun-set clause for a further period of one year i.e. 31st March 2012.
- The Budget proposed to provide a sunset clause for the deduction u/s 80IB available to undertakings engaged in production of mineral oil after April 1, 1997 shall not be available to blocks licensed under the contract awarded after March 31, 2011 under new Exploration Licensing Policy and any other law in force by the Central or State Govt.
- The Finance Act 2010 provided to extend investment linked incentive u/s 35AD of the Act to the specified businesses. The definition of specified business has been extended to include:
  - Developing and building a housing project under a scheme for affordable housing framed by Central or State Govt and notified by board.
  - Production of fertilizer.
- Hotel sector is covered under the definition of specified business u/s 35AD irrespective of the location. The deduction was also available to business of building & operating a **new** hotel or **new** hospital in India. The condition of new has been uplifted with retrospective effect from insertion of the deduction. This would boost the Tourism and hospital sectors.
- A clarification is provided in the definition of “Charitable Purpose” in section 2 (15) to provide that advancement of any object of general public utility shall continue to be a “Charitable Purpose” if the total receipts from any activity/ rendering of services in the nature of trade/commerce or business does not exceed Rs. 10 Lakh in the previous year. This existing limit of Rs. 10 Lakh is proposed to be increased to Rs. 25 Lakh. The proposal is welcome and would extend relief to the association who were deprived of the benefit of tax exemption on account of meager receipts from trading or business activities.

Chapter 5
Indirect Taxes – Sector and Industry Specific Analysis

Chapter 5

Indirect Taxes: Sector and Industry Specific Analysis

Air Conditioning and Refrigeration

Industry Issues

Parts of air-conditioners falling under tariff heading 8415 90 00 attract customs duty of 10%. This needs to be brought down to 7.5%.

Excise duty is exempted on 21 specified equipment mentioned in list 4 of central excise notification 6/2006 – sl no. 5 when used for installation of cold storage, cold room or refrigerated vehicles for preservation, storage or transport of agricultural produce. This list needs to be expanded to include insulated composite panels, cold store door and electrical control panels.

The practice of annual maintenance contract (AMC) for air-conditioning and refrigeration equipment is widely prevalent. As per service tax notification 12/2003 dated 20th June 2003, service tax is exempted on the value of goods and materials supplied by the service provider subject to documentary proof. There is practical difficulty in keeping separate records for materials utilized in case of comprehensive annual maintenance contracts and therefore, there is need to simplify the procedure.

What CII Wanted

- Reduce customs duty from 10% to 7.5% on parts of air-conditioners.
- Extend excise exemption to insulated compositive panels, cold store door and electrical control panels.
- Necessary provision may be made to charge service tax on specified percentage of the value of contract in case of comprehensive annual maintenance contracts.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Window / wall type self contained or split air-conditioners (8415 10)	10	10	10	10	10	10
Household refrigerators compression type (8418 21 00)	10	10	10	10	10	10
Inputs						
Compressors (8414 30 00, 8414 80 11)	10	10	10	7.5	7.5	7.5
Thermostats (9032 1010) Electronic Controls (8537 10 10, 8543 89 99) Copper/copper alloys tubes and fittings (7411, 7412)	10	10	10	7.5	7.5	7.5
Parts of air-conditioners (8415 90 00)	10	10	10	10	7.5	10

Impact of Budget 2011-12

- Excise duty has been fully exempted on air conditioning equipment and panels of 3 tonne air-conditioning capacity and above, and refrigeration panels required for the installation of a cold storage, cold room or refrigerated vehicle for the preservation, storage, transport or processing of agricultural, apiary, dairy, poultry, aquatic and marine produce.

Alkalies

Industry Issues

The major user industries of caustic soda are pulp & paper, textile processing, aluminium smelting, soaps & detergents and plastic polymers. At present about 93% of the installed capacity of 32 lakhs MT is based on the more efficient membrane cell technology.

Customs duty on mono or bipolar membrane electrolysers and its parts as well as membranes for replacement and parts thereof is 5%. However, spare parts, other than membranes and parts thereof, required for the existing membrane cell plants attract customs duty of 7.5%. The concessional duty rate of 5% needs to be extended to such spare parts also.

Electric power is the key input required for manufacture of caustic soda and accounts for almost 60% of the total cost of production. Many caustic soda manufacturers have set up their own captive power plants and most of these are based either on coal or fuel oils like furnace oil, LSHS etc. Reduction in customs duty on steam coal from 5% to NIL would give some relief to the plants using coal.

What CII Wanted

- Allow import of spares (other than membranes and parts thereof) for existing membrane cell caustic soda / caustic potash plants at 5% customs duty.
- Reduce customs duty from 5% to NIL on steam coal.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Caustic Soda (Sodium Hydroxide) (2815 11 & 2815 12)	10	10	10	7.5	7.5	7.5
Soda Ash (Disodium Carbonate) (2836 20)	10	10	10	7.5	7.5	7.5
Spare parts for caustic soda and caustic potash Membranes and parts thereof for replacement of worn out membranes (85 or any other chapter)	10	10	10	5	5	5
Other spare parts falling under chapter 84,85 or 90	10	10	10	7.5	5	5
Inputs for captive Power Plants - Steam coal (2701 19 20)	NIL	NIL	**1**	5	NIL	NIL
- Furnace oil, LSHS (2710 19 50)	14	14	14	10	10	10

Impact of Budget 2011-12

- The levy of safeguard duty on imports of caustic soda lye during 01.04.2009 to 30.03.2010 has been incorporated in the Finance Bill for validating or confirming it.
- Excise duty of 1% has been levied on coal without CENVAT credit.

Auto Components

Industry Issues

The automotive Mission Plan 2016 (AMP) envisions that the auto-component industry will need huge investments to augment capacity. In this sector, specially the SMEs require up-gradation of technology and modernization of manufacturing process. This requires creation of Auto Component Technology and Modernization Development Fund by the Government.

As the customs duty on auto components is already low, there should be no further reduction of duty rates in the budget 2011.

The indigenous manufacturers of automotive air-conditioning system are facing problem of excess CENVAT credit due to high content of imported inputs which attracts 10% countervailing duty and 4% special additional duty as against 10% excise on the final product.

What CII Wanted

- Create Auto Component Technology & Modernization Fund.
- There should be no further reduction in customs duty rates on auto components.
- Exempt SAD on parts and components imported by manufactures of automotive air-conditioning equipment.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Engine for vehicles (8407 31, 8407 32, 8407 33, 8407 34, 8408 20)	10	10	10	7.5	7.5	7.5
Camshafts, crankshafts and bearing housings (8483) Parts suitable for use principally with vehicle engines (8409 91 and 8409 99)	10	10	10	7.5	7.5	7.5
Gear boxes (8708 40 00) Lighting or visual signaling equipment (8512 20)	10	10	10	10	10	10
Automotive air-conditioning system (8415 20 90)	10	10	10	10	10	10

Impact of the Budget 2011-12

- There is no change in customs and excise duty structure.

Automobiles

Industry Issues

Multi-utility vehicles (MUVs) provide mass transportation and around 70% of MUVs are used in rural areas. These attract excise duty of 22% which needs to be brought down to CENVAT rate of 10%.

Cars of engine capacity exceeding 1500 cc attract a very high rate of excise duty of 20% plus specific duty of Rs 15,000. The specific excise duty needs to be withdrawn.

