

Salient Budget Announcements for Electronics Design and Manufacturing 2014-15

1. Announcements Specific to Electronics System Design and Manufacturing

General

- Digital India to, inter alia, promote increased production of indigenous IT hardware and software for exports and for improved domestic availability.
- Kakinada and its adjoining area and the port will be developed as the key driver of economic growth in the region with special focus on hardware manufacturing.
- Education cess and secondary and higher education cess levied on specified imported electronic products.
- Exemption from Education Cess and Secondary Higher Education Cess on all goods manufactured in EOU/EHTP/STP and cleared in DTA.

Semiconductor Wafer Fab

- Investment linked deduction extended to semiconductor wafer fab manufacturing units for units specified by CBDT.

TV Manufacturing

- BCD on LCD and LED TV panels below 19 inches reduced from 10 percent to zero.
- BCD on Colour picture tubes for manufacture of cathode ray TV reduced from 10 percent to zero.
- BCD on Specified parts of LCD and LED TV (including open cell, plate diffuser, film diffuser) reduced from 10%/7.5% to zero.

Telecommunication Equipment Manufacturing

- BCD on Telecommunication equipments not covered under ITA increased from zero to 10 percent.

Solar PV Manufacturing

- Excise duty exempted on
 - EVA sheets and solar back sheets and specified inputs used in their manufacture;
 - solar tempered glass used in the manufacture of solar photovoltaic cells and modules;
 - flat copper wire for the manufacture of PV ribbons for use in solar cells and modules;
 - machinery and equipment required for setting up of a project for solar energy production;

- BCD exempted on
 - BCD exempt on specified goods used in manufacture of solar backsheet and EVA sheet or solar PV cells/modules.
 - BCD on Flat copper wire for the manufacture of PV ribbons.
 - Machines/parts related to manufacture of solar voltaic cells and setting up of solar energy production projects.
 - Parts consumed within the factory of production for the manufacture of goods to be used for generating solar energy.

- 5% BCD exemption on machinery, equipment required for setting up of solar energy production projects.
SAD exempt on import of all machinery and equipment for setting up solar energy production plant.

LED

- Excise Duty on LED (Light Emitting Diode) driver and MCPCB (Metal Core Printed Circuit Board) for use in manufacture of LED lights and fixtures or LED lamp reduced from 12/10 percent to 6 percent.

Smart Cards

- Excise on Recorded smart cards increased from 2 percent without CENVAT and 6 percent with CENVAT to 12 percent.

- SAD exempted on import of PVC sheet and ribbon used in the manufacture of smart cards.

Consumer Appliances

- Excise duty on Reverse Osmosis membrane element for household type filters reduced from 12 percent to 6 percent.
- Reverse Osmosis membrane element for water filtration or purification equipment (other than household type filters) based on reverse osmosis technology using thin film composite membrane reduced from 12 percent to zero.

Personal Computers (Desktops/Laptops/Tablets)

- SAD exempted on import of inputs/components used in the manufacture of personal computers (laptops/desktops) and tablet computers falling under heading 8471.

Avionics

- Clarification that aircraft engines and parts thereof are eligible for duty exemption when imported for servicing, repair or maintenance of aircrafts used for scheduled operations.

Strategic Electronics

- Currently we permit 26 percent FDI in Defence Manufacturing. The composite cap of foreign exchange is being raised to 49 percent from the current level of 27 percent, with full Indian management and control, through the FIPB route.
- Rs 100 crore provided as Technology Development Fund to provide necessary resources to public and private sector companies including SMEs, as well as academic and scientific institutions to support research and development of Defense systems that enhance cutting edge technology capability in the country.

2. Industry wide Announcements applicable for Electronics System Design and Manufacturing

Investment Allowance

- Investment Allowance at the rate of 15 percent to a manufacturing company which invests more than Rs 25 crores in any year in new plant and machinery. This benefit will be available for 3 years i.e. for investments made upto 31.3.2017. The scheme announced last year will continue to operate in parallel till 31.3.2015.

Streamlining Export/Import

- Faster clearance of import and export cargo reduces transaction costs and improves business competitiveness. To help achieve these objectives, measures are being initiated to extend the existing 24x7 customs clearance facility to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.
- It is also proposed to implement an 'Indian Customs Single Window Project' to facilitate trade. Under this, importers and exporters would lodge their clearance documents at a single point only. Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies. This would reduce interface with Governmental agencies, dwell time and the cost of doing business.
- States play a very important role in export promotion by providing good infrastructure and full facilitation. It is proposed to set up Export Promotion Mission to bring all stakeholders under one umbrella.

Promoting FDI

- FDI in manufacturing is today on the automatic route. The manufacturing units would be allowed to sell its products through retail including e-commerce platforms without any additional approval.

Skill Development

- Skill India: A national multi-skill programme called Skill India is proposed to be launched. It will skill the youth with emphasis on employability and entrepreneur skills.

