

# Khullar bats for service tax waiver on grants for export promotion

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Chennai, May 1: The levy of service tax on various export promotion assistance like market development assistance (MDA), market access initiative (MAI) and assistance to states for infrastructure development of exports (ASIDE) would be taken up with ministry of finance for exemption, said Rahul Khullar, Union commerce secretary, at a recent open house deliberations by Federation of Indian Exports (FIEO) on the proposed new Foreign Trade Policy (FTP).

"I have been informed that grants like MDA, MAI and ASIDE at a rate of 10.5% to

12% under service tax during the time of disbursement and I would be taking up the matter with the finance ministry on the taxability of the grant as it is a valid concern. MAI comes under planned scheme and MDA is under the non-plan scheme. The ministry is incurring higher budget expenditure on non plan scheme," he said.

He further urged the Council of Leather Exports (CLE) to submit a separate representation on the same issue.

During the evaluation of 12th Five Year Plan, he added that close to ₹125 crore was allocated to MDA and MAI schemes and the ministry had convened a monthly meeting to review the usage

of grants by various export promotion councils. "We have to force many of the councils to avail the grants like chemical and pharma councils during the review period."

Responding to a plea on the inclusion of handloom sector like handicraft sector under the Focus Product Scheme (FPS) of the proposed new FTP, Khullar said any decision on FPS is linked to budget process of finance ministry and commerce ministry cannot make an independent decision on the subject.

However, he was quick to add that case could be considered based on trade volume, places of export and payouts. Regarding the re-introduc-

tion of interest subvention in the FTP, he categorically said that it would be difficult due to budget squeeze.

The interest rate subvention scheme when introduced with an initial outlay of ₹1,500 crore was narrowed down to ₹900 crore during last year and it's matter of administrative difficulty in operating the scheme as it is difficult to say yes to one sector and no to other.

Commerce secretary asserted that packing credit in foreign currency or pre-shipment export credit has more latitude than flat interest rate subvention. The ministry would talk to the central bank in reviving the packing credit for exporters, he said.