Motor vehicles falling under CET 8703 and registered as taxi for transport up to 7 persons including driver have effective rate of 10% excise duty. The same benefit should be extended to vehicles registered as maxi – cab (taxi) having seating capacity of 8 - 10 persons.

Presently chassis of vehicles fitted with engine attract excise duty of 10% plus ` 10,000 per unit. Specific duty of `10,000 on chassis of light commercial vehicles falling under HS Code 8704 21 and 8704 31 needs to be dispensed with.

What CII Wanted

- Reduce excise duty from 22% to 10% on MUVs.
- Withdraw specific excise duty element of ` 15,000 on passenger cars of engine capacity exceeding 1500 cc
- Extend the existing benefit of excise duty refund for taxis to vehicles having seating capacity of 8-10 persons when registered as maxi-cab (taxi).
- Withdraw specific element of excise duty of ` 10,000 on chassis fitted with engine of vehicles having Gross Vehicle Weight (GVW) not exceeding 5 tons.

What the Government Gave

Item	Excise Duty			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
2-wheelers (8711), 3-wheelers (8703)	10%	10%	10%	60	60	60
Petrol, LPG or CNG driven small cars up to 1200 cc and length up to 4000 mm (8702, 8703) Diesel driven small cars up to 1500 cc and length up to 4000 mm (8702, 8703)	10%	10%	10%	60	60	60
Multi utility vehicles (MUVs) (8702, 8703)	22%	10%	10%	60/10	60/10	60/10
Motor vehicles (8702, 8703) of engine capacity exceeding 1500 cc	22% plus ` 15,000	22%	22% plus ` 15,000	As applicable	As applicable	As applicable
Automobile chassis of light commercial vehicles	10% plus ` 10,000	10%	10% plus ` 10,000	10	10	10

Impact of Budget 2011-12

- Concessional Customs duty of 10% presently applicable to cars, station wagons and 2 wheelers imported in completely Knocked Down Condition (CKD) has been withdrawn on such units which contain a pre-assembled engine or gear box or transmission mechanism or a chassis where such parts or such assemblies are installed.
- Concessional rate of NIL basic Customs duty and exemption of SAD has been extended to four specified parts of the hybrid vehicles.
- Concessional excise duty of 10% has been made applicable on Hydrogen Vehicles based on fuel cell technology.
- Concessional rate of 10% excise duty has been extended to factory build ambulances.
- Concessional excise duty on taxis has been extended to vehicles carrying 13 passengers including driver.

Capital Goods / Projects Imports

Industry Issues

Excise duty exemption to goods required for setting up Ultra Mega Power Projects based on super critical coal-thermal technology with installed capacity of 3960 MW or above is available if the like goods when imported in India are exempt from customs duties. A specific entry for Ultra Mega Projects may be incorporated in customs notification 21/2002 for the sake of clarity.

Exemption of 4% special CVD includes various types of projects and certain capital goods. This exemption erodes competitiveness of the domestic industry.

Mega power projects, nuclear power projects, specified goods for coal bed methane operations and goods required for petroleum exploration licences / leases and petroleum operations under specified contracts under NELP and LNG attract zero customs duties. Such duty concessions puts the domestic industry at a cost disadvantage particularly in cases where full deemed export benefits are not allowed.

Import of 23 specified equipments specified in list 44 of customs notification 21/2002-sl.no. 424 and used for high voltage transmission projects are allowed at concessional customs duty of 5% but there is no provision for concessional rate of duty on inputs.

What CII Wanted

- Incorporate a specific entry for exemption of customs duties on Ultra Mega Power Projects in customs notification 21/2002.
- Impose 4% SAD on all types of projects and others which involve import of capital goods.
- Import of capital goods under 0% category for project imports and others should be removed.
- Allow import of inputs by indigenous manufacturers at 5% customs duty for manufacture of 23 specified high voltage transmission equipment i.e. at par with the end product.

What the Government Gave

Item	Excise Duty (%)			Customs Duty +CVD +Spl. CVD (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Mega Power Projects (9801)	10	10	10	NIL+NIL+NIL	5+NIL+4	NIL+NIL+NIL
Specified goods for petroleum exploration. (84 or any other chapter)	10	10	10	NIL+NIL+NIL	5+NIL+4	NIL+NIL+NIL
Power generation projects (9801)	10	10	10	5+10+NIL	5+10+4	5+10+NIL
23 specified equipment for high voltage transmission projects (84 or any other chapter)	10	10	10	5+10+4	5+10+4	5+10+4
General machinery and equipment (84, 85, 90)	10	10	10	7.5+10+4	7.5+10+4	7.5+10+4

Impact of Budget 2011-12

- In line with CII recommendation, import of parts & components for manufacture of 23 specified equipment has been allowed at 5% customs duty, 4% CVD and NIL SAD subject to actual user condition.
- Benefit of exemptions available on Ultra Mega Power Projects has been extended for development of facilities such as ash disposal system, water intake including treatment and storage facilities and coal transportation, both inside and outside the power plant.
- Water Pumping Station and Water Reservoir have been included in the scope of projects eligible for exemption.

Cement

Industry Issues

Customs duty on cement was reduced from 12.5% to NIL on 22nd January 2007 and continues at the same rate.

Coal is the main fuel for manufacture of cement and 50 – 55% of the requirement is met through linkage. Due to short supply of indigenous coal, the cement industry has to depend upon imported coal and alternative fuel petroleum coke. There is a customs duty of 5% on coal and petroleum coke, which needs to be reduced to NIL.

In case of cement, excise duty is applicable on RSP without any abatement. Also specific excise duty is applicable in certain cases. There is need to rationalize excise duty structure on cement and allowing adequate abatement.

What CII Wanted

- Reduce customs duty from 5% to NIL on non-coking coal and petroleum coke.
- Rationalize excise duty on cement and allow abatement in excise duty charged on cement based on retail sale price.

What the Government Gave

Item	Excise Duty			Customs Duty%		
	2010-11	**What CII wanted**	**Budget 2011-12**	**2010-11**	**What CII wanted**	**Budget 2011-12**
Cement of RSP not exceeding ` 190 per 50 Kg bag (2523 29)	` 290 per tonne	10% of RSP with abatement	**10% plus ` 80 per tonne**	NIL	NIL	NIL
Cement of RSP exceeding ` 190 per 50 Kg bag (2523 29)	10% of RSP	10% of RSP with abatement	**10% plus ` 160 per tonne**	NIL	NIL	NIL
Cement cleared in other than packaged form (2523 29)	10% or ` 290 per tonne which is higher	10%	10%	NIL	NIL	NIL
Cement clinkers (2523 10 00)	` 375 per tonne	` 375 per tonne	**10% plus ` 200 per tonne**	10	10	10
Inputs						
Non-coking coal (2701 12, 2701 19 20)	NIL	NIL	**1%**	5	NIL	5
Petroleum coke (2713 11 00)	14%	14%	14%	5	NIL	2.5

Impact of Budget 2011-12

- Customs duty has been reduced on petroleum coke and mineral gypsum from 5% to 2.5%.
- Excise duty based on RSP without abatement has been done away with and excise duty has been levied 10% ad-valorem plus specific duty as given in the table above.
- Excise duty on fly ash and coal has been increased from NIL to 1% without CENVAT credit.

Cigarettes

Industry Issues

The current system of length based specific excise duty for cigarettes has ensured dispute free buoyancy in revenues for more than 20 years. It needs to be continued at the current level of taxation in excise except cigarettes of length not exceeding 60 mm.