MSME

- The definition of MSME will be reviewed to provide for higher capital ceiling.
- Entrepreneur friendly legal bankruptcy framework will be developed for SMEs to enable easy exit.
- A nationwide “ District Level Incubation and Accelerator Programme” would be taken up for incubation of new ideas and providing necessary support for accelerating entrepreneurship.
- It is proposed to set up a Rs 10,000 crore fund to act as a catalyst to attract private capital by way of providing equity, quasi-equity, soft-loans and other risk capital for start up companies.

Tax related

- Expectation to find the solution to the GST issue this year and and approve the legislative scheme which enables introduction of GST.
- Government is committed to provide a stable and predictable tax regime that would be investor friendly and spur growth. Henceforth, all fresh cases arising out of retrospective amendments of 2012 in respect of indirect transfers and coming to the notice of the Assessing Officers will be scrutinized by a High Level Committee to be constituted by the CBDT before any action is initiated in such cases.

- Resident tax payers to be enabled to obtain advance tax ruling in respect of their income tax liability above a defined threshold.
- To set up a High Level Committee to interact with trade and industry on a regular basis and ascertain areas where clarity for tax laws is required. Based on the recommendations of the Committee, the Central Board of Direct Taxes and the Central Board of Excise and Customs will issue appropriate clarifications wherever necessary, on the tax issues, within a period of two months.

Industrial Corridors

- A National Industrial Corridor Authority, with its headquarters in Pune is being set up to coordinate the development of industrial corridors.
 - The Amritsar-Kolkata Industrial Corridor master planning will be completed expeditiously for the establishment of smart cities in seven states of India.
 - The master planning of three new smart cities in the Chennai-Bengaluru Industrial Corridor region , vix. Ponneri in Tamilnadu, Krishnapatnam in AP, and Tumkur in Karnataka will also be completed.
 - The perspective plan for Bengaluru-Mumbai Economic corridor and Vizag-Chennai corridor will be completed with the provision of 20 new industrial clusters.
- Rationalisation of procedures for claiming exemption/refund of Service tax on input services for SEZ units and developers.

3. Announcements Generating Demand for Domestically Designed and Manufactured Electronics System Design and Manufacturing

- An amount of Rs 7060 crores has been provided in current fiscal year to provide focus to the Prime Minister’s vision of developing 100 “Smart Cities” as satellite towns of larger cities and by modernising existing mid-size cities.

- E-Visa: The facility of e-visa (Electronic Travel Authorization) facility would be introduced in a phased manner at nine airports in India where necessary infrastructure would be put in place in the next six months.
- Rs 100 crores allotted for setting up of virtual class rooms as Communication Linked Interfaces for Cultivating Knowledge (CLICK) and online courses.
- Digital India: To bridge the difference between digital “haves” and “have-nots” it is proposed to launch a pan India programme “Digital India”. This will enable broadband connectivity at the village level, improved access to services through IT enabled platforms, greater transparency in government processes and increased production of indigenous IT hardware and software for exports and for improved domestic availability. Special focus will be on supporting software products start ups. A National Rural and Internet Technology Mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme is also proposed. An amount of Rs 500 crores has been provided for this purpose.
- At least 500 cities and towns will be provided support, while harnessing private capital and expertise through PPPs, to renew their infrastructure and services in the next ten years. One of the four major infrastructure requirements specified is digital connectivity.
- Rs 100 crores provided for metro projects for Lucknow and Ahmedabad.
- All Central Government Departments and Ministries will integrate their services with the eBiz platform on priority by December 31 of this year.
- It is proposed to take up Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamilnadu and Ladakh in J&K. A sum of Rs 500 crores is set aside for this.

- A new scheme is being launched for solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumpsets. An amount of Rs 400 crores is allocated for this purpose.
- An additional Rs 100 crores is set aside for developing 1 MW solar parks on the banks of canals.
- In order to augment low cost foreign borrowing for Indian companies, the eligible date of borrowing in foreign currency extended from 30.6.2016 to 30.6.2017 for a concessional tax rate of 5 percent on interest payments. This tax incentive is extended to all types of bonds instead of only infrastructure bonds.
- Changes in the Transfer Pricing regulations:
 - The administrative set up of Advance Pricing Agreement (APA) to be strengthened to expedite disposal of applications.
 - To introduce a “Roll Back” provision in the APA scheme so that the APA entered into for future transactions may also be applied to international transactions undertaken in previous four years in specified circumstances.
 - In order to align Transfer Pricing regulations in India with the best available practices proposed to introduce range concept for determination of arm's length price. However, the arithmetic mean concept will continue to apply where number of comparable is inadequate. The relevant data is under analysis and appropriate rules will be prescribed.
 - As per existing provisions of Transfer Pricing Regulations, only one year data is allowed to be used for comparable analysis with some exception. Proposed to amend the regulations to allow use of multiple year data.