Electronics Related Interventions in Budget 2013-2014

General Measures for Attracting Investment in Manufacturing

- We will improve communication of our policies to remove any apprehension or distrust in the minds of investors, including fears about undue regulatory burden or application of tax laws. 'Doing business in India' must be seen as easy, friendly and mutually beneficial.

- While every sector can absorb new investment, it is the infrastructure sector that needs large volumes of investment. The 12th Plan projects an investment of USD 1 trillion or Rs 55,00,000 crore in infrastructure.

- To attract new investment and to quicken the implementation of projects, I propose to introduce an investment allowance for new high value investments. A company investing Rs 100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15 percent of the investment. This will be in addition to the current rates of depreciation. There will be enormous spill-over benefits to small and medium enterprises.

- The Department of Industrial Policy and Promotion (DIPP) and the Japan International Cooperation Agency (JICA) are currently preparing a comprehensive plan for the Chennai Bengaluru Industrial Corridor. The corridor will be developed in collaboration with the Governments of Tamil Nadu, Andhra Pradesh and Karnataka.

- Incubators play an important role in mentoring new businesses which start as a small or medium business. The new Companies Bill obliges companies to spend 2 percent of average net profits under Corporate Social Responsibility (CSR). I am glad to announce that the Ministry of Corporate Affairs will notify that funds provided to technology incubators located within academic institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.

- Angel investors bring both experience and capital to new ventures. SEBI will prescribe requirements for angel investor pools by which they can be recognized as Category I AIF venture capital funds.

- Venture Capital Funds have been allowed pass through status under the Income-tax Act. The relevant regulations of SEBI have been replaced by Alternative Investment Fund Regulations. Hence, I propose to extend, subject to certain conditions, pass through status to category I Alternative Investment Funds registered with SEBI as venture capital funds. Angel Investors who are recognized as category I AIF venture capital funds will also get pass through status.

- There will be no change in the peak rate of basic customs duty of 10 percent for non-agricultural products. There will also be no change in the normal rate of excise duty of 12 percent and the normal rate of service tax of 12 percent.

- Hon'ble Members will recall that I had first mentioned the Goods and Services Tax (GST) in the Budget speech for 2007-08. At that time, it was thought that GST could be brought into effect from 1.4.2010. Alas, that was not to be, although all States swear by the benefit of GST. However, my recent meetings with the Empowered Committee of State Finance Ministers has led me to believe that the State Governments – or, at least, the overwhelming majority – are agreed that there is need for a Constitutional amendment; there is need for State Governments and the Central Government to pass a GST law that will be drafted by the State Finance Ministers and the GST Council; and there is need for the Centre to compensate the States for loss due to the reduction in the CST rate. I hope we can take this consensus forward in the next few months and bring to this House a draft Bill on the Constitutional amendment and a draft Bill on GST. Hope inspires courage. I propose to take the first decisive step by setting apart, in the Budget, a sum of Rs 9,000 crore towards the first instalment of the balance of CST compensation. I appeal to the State Finance Ministers to realise the serious intent of the Government to introduce GST and come forward to work with the Government and bring about a transformational change in the tax structure of the country.

Electronics specific Interventions

Fab

The National Electronics Policy 2012 is intended to promote manufacture of electronic goods in India. We recognise the pivotal role of semiconductor wafer fabs in the eco-system of manufacture of electronics. I propose to provide appropriate incentives to semiconductor wafer fab manufacturing facilities, including zero customs duty for plant and machinery.

Set Top Boxes

To encourage domestic production of set top boxes as well as value addition, I propose to increase the duty from 5 percent to 10 percent.

Mobile Phones greater than Rs 2000

About 70 percent of imported mobile phones and about 60 percent of domestically manufactured mobile phones are priced at Rs 2000 or below. Mobile phones enjoy a concessional excise duty of one percent and I do not propose to change that in the case of low priced mobile phones. However, on mobile phones priced at more than Rs 2000, I propose to raise the duty to 6 percent. Excise duty on mobile handsets including cellular phones having retail sale price more than Rs. 2000/-is being increased from 1%

to 6%. The duty on mobile phones priced upto and inclusive of Rs. 2000 (retail sale price) would remain unchanged.

In addition, all mobile phones and parts and components were exempt from SAD (4%). This exemption was available on year to year basis, expiring on 31.3.2013. This has not been extended beyond 1.4.2013.

The proposal may lead to increase in cost of mobile phones, without providing any cushion for manufacturing. The increase of excise needs to be rolled back.

LCD and LED TV Assembly for TV of 19" and above

LCD and LED TV Panels of 19" and above are presently exempt from BCD. In this connection, a doubt has been raised whether this exemption is available for LCD and LED TV Modules or otherwise. It is clarified that LCD and LED TV Panels and LCD and LED TV Modules are one and the same thing for the purpose of exemption under this notification.

Solar Cells and Modules

Presently, all goods required for the manufacture of the goods falling under heading 8541are exempt from BCD subject to actual user condition Solar cells and solar modules are classified under heading 85.41. It has been brought to the notice of the Ministry that this exemption has been denied at certain places although the imported goods are required for the manufacture of solar cells and solar modules. The benefit is to be provided to all goods including chemicals and electronic parts required for the manufacture of solar cells whether or not assembled in modules or panels

Automotive Electronics

At present, cars and other motor vehicles, new with FOB value more than US $ 40,000 and with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles attract a BCD of 75%.The entry is being amended to read: "...with CIF value more than US $ 40,000 or with engine capacity more than 3000 cc for petrol -run vehicles and more than 2500 cc for diesel-run vehicles or with both". Further, the BCD on these cars/motor vehicles is being increased from 75% to 100%. Thus, hereafter, these cars/motor vehicles with CIF value more than US $ 40,000 would attract 100% BCD regardless of engine capacity. Similarly, regardless of value, cars/motor vehicles with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles would attract BCD at 100%.

BCD is being exempted on lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles.

Department of Posts

Government has initiated an ambitious IT driven project to modernise the postal network at a cost of `4,909 crore. Post offices will become part of the core banking solution and offer real time banking services. I propose to provide Rs 532 crore for the project in 2013-14.