The new segment of filter cigarettes, length not exceeding 60 mm, with excise duty of ` 689 per thousand cigarettes introduced in the budget 2010, was expected to provide an opportunity to the legitimate cigarette industry to offer cigarettes at competitive price. Consequently the organized industry launched filter cigarettes of 59 mm at cheaper price of ` 15 for a pack of 10 cigarettes but it has not helped as illegal filter cigarettes are sold to consumers at ` 10 per pack. There is need to reduce the excise duty further.

The high excise duty rates on domestic cigarettes provide an attractive tax arbitrage opportunity, resulting in the widespread availability of smuggled cigarettes and revenue loss to exchequer. This adversely affects domestic industry also.

What CII Wanted

- Continue with the specific excise duty structure for cigarettes other than not exceeding 60mm at current level of taxation.
- Reduce excise duty on cigarettes not exceeding 60 mm length from ` 669 to ` 200 per 1000 cigarettes.
- Increase surveillance and stricter implementation of anti-smuggling measures.

What the Government Gave

Item	Excise + NCCD+Health Cess ` Per 1000 Cigarettes			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Cigarettes non-filter (<=60mm) (2402 20 10)	669	200	669	30	30	30
Cigarettes non-filter (>60-70mm) (2402 20 20)	1473	1473	1473			
Cigarettes filter (<=60mm) (2402 20 30)	669	200	669			
Cigarettes filter (61-70mm) (2402 20 40)	969	969	969			
Cigarettes filter (71-75mm) (2402 20 50)	1473	1473	1473			
Cigarettes filter (76-85mm) (2402 20 50)	1959	1959	1959			
Cigarettes other (2402 20 90)	2363	2363	2363			
Cigarettes of tobacco substitute	1408	1408	1408			

Impact of Budget 2011-12

- There is no change in excise duty structure of cigarettes.
- Import of acetate tow for manufacture of filter rods and filter rods for manufacture of filter cigarettes under concessional duty rate has been restricted and the importer has to follow the procedure set out in Customs (import of goods at concessional rate of duty for manufacture of excisable goods) Rules, 1996.

Drugs & Pharmaceuticals

Industry Issues

In the budget 2010, basic customs duty on medical equipment falling under chapter 90 was reduced from 7.5% to 5% and sl. No. 363 of customs notification 21/2002 and sl. No. 61 of excise notification 6/2006 were omitted. Angiography contrast agents fall under HS Code 3004 90 99 and due to these changes, customs duties on these have increased from 5% plus NIL CVD to 10% plus 4% CVD.

Navelbine is a new medicine and is being imported for use in the therapy of treating Non-Small-Cell Lung Cancer (NSCLC). This needs to be included as a life saving drug in list 4 of customs notification 21/2002-sl. No. 83.

In list 3, "Interferon alpha-2b/alpha-2a/interferon alpha-2a/Interferon NL (LNS)" appears at sl. no. 37 and attracts customs duty of 5%. Likewise, "Interferon beta-1b" is a newly developed life saving drug akin to the medicine and should be given the same concession.

List 3, also includes cancer drugs "Pegulated Liposomal Doxorubicin Hydrochloride injection" and "Doxorubicin" at sl. no. 89 and 128 respectively. Likewise, "Doxorubicin Hydrochloride Liposomal injection" is a medicine meant for treatment of cancer and needs to be included in the list.

What CII Wanted

- Reduce customs duty from 10% to 5% and excise duty from 4% to NIL on angiography contrast agents.
- Include Navelbine as life savings drug for cancer in list 4 of customs notification 21/2002 to bring down customs duty to NIL.
- Allow import of interferon beta-1b and doxorubicin Hydrochloride Liposomal injection at concessional customs duty of 5% by including these in list 3 of customs notification 21/2002.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Drug formulations (3001, 3003, 3004, 3005, 3006)	4	4	5	10	10	10
126 specified life saving drugs / medicines including their salts and esters and diagnostic kits – list 4 of customs (28,29,30,38)	NIL	NIL	NIL	NIL	NIL	NIL
159 specified drugs, medicines, diagnostic kits or equipment – list 3 of customs (28,29,30)	NIL	NIL	NIL	5	5	5
Angiography Contrast agents (3004 90 99)	4	NIL	5	10	5	5

Impact of Budget 2011-12

- Customs duty on 4 life saving drugs Rasburicase, Nilotinile, Preumococcal sacchride conjugate vaccine absorbed 13 – valent suspension for injection and Micafungin sodium for injection has been reduced to 5%.
- Customs duty has been reduced form 25% to 10% on lactose used in the manufacture of homeopathic medicines.
- Excise duty of 1% without CENVAT credit has been reduced to 5%.
- Excise duty of 1% without CENVAT credit has been imposed on medicaments, certain vaccines, and intravaneous fluids which are used for sugar, electrolyte or fluid replishement.

Earth Moving & Construction Equipment

Industry Issues

Import of self propelled mechanical shovels and excavators falling under Customs Tariff headings 8429 52 00 and 8429 59 00, are allowed with a rebate of 20% on the applicable basic customs duty under Agreement of Global System of Trade Preferences (GSTP). In view of substantial imports under GSTP, the existing customs duty of 7.5% on earth moving and construction equipment should not be reduced.

In the budget 2006, levy of 4% SAD was extended to all imports with certain exceptions which includes sectors like mega power projects as well as oil exploration where earthmoving and construction equipment are used. This defeats the basic principle of this levy i.e. compensating the indigenous manufacturers for state level taxes such as CST/VAT.

20 specified equipment used for construction of roads are allowed for import at NIL basic customs duty, NIL CVD and NIL additional duty of customs (SAD) as per customs notification 21/2002-sl.no.230 and customs notification 20/2006-sl.no.1. There is no corresponding provision for allowing import of inputs of these equipment by indigenous manufacturers at concessional rate of customs duties.

What CII Wanted

- Existing customs duty rate of 7.5% on construction equipment should be continued.
- Impose 4% SAD on all type of projects and others which involve import of earthmoving and construction equipment to counter balance taxes such as CST/VAT.
- Allow import of inputs such as hydraulic components / aggregates (not manufactured in India) by indigenous manufacturers at NIL customs duties for manufacture of 20 specified road construction equipment mentioned in list 18 of customs notification 21/2002.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	**What CII wanted**	**Budget 2011-12**	**2010-11**	**What CII wanted**	**Budget 2011-12**
Complete equipment such as excavators / dozers / shovel loaders / mechanical shovels etc. (8429, 8430)	10	10	10	7.5	7.5	7.5
Complete Off-Highway dumpers (8704 10)	10	10	10	10	10	10
20 specified equipment for construction of roads – list 18 (84 or any other chapter)	10	10	10	NIL	NIL	NIL

Impact of Budget 2011-12

- There is no change in customs and excise duty structure on earthmoving and construction equipment.

Ferro Alloys

Industry Issues

The indigenous raw material for production of ferro-vanadium is vanadium bearing aluminium sludge produced by aluminium industry and due to its limited availability, ferro-vanadium producers are importing vanadium pentaoxide and vanadium sludge. 7.5% customs duty on vanadium pentaoxide and vanadium sludge is higher than 5% customs duty applicable on ferro-vanadium which erodes the competitive edge of indigenous manufactures. This anomaly needs to be corrected.

