

FIEO President's suggestion for the Union Budget



Mr Pranab Mukherjee
Hon'ble Finance Minister

The World Bank Global Economic Prospects 2012 state that developing countries should prepare for further downside risks, as Euro Area debt problems and weakening growth in several big emerging economies are dimming global growth prospects. The Bank has lowered its growth forecast for 2012 to 5.4 percent for developing countries and 1.4 percent for high-income countries (-0.3 percent for the Euro Area), down from its June estimates of 6.2 and 2.7 percent (1.8 percent for the Euro Area), respectively. Global growth is now projected at 2.5 and 3.1 percent for 2012 and 2013, respectively.

The World Bank Report forewarns slower growth, weakening global trade and commodity prices. Global exports of goods and services expanded an estimated 6.6 percent in 2011 (down from 12.4 percent in 2010), and anticipates that they are projected to rise by only 4.7 percent in 2012.

Given the scenario, President FIEO suggested the following at the pre-Budget meeting held on 3rd February, 2012 in New Delhi:

BANKING

13 successive increases in policy rates have made interest rates uncompetitive internationally and hit at capital formation and investment. PMIs have slumped to levels of contraction only to revive in the last couple of months. President, therefore, suggested that:

- (a) Interest rate for MSME sector be capped at 7% and for others at 9%; or subvention should be provided to all sectors of exports at-least till 31st March 2013
- (b) Export to be included in priority sector lending.

Further, Declining export credit / Skewed deployment of credit is a cause of concern and needs to be addressed said Mr Ahmed. LIBOR linked ECB funding for MSME exports may be considered to give an impetus to the export sector which is losing much of its morale and confidence because of slowing export growth and downgrades in the US by Moody's and the recent downgrades of 9 countries in the EU by S&P implying poor financials of markets abroad and declining consumption patterns of buyers.

DIRECT TAXATION

TDS on foreign commission, royalty

Mr Ahmed drew the attention of the Finance Minister to plethora of litigation with regard to applicability of TDS on foreign agency commission/royalties/offshore and professional services. The landmark judgement on the Vodafone case among several others which empha-



Mr M. Rafeeqe Ahmed
President, FIEO

sizes the jurisdiction of tax administration; territorial nexus and situs services would hopefully close the issue of TDS on transactions in the course of exports. This he hoped will be clarified by the CBDT at the earliest as tax authorities are raising demand with penalty blocking the working capital of the exporters and adding to avoidable litigation.

Other issues raised by him included: grant of Infrastructure Status to Hotels; Extension of sunset clause u/s 10a / 10b units upto 2015; Incentivising / tax exemption for sale of carbon credits / weighted;

INDIRECT TAXATION

National Calamity Contingent Duty (NCCD) on crude oil imported

NCCD on crude oil imported was imposed in 2001 for oil imports under advance authorization/DFIA due to Gujarat earthquake @ Rs.51 per MT. Since India is now a petroleum exporter, the levy needs to be

discontinued added Mr Ahmed as it is making our exports less competitive.

CENTRAL EXCISE

Issues pertaining to Central Excise include :

He demanded complete exemption of Excise Duty on handmade carpets; reduction of excise duty on man-made fibres (MMF) to 4% (from 10%); Exemption of Excise Duty on Rosin & Turpentine; and exemption from Excise Duty in the raw material Shuttle less looms;

SERVICE TAX

Exemption of Service Tax on ECGC premium and currency conversion:

In Service tax, Mr M Rafeeqe Ahmed asked for exemption of service tax on ECGC premium which adds to the cost of doing export business and also imposition of Service Tax on currency conversion is yet another head which adds to doing export business.

Amendment through Finance Bill 2012-13 to give exemption for 1/4/2008 to 5/7/2009 to FIEO and EPCs from service tax

on membership fee

President FIEO told the Finance Minister that he was kind enough to give exemption from service tax to FIEO and EPCs from 5.6.2005 to 31.3.2008. However, the period from 1.4.2008 to 5.7.2009 has been left out. Mr Ahmed requested that through Finance Bill 2012-13, FM may provide exemption for 1/4/2008 to 5/7/2009 from service tax to FIEO and other EPCs on membership subscription as these organizations have not charged the service tax and these are non-profit organizations set up with the objective of extending support to MSME export units.

Inverted Duty Structure

Mr Ahmed drew Finance Minister's attention to Notifications of 1st June 2011 and 30th December, 2011 which granted concessional rates of duties for imports for 9 ASEAN countries and a separate set of rates for imports from Philippines. Concessional customs duties have also been announced for imports from Pakistan and Sri Lanka. Concessional duty announcements have also been made under Indo-Malaysian CECA on 1.7.2011. Fur-

ther, there have been trade agreements with Bangladesh in September 2011. In the case of Bangladesh for example, 46 garment products have been allowed duty free access while the raw material cost in India and the finished product itself make the end product more expensive making it difficult for India to export these products. He suggested that concern and apprehension of the domestic industry may be looked into.

SEZ's under the Direct Tax Code

DTC provisions should not be applied to SEZ units and developers said FIEO Chief. They should be permitted to avail tax concession as applicable under the SEZ Act without any cut off date.

Under the Direct Tax Code, unit set up in SEZ will get deduction from profits if set up before March 31, 2014 and SEZ developers engaged in operations before April 1, 2012 shall be eligible to claim profit based tax holidays. In both cases, adverse impact of exemptions will be suffered post 2014 and 2012 respectively. Due to this sunset clause, SEZ units which have shown encouraging export performance will suffer a setback added Mr Ahmed. ■

Get the global advantage, learn their language

In its endeavour to provide new and useful services to members, FIEO has constituted a Centre for Learning Foreign Languages. The centre will conduct specialized programmes for businessmen and professionals who are looking for training within their limited available time.

The centre will impart language training regularly in the following languages:

- Spanish
- Italian
- French
- Chinese
- Korean
- Russian
- Arabic

The language centre is aimed at helping participants to understand and speak basic communication, understand and develop negotiation skills, etc while travelling abroad:

Evening classes will be conducted in the above languages at frequent intervals. More languages can be included based on the demand from members. Time and class hours will vary

depending on the language of choice and the details can be obtained from the FIEO Southern Region office.

Specialized language training for executives who need to travel and stay in foreign countries for longer duration for execution of projects, etc will be conducted based on demand. However, the demand should be for a group of minimum 7 participants from one company. The Centre will provide special packages for corporate which includes cross cultural barriers and business etiquette, etc. apart from basic professional language skills.

FIEO has prepared special modules for management students by focussing on communication skills, which is suitable for people who are planning a career in a business or industry or a specific country.

The Centre will provide following services exclusively to FIEO members:

- Foreign Language Translation Services
 - Foreign Language Interpretation Services
- The Centre is having a panel of experienced

interpreters on above languages which will be provided on request.

The FIEO Centre strictly adheres to industry standards:

- Courses at different levels including examination courses, advanced and proficiency exams.
- Small classes to ensure more individual attention.
- The tuition is very intensive and designed to maximize language development in the shortest possible time by training the students to learn more effectively.

Fee Structure:

The fee structure for all the above programmes will be cost effective and vary from language to language as the module and duration for each language will be different. Details on fee structure will be available on request.

Interested members may please email their enquiry to fieosr@fio.org or call 044- 28497744/55.