

Special Report key issues

India Inc.'s Wishlist



Budget 2009 has seen hectic lobbying. Here is a look at various expectations.

Expectations	Comments
General	
<ul style="list-style-type: none"> ● Single corporate tax rate without surcharge and cess ● Withdrawal of fringe benefit tax (FBT) ● Personal tax exemption limit raised to Rs 2 lakh ● Increase in Section 80C cap ● Increase in deduction for interest on housing loan ● Removal of minimum alternate tax (MAT) for infrastructure firms ● Minimal changes in excise and service tax 	<ul style="list-style-type: none"> ● Given the high cost of administration of FBT, there is certainly a case for its withdrawal ● If goods and services tax (GST) is to be about 16 per cent, existing service tax rate of 10 per cent may be increased, while the excise duty rate of 8 per cent may be left intact (since excise, coupled with value added tax, or VAT, applicable on supply of goods, already approximates to 16 per cent)
IT and ITeS	
<ul style="list-style-type: none"> ● Extension of tax holiday to software technology parks/export-oriented units beyond March 2010 ● Tax deduction should be based on a special economic zone (SEZ) unit's profits ● Withdrawal of FBT on employee stock option plans (ESOPs) ● Exemption from service tax to avoid double taxation ● Clarification on refunds of input service tax for exporters 	<ul style="list-style-type: none"> ● It is expected that the tax holiday will be extended by at least two-three years ● Tax based on profits will be useful as IT/ITeS accounts for majority of the SEZ projects ● Exclusion from the purview of service tax would not only bring monetary respite, but would also spare the industry litigation with VAT/service tax authorities
Infrastructure	
<ul style="list-style-type: none"> ● Extension of tax holiday benefit to companies starting production of power until 31 March 2015 ● Reinstatement of exemption for housing projects ● Reduction of duty on construction equipment and cement ● Extension of service tax exemption for infrastructure sector ● Extension of duty incentives to ancillary infrastructure ● Extension of excise duty exemptions to power transmission companies 	<ul style="list-style-type: none"> ● Looking at the significant supply-demand gap in power, the extension of tax holiday would be critical ● With the introduction of GST slated for 2010, challenge for the finance minister is to align present tax structure with one of the key pillars of GST, that is minimum tax exemptions, vis-a-vis demand of the industry for increased tax sops for speedy revival from economic downturn
Textiles	
<ul style="list-style-type: none"> ● Restoration of 100 per cent income tax exemption under Section 80 HHC of the Income Tax Act, 1961 ● Reduction in customs duty rate of raw material (MEG) used in manufacture of synthetic fibres and yarn ● Exemption from customs duty to industrial garment machinery ● Removal of excise duty on man-made fibres 	<ul style="list-style-type: none"> ● Recession has impacted textile sector the most and, therefore, it may be focus of this year's budget
Oil and gas	
<ul style="list-style-type: none"> ● Clarity on tax holiday on production of natural gas ● Flexibility to claim tax holiday on mineral oil in block of 10-15 years ● Tax holiday for city gas distribution sector ● 'Declared goods' status to all goods pertaining to gas sector ● Reduction of customs duty from 5 per cent to nil on non-cooking coal, petroleum coke 	<ul style="list-style-type: none"> ● Removal of ambiguity related to the definition of 'mineral oil' is critical for new investment in the sector ● Grant of 'declared goods' status to gas sector may face resistance from state governments as the present VAT rates on these goods vary from 8-20 per cent

Analysis by KPMG for *Businessworld*