What CII Wanted

- Reduce customs duty from 7.5% to 5% on vanadium pentaoxide.
- Reduce customs duty from 7.5% to 2% on vanadium sludge / ammonium metavanadate.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Ferro-manganese (7202 11 00, 7202 19 00) Ferro-silicon (7202 21 00, 7202 29 00) Ferro-chromium (7202 41 00, 7202 49 00) Ferro-molybdenum (7202 70 00) Ferro-vanadium (7202 92 00)	10	10	10	5	5	5
Ferro-nickel (7202 60 00)	10	10	10	5	NIL	2.5
Inputs						
Ores of manganese, chrome, molybdenum, vanadium etc (26)	NIL	NIL	NIL	2	2	2.5
Vanadium pentaoxide (2825 30)	10	10	10	7.5	5	7.5
Vanadium sludge (2841 90 00)	10	10	10	7.5	2	7.5

Impact of Budget 2011-12

- Customs duty has been increased from 2% to 2.5% on all ores and concentrates.
- Customs duty on ferro-nickel has been reduced from 5% to 2.5%.
- Excise duty of 1% has been levied on coal and metocoke without CENVAT credit.
- Provision has been made in the Finance Bill to amend notes of chapter 26 where in process of converting ores to concentrates shall amount to manufacture.

Glycerine

Industry Issues

Refined glycerine attracts customs duty of 7.5%. The main input for manufacture of refined glycerine is crude glycerine which attracts customs duty of 12.5%. Thus there is a gap of 5% between raw material and finished product duty structure. This is case of inverted duty structure which needs to be corrected.

The existing generation of crude glycerine in India is not enough to meet the installed glycerine refining capacity and hence India is a net importer of crude glycerine. India imported crude glycerine valuing ` 1646 lacs during 2009-10. Therefore, customs duty on crude glycerine should be reduced from 12.5% to 7.5% to bring at par with the duty on refined glycerine.

What CII Wanted

- Reduce customs duty on crude glycerine from 12.5% to 7.5%.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Refined Glycerine (Glycerol) (2905 45 00)	10	10	10	7.5	7.5	7.5
Refined Glycerine (Glycerol) from ASEAN Agreement Countries (2905 45 00)	10	10	10	6	6	6
Refined Glycerine (Glycerol) from Asia Pacific Trade Agreement countries (2905 45 00)	10	10	10	2.175	2.175	2.175
Inputs						
Crude Glycerine (Glycerol) (1520 00 00)	10	10	10	12.5	7.5	7.5

Impact of Budget 2011-12

- There is no change in Customs and excise duty on glycerine.

Hydrocarbons

Industry Issues

Government has given exemption from customs duties on goods specified in list 12 of customs notification 21/2002 when imported for petroleum operations in specified areas subject to fulfillment of specified conditions. However, payment of service tax is applicable on taxable services utilized for exploration and production of crude oil and natural gas which needs to be exempted.

National Calamity Contingent Duty (NCCD) of ` 50 per tonne is payable on crude oil which was imposed vide Section 169 of the Finance Act 2003 and it was mentioned that it will be limited to one year only i.e upto 29.02.2004. Subsequently in the Finance Act 2005, NCCD was extended without any time limit. NCCD on crude oil needs to be withdrawn.

Compressed Natural Gas (CNG) usage in vehicles helps in the reduction of carbon emission. CNG attract excise duty of 14% compared to the general rate of 10%. Reduction in excise duty on CNG would promote the conversion of vehicles from liquid fuels to CNG.

What CII Wanted

- Exempt service tax on services used for exploration and production of crude oil and natural gas.
- Withdraw NCCD on crude oil.
- Reduce excise duty from 14% to 10% on CNG.

What the Government Gave

Item	Excise Duty			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Crude Oil (2709 00 00)	Cess of ` 2500 per tonne	Cess of ` 2500 per tonne	Cess of ` 2500 per tonne	5	5	5
Natural Gas (2711 21 00)	NIL	NIL	NIL	5	5	5
Liquefied Natural gas (LNG) (2711 11 00)	NIL	NIL	NIL	5	5	5
Compressed Natural Gas (CNG) (2711 29 00)	14%	10%	14%	10	10	10

Impact of Budget 2011-12

- The existing excise and customs duty rates continues.

Medical Equipments

Industry Issues

Orthopedic implants are used for treatment of disability to the skeletal system due to trauma or age related changes. These are eligible for import at NIL basic customs duty as per sl.no. B(1) and E(9) of list 41 related to sl.no.370 of customs notification 21/2002. CVD and 4% SAD are also exempted as per sl.no. 68 of the excise notification 6/2006 and sl.no.1 of customs notification 20/2006 respectively.

Raw materials for manufacture of these implants consist of special grade stainless steel, titanium alloys, cobalt-chrome alloys and high-density polyethylene. Basic custom duty on these inputs was reduced to NIL in the budget 2010 vide sl. No. 142 C of customs notification 21/2002. However, these inputs attract 10% CVD and 4% SAD which makes the cost of indigenous manufacturing of these implants higher. Exemption of CVD and SAD needs consideration.

Endo stents are used for treatment of patients with cardiovascular disease. Customs duty on coronary stents is NIL as per sl no. 543 of customs notification 21/2002 where as endo stents attract duty of 7.5%. Endo stents needs to be exempted from customs duty.

What CII Wanted

- Exempt CVD and SAD on four main inputs for orthopedic implants.
- Reduce customs duty from 7.5% to NIL on endo stents.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Medical Equipment (9018, 9019, 9022)	4	4	**5**	5	5	5
Coronary stents and coronary stent systems for use with cardiac catheters (90)	NIL	NIL	NIL	NIL	NIL	NIL
Orthopedic appliances (9021)	NIL	NIL	NIL	5	5	5
Inputs						
Special grade stailess steel, titanium alloys, cobalt – chrome alloys, high-density polyethylene for manufacture of orthopedic implants of sub-heading 9021 10 (39, 72 and 81)	10	10	10	NIL	NIL	NIL

Impact of Budget 2011-12

- Customs duty on Endovasular stents has been reduced to NIL.
- Customs duty has been reduced from 10% to 5%; CVD from 10% to 5% and SAD to NIL on polypropylene, stainless steel strip and stainless steel capillary tube for manufacture of syringe, needle, catheters, cannuloe subject to actual user condition.
- Excise duty on baby and clinical diapers and adult diapers falling under tariff heading 4818 4010 and sanitary napkins under tariff heading 4818 40 90 has been reduced to 1% without CENVAT credit.
- Excise duty of 1% without CENVAT Credit has been levied on surgical rubber gloves or medical examination gloves.

Molasses

Industry Issues

Molasses is a by-product of sugar industry. It is used by distillers for production of ethyl alcohol (ethanol). Significant portion of the ethanol produced in India is used for manufacture of various industrial chemicals. With the introduction of Ethanol Blended Petrol in most of the states, the availability of denatured ethyl alcohol for chemical industry will be limited.

Excise duty on molasses is ` 750 per metric tonne since 1 March 2006 which was fixed considering the general CENVAT rate of 16% and the prevailing market price of molasses at that time. The general rate of excise duty has been reduced from 16% to 10% but there has not been any reduction in the specific excise duty rate on molasses. Therefore, there is need to reduce the specific excise duty on molasses.

What CII Wanted

- Reduce excise duty on molasses from ` 750 to ` 500 per MT.

What the Government Gave

Item	Excise Duty			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Molasses (1703)	` 750 per MT	` 500 per MT	` 750 per MT	10	10	10

Impact of Budget 2011-12

- There is no change in excise and customs duty of molasses.

