Annexure 2.5

Fiscal Measures Introduced In The Central Budget For 2000—2001 - Summary

Important measures with regard to direct and indirect taxes envisaged in the Central Budget 2000-01 are as under:

I. Direct Taxes:

- The present rates of personal income taxes at 10%, 20% and 30% have been maintained at the same levels. The surcharge of 10 percent would be continued on account of the existing fiscal constraints and would be would be 15 percent instead to 10 percent in respect of non-corporate tax payers having total taxable income above Rs. 1,50,000 per year. However, additional tax rebates from tax-liability have been introduced for senior citizens, women tax-payers and members of defence forces in view of the contributions made by them. These are:

a) Tax rebate to senior citizens raised from Rs.10,000 to Rs.15,000.

b) Additional rebate of Rs.5000 for women tax-payers (subject to an overall ceiling of Rs.15,000 if they are also senior citizens);

c) The existing exemption from tax on pension /family pension of gallantry award winners to defence forces to be extended to para-millitary and other forces engaged in national and civil defence.

- The one-by-six scheme extended from the existing 54 cities to 79 cities with a population of more than 2 lakhs; Special counters are to be opened in cities covered in the one-by-six scheme for issue of PAN cards.
- To enable investment in the development of urban infrastructure, tax benefits applicable to the infrastructure sector have been extended to cover urban infrastructure viz water treatment and solid waste management. To provide a more focussed incentive for infrastructure development, provisions existing hitherto under sections 54EA and 54EB (of the IT Act) stand replaced by new provisions whereby exemption from capital gains would be available only if investment is made in bonds issued by NABARD and the NHAI. The proceeds from these bonds would be used to finance the agriculture sector and the National Highways Development Project.
- The tax rebate of 20 percent under section 88 of the IT Act would now be available for repayment of housing loans upto Rs.20,0000 per year as against Rs. 10,000 earlier. Taxpayers may also claim exemption from tax on long-term capital gains if the proceeds (from sale of capital assets) are invested in a house even if they own one house. Such an exemption was not available hitherto if the taxpayer was already owning a house.
- No approval of Venture Capital funds by tax authorities would be required.
- The 100 percent exemption on export profits to the entertainment industry earlier limited to corporate entities extended to non-corporate film makers;
- The Shipping industry has been allowed deduction of entire profits (against 50 per cent hitherto) if these are kept in reserves to be used for used for purchase of new ships.

- Interest tax of 2% on banks and financial institutions removed ;
- Tax concession on export earnings to be scrapped in five years at the rate of 20 per cent per year. However, export earnings to be exempt from MAT.

The Direct Tax Proposals in the Budget for 2000-01 are estimated to generate additional revenue to the tune of Rs.5080 crore,

II. Customs Duties:

- In view of the ongoing 'Convergence Revolution' spanning the fields of Information technology, Telecommunications and the Entertainment industry, the customs duty on various items integral to these sectors have been reduced.
- To encourage production of quality jewellery and its export, customs duty on Platinum and non-industrial diamonds have been reduced from 40 percent to 15 percent.
- In view the current trend in international prices of crude and petroleum products which has been putting pressure on the refineries as well as the oil pool account the basic customs duty on crude oil has been reduced from 20 to 15 percent and on petroleum products from 30 to 15 percent (except for kerosene under parallel marketing).
- Overall, the proposals relating to changes in the customs duty are estimated to result in a revenue loss of Rs. 1,428 crore.

III. Excise Duties:

As a part of the ongoing exercise of rationalising the excise tax structure, a single rate Central Value Added Tax (CENVAT) has been introduced. The objective is to remove uncertainities in classification, and encourage States to implement their programme for converting their sales taxes into VAT. The 3 ad-valorem rates of 8%, 16% and 24% introduced in 1999-2000 have accordingly been merged into a single 16% CENVAT.

- Most items would therefore be moved to the 16 % CENVAT rate category. However, certain items of medicare and common use would stand exempt from the excise duty. In respect of certain other exceptional items like Kerosene, LPG etc. there would however, be no change from the current 8 percent duty level. In addition to the 16 % CENVAT rate, there would be three rates of special excise of 8 %, 16 % and 24 % which unlike the CENVAT would not be modvatable.
- To minimise the difficulties / disputes arising on the interpretation, the existing set of MOD VAT rules is to be replaced by a small set of rules. Further, to rationalise the scope of the MOD VAT scheme, all inputs (with the exception of Petrol and HSD) and all capital goods have been included in the eligible list for MOD VAT.

Sector specific changes in the excise duty structure include:

- Ad-valorem excise duty structure on steel produced by re-rollers and steel produced by induction furnaces has been restored. These goods would be subject to CENVAT of 16% with MOD VAT benefit. All deliveries of steel by ISPs will be assessed to duty at the factory gate prices in order to avoid distortions resulting from levying excise duty (on good sold from depots) on depot prices.
- The scheme of Duty exemption (to SSI units) on clearance upto a limit of Rs.50

lakhs a year is being rationalised for cosmetics and toilet preparations, air conditioning and refrigeration machinery, tread rubber and articles of plastics to fall in line with the general exemption for SSI units.

Other measures for streamlining and simplification of the excise tax system:

- All statutory records in excise would be dispensed with w.e.f 1 April 2000 and the Excise Department would rely on the manufacturers records.
- Excise assessees would be allowed to excise duties in fortnightly installments in place of the day-to-day payment system
- Valuation mechanism would be simplified from 1 st July 2000 with the introduction of a new section based on ‘transaction value’ in place of the existing ‘normal price’ system.
- System of ‘Maximum Retail Price’ as a basis for assessment to excise duty to be extended to two dozen more items.
- Provisions relating to payment of interest and penalty on default to be rationalised.

It is estimated that through the changes proposed in the area of excise duties, additional revenue of Rs.3252 crore would be realised.