Non-ferrous Metals

Industry Issues

The production of non-ferrous metals from mineral ores is highly energy-intensive whereas production originating from scrap results in energy savings. The recyclability of non-ferrous metals without loss of their intrinsic properties, adds to their competitiveness and environmental benefits.

In India, the secondary producers of non-ferrous metals can be divided into two categories viz. the organized sector and unorganized sector. The organized sector finds itself in a disadvantageous position due to the following:

- Customs duty on scrap of non-ferrous metals (except aluminium) is 5% which is at par with customs duty on non-ferrous metals.
- Unable to utilize the CENVAT credit of 10% CVD and 4% SAD paid on imported scrap due to low value addition in conversion of scrap into metal form.

There is need to encourage recycling of copper, zinc and lead by reducing basic customs duty and SAD on scrap of these non-ferrous metals.

What CII Wanted

- Reduce customs duty from 5% to NIL on scrap of copper, zinc and lead.
- Exempt 4% SAD on scrap of copper, zinc and lead.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Unwrought aluminium (7601) Unwrought copper, copper anodes (7402) Unwrought zinc (7901) Unwrought lead (7801)	10	10	10	5	5	5
Scrap of Non-Ferrous Metals						
Aluminium waste and scrap (7602)	10	10	10	NIL	NIL	NIL
Copper waste and scrap (7404) Zinc waste and scrap (7902) Lead waste and scrap (7802)	10	10	10	5	NIL	5

Impact of Budget 2011-12

- Special Additional Duty of Customs (SAD) has been exempted on copper dross, copper oxide mill scale, brass dross and zinc ash.
- Provision has been made in the Finance Bill to amend the notes of Chaper 26 where in process of converting ores to concentrates shall amount to manufacture.

Office Automation Equipment

Industry Issues

Fax machine, printer, scanner, photocopier and multifunctional devices are used for office automation and attract NIL customs duty under I.T. Agreement.

The folding, inserting and addressing machines are part of the down stream office automation after the documents or communicates are printed by the printing device. These machines are useful where volume of communication that needs to be processed is significant. With increased volumes, such productivity enhancement tools become very important to turn around the communications effectively and efficiently.

Currently such machines falling under tariff heading 8472 30 00 are not manufactured indigenously and are being imported. These machines attract basic customs duty of 7.5%, CVD of 10% and SAD of 4%. The high incidence of duties increase the cost of such machines which discourages the potential customer from moving to mechanized processing of the outgoing mail. Reduction in basic customs duty from 7.5% to NIL would help the user sectors.

As per the import data available on DGFT website for tariff heading 8472 30 00, the total import from all countries was ` 208.84 lacs in 2009-10.

What CII Wanted

- Reduce customs duty from 7.5% to NIL on folding, inserting and addressing machines falling under tariff heading 8472 30 00.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Fascimile (FAX) machines (8443 32 60) Printer (8443 32) Multifunctional device to fax, scan and print (8443 31 00)	10	10	10	NIL	NIL	NIL
Scanners (8471 60 50)	10	10	10	NIL	NIL	NIL
Photocopier of specified types (8443 39)	10	10	10	NIL	NIL	NIL
Machines for sorting or folding mail or for inserting mail in envelopes or bands, machines for opening, closing or sealing mail and machines for affixing or canceling postage stamps (8472 30 00)	10	10	10	7.5	NIL	7.5

Impact of Budget 2011-12

- Excise duty/CVD has been reduced to 5% and SAD has been made NIL on parts of inkjet and laser jet printers imported by actual users for manufactures of printers.
- Concessional rate of 5% Customs duty, NIL excise / CVD and NIL SAD has been extended to mailroom equipment viz, overhead conveyor gripper, stacker, wrapper, labeler, strapper, inserters and delivery conveys designed for use with high speed printing machines with a minimum speed of 70,000 copies per hour when imported by newspapers registered with Registrar of Newspapers of India.

Optical Disc Drives

Industry Issues

Optical disc drives (ODD) such as CD-ROM drive, DVD drive/DVD writers and Combo drive falling under tariff heading 8471 70 are used in automatic data processing machines. These are exempted from payment of all import duties as per details given below:

Basic customs duty – NIL	By tariff and customs Notification 24/2005–Sl. No. 8
Excise duty / CVD – NIL	Excise Notification 6/2006 – Sl. No. 17
Special Additional duty (SAD) – NIL	Customs notification 20/2006 – Sl. No 1

Four specified parts of optical disc drive are also exempted from basic customs duty when imported by a manufacturer as per sl no. 604 of customs notification 21/2002 but 10% CVD and 4% SAD are applicable for which no CENVAT credit can be availed resulting in higher cost. Consequently import of completely built unit (CBU) of optical disc drive is cheaper than the domestically manufactured.

Government has exempted basic customs duty, CVD and SAD on parts, components and accessories for manufacture of mobile handsets vide customs notifications 23/2010 and 28/2010 to encourage manufacture within the country. This has resulted in manufacture of mobile phones in India. Similar exemption of CVD and SAD on optical disc drive would facilitate indigenous manufacturing.

What CII Wanted

- Exempt CVD and SAD on parts of optical disc drives when imported for manufacturing.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Optical disc drives (8471 70)	NIL	NIL	NIL	NIL	NIL	NIL
4 specified parts of optical disc drives (8473 30 99)	10	NIL	5	NIL	NIL	NIL

Impact of Budget 2011-12

- CII recommendation has been partially accepted by exempting SAD and reducing CVD/excise duty form 10% to 5% on parts of optical disc drives viz. DVD Drivers /writers, CD Drives and Combo Drives subject to actual user condition.

Packaged Drinking Water

Industry Issues

The manufacturers of packaged drinking water make available clean and potent water to the consumers thereby ensuring that the basic need of hygiene and hydration of consumers are both met. In fact this dove tails well into Government's objective of providing clean drinking water to all sections of the society.

Currently packaged drinking water is levied excise duty of 10%. The packaged drinking water is a common man's product and should be put in the NIL excise duty category at par with various food products. However NIL excise duty would break the CENVAT chain and therefore excise duty be brought down to 4%.

What CII Wanted

- Reduce excise duty from 10% to 4% on packaged drinking water.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Water including natural or artificial mineral water in packaged form (2201, 2202)	10	4	10	30	30	30
Water not cleared in sealed containers (2201 90 00)	NIL	NIL	NIL	30	30	30

Impact of Budget 2011-12

- There is no change in customs and excise duty structure on packaged drinking water.

Paper & Paper Board

Industry Issues

The main constituent of paper is cellulose which is usually produced from wood, bamboo, waste paper and agro-residue like bagasse, jute, straw etc. The declining availability of wood and bamboo because of shrinking forest cover, ecological concerns and other priority uses of forest based raw materials have resulted in increased usage of waste paper as an input for manufacture of paper. Industry depends on import of waste paper for manufacture of recycled paper/paperboard.

India imported waste and scrap of paper worth ` 1972 crores during 2009 – 10. Presently customs duty on waste and scrap of paper is 5% as per sl.no.152 of customs notification 21/2002 which needs to be reduced NIL.

Coal is used in paper industry for producing steam and power. Bereft of 'core sector' status, this industry is not in a position to secure uninterrupted supply of coal from collieries. Consequently, the paper industry has no option but to import coal at a higher price. Imported coal attracts 5% basic customs duty which needs to be reduced to NIL.

What CII Wanted

- Reduce customs duty from 5% to NIL on waste & scrap of paper.
- Reduce customs duty from 5% to NIL on coal.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Newsprint in specified form and size (4801)	NIL	NIL	NIL	NIL	NIL	NIL
Light weight coated paper (LWC) for printing of magazines (4810)	NIL	NIL	NIL	NIL	NIL	NIL
Coated paper and paper board other than LWC (4810)	4	4	5	10	10	10
Uncoated paper and paper board (4802)	4	4	5	10	10	10
Inputs						
Wood pulp for newsprint (47)	NIL	NIL	NIL	NIL	NIL	NIL
Wood pulp for other paper (47)	NIL	NIL	NIL	5	5	5
Waste and scrap of paper (4707)	4	4	5	5	NIL	2.5
Coal (2701 12 00, 2701 19 20)	NIL	NIL	1	5	NIL	5

Impact of Budget 2011-12

- Customs duty on Rayon grade wood pulp and waste paper has been reduced from 5% to 2.5%.
- Earlier customs exemption to printed books has now been restricted to goods falling under tariff heading 4901 1010, 4901 91 00 and 4901 99 00.
- Excise duty exemption earlier available to clearance of paper manufactured from non-conventional material upto 3500 MT has been withdrawn.
- Excise duty exemption on writing or printing paper for printing of educational text books has been withdrawn and excise of 1% without CENVAT credit has been imposed.
- Excise duty of 1% has been levied without CENVAT credit on coal, all sorts of wood pulp, note books and excise note books.

Soaps

Industry Issues

Customs duty on soaps and soaps noodles is 10%. Various inputs for manufacture of soap and soap noodles attract higher rate of customs duty creating an anomalous situation.

Crude palm stearin (CPS) and crude palm kernel oil (CPKO) with Free Fatty Acid (FFA) of 20% or more, commonly known as industrial oils, are used in the manufacture of soaps, fatty acids and fatty alcohols. Crude palm stearin attract customs duty of 10%. Other industrial oil attract customs duty of 20%. However, customs duty payable is 12.5% for manufactures of soaps, industrial fatty acids and fatty alcohols having plant for splitting up such oils into fatty acids and glycerols as per sl. No. 30 1(B) of customs notification 21/2002.

Palm fatty acid distillate (PFAD), industrial mono-carboxylic fatty acids and fatty alcohols falling under HS Code 3823 are also used for manufacture of soaps and customs duty on these continues at 15%, which is higher than the duty rate on soaps.

What CII Wanted

- Reduce the customs duty from 12.5% - 20% to 10% on industrial oils with FFA of 20% or more when imported for manufacture of soaps, industrial fatty acids and fatty alcohols.
- Reduce customs duty from 15% to 10% on palm fatty acid distillate (PFAD), industrial mono-carboxylic fatty acids and fatty alcohols.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Soaps and soaps noodles (3401 20 00)	10	10	10	10	10	10
Inputs						
Oils (except crude palm oil and crude palm stearin) having a Free Fatty Acid (FFA) 20% or more imported for manufacture of soaps, industrial fatty acids and fatty alcohol by a manufacturer having plant for splitting up of such oils into fatty acids and glycerols (1507 to 1515)	NIL	NIL	NIL	12.5	10	12.5
Oils (except crude palm oil), having a Free fatty Acid (FFA) 20% or more for manufacture of soaps, industrial fatty acids and fatty alcohols (1507 to 1515)	NIL	NIL	NIL	20	10	20
Palm fatty acid distillate, industrial mono-carboxylic fatty acids and industrial fatty alcohols (3823 11 90, 3823 12 00, 3823 13 00, 3823 19 00, 3823 70)	10	10	10	15	10	15

Impact of Budget 2011-12

- Customs duty on Crude Palm Stearin falling under tariff heading 3823 11 11 when imported for the manufacture of laundry soap has been reduced from 20% NIL.

Steel

Industry Issues

Nickel in various forms is the main raw materials in alloy/ stainless steel and is not indigenously available. It attracts customs duty of 2% which needs to be reduced to NIL.

Customs duty on ferro-alloys including ferro-nickel is 5%. Ferro-nickel is not produced indigenously and imported by alloy steel manufacturers. Customs duty on ferro-nickel needs to be reduced to NIL.

Induction furnaces owners using imported melting scrap of steel pay CVD of 10% and SAD of 4%. Their product attract excise duty of 10%. Consequently they are unable to utilize the CENVAT credit of CVD and SAD due to lower value addition in conversion of scrap into steel which adds to the cost.

What CII Wanted

- Reduce customs duty from 2% to NIL on unwrought nickel not alloyed and nickel-oxide sinters.
- Reduce customs duty on ferro-nickel from 5% to NIL.
- Exempt 4% additional duty of customs (SAD) on melting scrap of iron and steel imported by manufactures of steel.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Iron and non-alloy steel Ingots, billets, blooms, slabs, hot/cold rolled flat products, bars, rods, angles, shapes, sections, wires etc. (7206 to 7217)	10	10	10	5	5	5
Stainless steel and other alloy steel Ingots, billets, hot/cold rolled flat products, bars, rods, angles, shapes, sections, wires etc. (7218 to 7229)	10	10	10	5	5	5
Inputs for steel						
Melting scrap of iron or steel (7204)	10	10	10	NIL	NIL	NIL
Scrap of stainless steel for melting (7204 21)	10	10	10	2.5	2.5	NIL
Ferro-nickel (7202 60 00)	10	10	10	5	NIL	2.5
Nickel Oxide sinters (7501) Unwrought nickel not alloyed (7502 10 00)	10	10	10	2	NIL	2

Impact of Budget 2011-12

- Customs duty has been increased on iron ore from 2% to 2.5%.
- Customs duty on export of iron ore fines and lumps (other than pellets) has been increased to a unified rate of 20%.
- Customs duty on stainless steel scrap for melting has been reduced from 2.5% to NIL.
- Customs duty on ferro-nickel has been reduced from 5% to 2.5%.
- Explanation has been inserted to define coking coal for the purpose of existing exemption from customs duty under sl. No. 68A of customs notification 21/2002.
- Excise duty of 1% has been levied on coal and coking coal without CENVAT credit.
- Chapter note has been inserted to bring galvanizing under the scope of manufacture.

Synthetic Fibres and Yarns

Industry Issues

Caprolactum is used for manufacture of nylon tyre yarn and attracts customs duty of 10%. Caprolactum is also the main input for nylon staple fibre /nylon filament yarn. Nylon 6, 12 chips are used for manufacture of nylon monofilament and attract customs duty of 10%. Customs duty on these two inputs should be at least 2.5% less than the duty on end products.

With customs duty of 5% on PSF/PSY, customs duty on inputs viz spin finish oil needs to be reduced from 7.5% to 5%.

In chapter 28, titanium dioxide is the only chemical which attracts customs duty of 10%. All other products in this chapter has customs duty of either 5% or 7.5%. Titanium dioxides are of two types viz. Rutile and Anatase. Rutile variety is mainly used by the paint industry while Anatase grade is used by synthetic fibres and yarn industry as dulling agent. Titanium dioxide Anatase grade is not produced in India and customs duty on it needs to be reduced to 7.5%.

What CII Wanted

- Reduce customs duty from 10% to 7.5% on caprolactum, nylon 6, 12 chips and titanium dioxide anatase grade.
- Reduce customs duty from 7.5% to 5% on spin finish oil.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Fibres / Filaments						
Polyester staple fibre (PSF) and tow (5501 20 00, 5503 20 00, 5506 20 00)	10	10	10	5	5	5
Nylon staple fibre (5503 11 00)	10	10	10	10	10	7.5
Yarns						
Polyester filament yarn (PFY) (5401, 5402, 5406 00 16)	10	10	10	5	5	5
Nylon filament yarn (NFY) (5402,5406 10 00)	10	10	10	10	10	7.5
Nylon tyre yarn (5402 19 10)	10	10	10	10	10	7.5
Inputs						
Caprolactum (2933 71 00)	10	10	10	10	7.5	7.5
Nylon 6, 12 Chips (3908)	10	10	10	10	7.5	7.5
Titanium dioxide anatase grade (2823 00 10)	10	10	10	10	7.5	10
Spin finish oil (3403 11 00)	10	10	10	7.5	5	7.5

Impact of Budget 2011-12

- Customs duty on nylon yarn and nylon fibre falling under tariff heading 5402 to 5406 and 5501 to 5510 has been reduced from 10% to 7.5%.
- Customs duty on caprolactum and nylon chips has been reduced form 10% to 7.5%.
- Customs duty on acryloritile has been reduced from 5% to 2.5%.
- Customs duty on Polytetramethylene ether glycol (PT MEG) has been reduced from 7.5% to 5% subject to actual user condition.

Textile Machinery

Industry Issues

Customs duty on textile machines is 7.5% but certain specified machinery attract 5% customs duty. Accessories, parts and components of textile machinery fall under tariff heading 8448 and attract customs duty of 7.5% which needs to be reduced to 5%.

Shuttleless looms are allowed for import at concessional customs duty of 5%. Shuttleless looms (rapier, air jet, water jet), compact ring spinning frame and automatic cone winding machines are being manufactured by indigenous manufacturers and only few dedicated components, not manufactured in India, are imported.

Reduction of customs duty on such components from 5% to NIL would help the indigenous manufacturers to be competitive.

There are 40 items of machinery or equipment in list 2 of Central excise notification 6/2006 on which excise duty is 4%. Components for these machine attract excise duty of 10% which is creating distortion.

What CII Wanted

- Reduce customs duty from 7.5% to 5% on accessories, parts and components of textile machines falling under tariff heading 8448.
- Reduce customs duty from 5% to NIL on 15 imported dedicated parts, components and accessories of shuttleless looms, compact ring spinning frame and cone winding machines.
- Reduce excise duty from 10% to 4% on components of 40 specified textiles machinery and equipment to bring at par with the excise duty applicable on complete machines/ equipment.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Textile machinery (8444 to 8447, 8451 except 8451 21 00)	10	10	10	7.5	7.5	7.5
Inputs						
Auxiliary machinery, parts and components for textile machinery of headings 8444 to 8447 (8448)	10	10	10	7.5	5	7.5
40 specified equipment for textile industry – list 2 of excise (84, 85, 90 or any other chapter)	4	4	5	As applicable	As applicable	As applicable
Components of 40 specified equipment for textile industry – list of excise (84,85,90 or any other chapter)	10	4	5	As applicable	As applicable	As applicable

Impact of Budget 2011-12

- In line with CII recommendation, excise duty has been reduced from 10% to 5% on parts of 40 specified textile machinery and equipment to bring at par with excise/CVD applicable on complete equipment.
- Excise duty of 5% has been imposed on automatic looms and projectile looms.

Tiles

Industry Issues

Customs duty on ceramic tiles is 10% whereas inputs attract customs duty of 5%, 7.5%, and 10%.

China being member of Bangkok Agreement (now known as Asia-Pacific Trade Agreement), customs duty rate on ceramic tiles from China is 4.3%.

Import of ceramic and vitrified tiles from Sri Lanka attracts NIL customs duty under India-Sri Lanka Free Trade Agreement.

Taking these factors into account customs duty on basic input i.e clays needs to be reduced.

What CII Wanted

- Reduce customs duty from 5% to 2% on clays.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Glazed ceramic tiles (6908)	10	10	10	10	10	10
Vitrified tiles, whether polished or not (6907 10 10, 6907 90 10))	10	10	10	10	10	10
Inputs						
Clays (2508 40)	NIL	NIL	NIL	5	2	5

Impact of Budget 2011-12

- 1% Excise duty without CENVAT Credit has been imposed on ceramic tiles subjected to the process of printing, decorating or ornamenting in a factory which does not have the facilities of producing tiles.

Tractors

Industry Issues

Government has exempted excise duty on tractors vide excise notification 6/2006-sl.no.40. Excise duty is also exempted vide excise notification 6/2006-sl.no.92 on parts produced and used within the factory of manufacture of tractors. This helps the companies having single location unit in reducing the cost of their tractors.

Most of the tractors manufactures are having multi locational units and parts manufactured in one unit are transferred to other units. Such manufacturers have to pay excise duty of 10% on parts so transferred for which no CENVAT credit can be availed due to NIL excise duty on tractors. This adds to their cost. The exemption of excise duty on tractor parts vide sl.no.92 of excise notification 6/2006 needs to be extended to such cases also.

What CII Wanted

- Extend the existing provision of NIL excise duty on parts of tractors when produced in any factory of the manufacturer.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Tractors (except road tractors for semi-trailers of engine capacity more than 1800 cc (8701)	NIL	NIL	NIL	10	10	10
Inputs						
Parts of tractors (8708 or any other chapter)	10	10	10	As applicable	As applicable	As applicable
Parts used within the factory of production for manufacture of tractors (any chapter)	NIL	NIL	NIL	As applicable	As applicable	As applicable
Parts manufactured and transferred to other unit of same manufacturer (any chapter)	10	NIL	10	As applicable	As Applicable	As applicable

Impact of Budget 2011-12

- There is no change in excise and customs duty structure on tractors.

Tyres & Tubes

Industry Issues

Concessional / preferential customs duty on automotive tyres under various Trade Agreements is NIL to 9%, which is lower than the applied rate of 10%. Import of tyres under tariff heading 4011 has increased and major portion of import are under concessional tariff

Tyre industry is raw material intensive and natural rubber is one of the main input. Customs duty on tyres has been gradually reduced from 50% in 1996-97 to 10%, whereas, there has been no reduction in customs duty on natural rubber smoked sheets and technically specified natural rubber (TSNR) and duty on these continues at 20% since 23rd July 1996. This is an anomalous situation and needs to be corrected in such a way that indigenous rubber grower's interest is not adversely affected.

What CII Wanted

- Reduce customs duty from 20% to 7.5% on natural rubber smoked sheets (4001 21 00) and technically specified natural rubber (4001 22 00) subject to tariff rate quota allocation in a financial year.

What the Government Gave

Item	Excise Duty (%)			Customs Duty (%)		
	2010-11	What CII wanted	Budget 2011-12	2010-11	What CII wanted	Budget 2011-12
Pneumatic tyres of truck, bus, car, LCV, tractor and two wheelers (4011)	10	10	10	10	10	10
Inputs						
Natural Rubber-smoked sheets (4001 21 00) Natural Rubber – Technically specified (4001 22 00)	Cess ` 150/kg	Cess ` 150/kg	Cess ` 150/kg	20	7.5**	@
Chlorobutyl or bromobutyl rubber (4002 39 00) Butyl rubber (4002 31 00) Carbon Black (2803 00 10)	10	10	10	5	5	5

Impact of Budget 2011-12

** Customs duty on natural rubber falling under tariff headings 4001 21, 4001 22 and 4001 23 was changed with effect from 22 December 2010. Revised rates are :\

- Import of 40,000 metric tonnes has been allowed upto 31.03.2011 at customs duty of 7.5% under Tariff Rate Quota (TRQ) to be allocated by DGFT.
- Customs duty of 20% or Rs. 20 per Kg whichever is lower will be applicable on imports other than under TRQ upto 31.03.2011

@ There is no specific mention in the budget 2011-12 about extension of the above concession.

- Customs duty on carbon black feedstock has been reduced form 5% to 2.5%. However, there is no change in customs duty of 5% on carbon black.

Annexures

Annexure: I

Budget at a Glance

(In Crore of Rupees)

	2010-11 Budget Estimates	2010-11 Revised Estimates	2011-12 Budget Estimates
1. Revenue Receipts	**682212**	**783833**	**789892**
2. Tax Revenue (net to Centre)	534094	563685	664457
3. Non-tax Revenue	148118	220148	125435
4. Capital Receipts (5+6+7)$	**426537**	**432743**	**467837**
5. Recoveries of Loans	5129	9001	15020
6. Other Receipts	40000	22744	40000
7. Borrowings and other Liabilities*	381408	400998	412817
8. Total Receipts (1+4)$	**1108749**	**1216576**	**1257729**
9. Non-plan Expenditure	**735657**	**821552**	**816182**
10. On Revenue Account of which,	643599	726749	733558
11. Interest Payments	248664	240757	267986
12. On Capital Account	92058	94803	82624
13. Plan Expenditure	**373092**	**395024**	**441547**
14. On Revenue Account	315125	326928	363604
15. On Capital Account	57967	68096	77943
16. Total Expenditure (9+13)	**1108749**	**1216576**	**1257729**
17. Revenue Expenditure (10+14)	958724	1053677	1097162
18. Capital Expenditure (12+15)	150025	162899	160567
19. Revenue Deficit (17-1)	**276512 (4.0)**	**269844 (3.4)**	**307270 (3.4)**
20. Fiscal Deficit {16-(1+5+6)}	**381408 (5.5)**	**400998 (5.1)**	**412817 (4.6)**
21. Primary Deficit (20-11)	**132744 (1.9)**	**160214 (2.0)**	**144831 (1.6)**

Note:

- @ Actuals for 2008-09 are provisional.
- * Does not include receipts in respect of Market Stabilization Scheme.
- ** Includes draw- down of cash balance.
- GDP for BE 2009-10 has been projected at Rs. 6934700 crore assuming 12.5% growth over the advance estimates of 2009-2010 (Rs. 6164178 crore) released by CSO.

Annexure: II

Key Indicators (2005-06 to 2010-11)

Data Categories and Components	Units	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1. GDP and Related Indicators							
GDP(current market prices)	Rs Lakh Crore	36.9	42.9	49.9	55.8[PE]	65.5[QE]	78.8[AE]
Growth Rate	**%**	**13.9**	**16.3**	**16.1**	**12**	**17.3**	**20.3**
GDP (Factor cost 2004-05 prices)	Rs Lakh Crore	32.5	35.7	40.0	41.6[PE]	44.9[QE]	48.8[AE]
Growth Rate	**%**	**9.5**	**9.6**	**9.3**	**6.8**	**8**	**8.6**
Savings Rate	% of GDP	33.5	34.6	36.9	32.2	33.7	na
Capital Formation (rate)	**% of GDP**	**34.7**	**35.7**	**38.1**	**34.5**	**36.5**	**na**
Per Capita National Income (factor cost at current prices)	Rs	27123	31198	35820	40605	46492	54527
2. Production							
Foodgrains	Mn Tonnes	208.6	217.3	230.8	234.5	218.1[a]	232.1[b]
Index of Industrial Production(growth)	**%**	**8**	**11.9**	**8.7**	**3.2**	**10.5**	**na**
Electricity Generation (growth)	%	5.2	7.2	6.4	2.8	6	na
3. Prices							
Inflation (WPI[c]) (52-week average)	**%**	**4.3**	**6.5**	**4.8**	**8**	**3.6**	**9.4**
Inflation CPI (IW)(average)	%	4.4	6.7	6.2	9.1	12.4	11.0[d]
4. External Sector							
Export Growth (US$)	**%**	**23.4**	**22.6**	**29**	**13.6**	**-3.5**	**29.5[e]**
Import Growth (US$)	%	33.8	24.5	35.5	20.7	-5	19.0[f]
Current Account Balance (CAB)/GDP	**%**	**-1.2**	**-1**	**-1.3**	**-2.3**	**-2.8**	**na**
Foreign Exchange Reserves	US$ Bn	151.6	199.2	309.7	252	279.1	297.3
Average Exchange Rate	Rs/US$	44.27	45.25	40.26	45.99	47.42	45.68[g]
5. Money and Credit							
Broad Money (M3)(annual)	%	16.9	21.7	21.4	19.3	16.8	16.5[h]
Scheduled Commercial Bank Credit (Growth)	%	30.8	28.1	22.3	17.5	16.9	24.4
6. Fiscal Indicators (Centre)							
Gross Fiscal Deficit°	**% of GDP**	**4**	**3.3**	**2.5**	**6**	**6.3[i]**	**4.8**
Revenue Deficit°		2.5	1.9	1.1	4.5	5.1[i]	3.5
Primary Deficit°	% of GDP	0.4	-0.2	-0.9	2.6	3.1[i]	1.7
Population (Year wise projected population as on 1st October)		1106 (2005)	1122 (2006)	1138 (2007)	1154 (2008)	1170 (2009)	1186 (21010)

[AE:] Advanced Estimates [PE:] Provisional Estimate [QE:] Quick Estimates

na not yet available/released for 2009-10

[a] Final Estimate

[b] Second Advance Estimates

[c] The annual growth rates have been recompiled from 2005-06 onwards since the indices have been recompiled from April 2004 onwards using new series of WPI for the IIP items reported in value terms

[d] Average Apr-Dec 2010

[e] Apr-Dec 2010

[f] as of December 31, 2010

[g] Average exchange rate for 2010-11 (Apr-Dec 2010)

[h] Provisional

[I] Fiscal indicator for 2009-10 are based on the provisional actuals for 2009-10

Confederation of Indian Industry
Since 1895

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organisation, playing a proactive role in India's development process. Founded over 115 years ago, it is India's premier business association, with a direct membership of over 8100 organisations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 400 national and regional sectoral associations.

CII catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmes. Partnerships with over 120 NGOs across the country carry forward our initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and water, to name a few.

CII has taken up the agenda of “Business for Livelihood” for the year 2010-11. Businesses are part of civil society and creating livelihoods is the best act of corporate social responsibility. Looking ahead, the focus for 2010-11 would be on the four key Enablers for Sustainable Enterprises: Education, Employability, Innovation and Entrepreneurship. While Education and Employability help create a qualified and skilled workforce, Innovation and Entrepreneurship would drive growth and employment generation.

With 64 offices and 7 Centres of Excellence in India, and 7 overseas offices in Australia, China, France, Singapore, South Africa, UK, and USA, as well as institutional partnerships with 223 counterpart organisations in 90 countries, CII serves as a reference point for Indian industry and the international business community.

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