AUTOMOBILE SECTOR

SUMMARY

- Seventh-largest producer in the world with an average annual production of 17.5 Million vehicles.
- 4th largest automotive market by volume, by 2015.
- 4 large auto manufacturing hubs across the country.
- 7% of the country's GDP by volume.
- 6 Million-plus vehicles to be sold annually, by 2020.

STATISTICS

- Domestic Market Share 2013-14:

  1. Passenger Vehicles 13.59%.
  2. Commercial Vehicles 3.44%.
  3. Three-wheelers 2.60%.
  4. Two-wheelers 80.37%.

FINANCIAL SUPPORT

TAX INCENTIVES:

- Excise duty is being exempted on parts of tractors removed from one or more factories of a tractor manufacturer to another factory of the same manufacturer.
- Assesses can claim one of the following deductions:
  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015, provided the aggregate amount of investment in new plant and machinery during the said period exceeds INR 1 Billion.

2. In order to provide a further fillip to companies engaged in manufacturing, an additional deduction of 15% of cost of new plant and machinery is extended for investments exceeding INR 250 Million (acquired and installed during any previous year, until31.3.2017).

- A lower rate of excise duty on automobiles provided in the interim budget has been extended, until December 2014.
- For small cars, motorcycles, scooters – the duty has been reduced from 12% to 8%.
- For commercial vehicles and SUVs – the duty has been reduced from 30% to 24%.
- For large and mid-segment cars – the duty has been reduced from 27% to 24% and 24% to 20% respectively.
- Other incentives from the Union Budget 2013–14 are as follows:
- The period of concession available for a specified part of electric and hybrid vehicles – April 2013, has been extended up to March 31, 2015.
- An exemption from BCD will be provided for the manufacture of lithium ion automotive battery packs for supply to manufacturers of hybrid and electric vehicles.

R&D INCENTIVES (WWW.INNOVATIONCENTRE.IN):

Industry/private sponsored research programs:

- A weighted tax deduction is given under section 35 (2AA) of the Income Tax Act. A weighted deduction of 200% is granted to assesses for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction, provided that the said sum is used for scientific research within a program approved by the prescribed authority.

  Companies engaged in the manufacture of an IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN):

- A weighted tax deduction of 200% under section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. (Expenditure on land and buildings are not eligible for deduction).
- Concessional excise duty of 6% has been extended up to 31st March, 2015 for manufacturers of batteries supplying to producers of electrically operated vehicles.
- Exemption from basic customs duties on lithium-ion automotive batteries for manufacture of lithium-ion battery packs for supply to manufacturers of hybrid and electric vehicles.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are in areas like rebates in land cost,relaxation in stamp duty exemption on sale or lease of land, power tariff incentives, a concessional rate of interest on loans,investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects.

EXPORT INCENTIVES:

- Various kinds of incentives on exports are available under foreign trade policy.

AREA-BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective Acts or the setting up of projects in special areas like the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

AUTOMOBILE COMPONENT

SUMMARY

- 2nd largest steel producer by 2015.
- 4th largest steel producer in the world.
- USD 39.7 Billion turnover in 2012-13.
- 17% increase in exports during 2008-13.
- USD 9.7 Billion in exports for 2012-13.

STATISTICS

- Growth expected to reach USD 115 Billion by 2020-21.
- Expected to become the fourth largest automobiles producer globally by 2020 after China, US and Japan.

FINANCIAL SUPPORT

- Excise duty is being exempted on parts of tractors removed from one or more factories of a tractor manufacturer to another factory of the same manufacturer for manufacture of tractors.
- Any of the following two deductions can be availed:

  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015 provided the aggregate amount of investment in new plant and machinery during the said period exceeds INR 1 Billion.

  2. In order to provide a further fillip to companies engaged in the manufacture of an article or thing, the said benefit is an additional deduction of 15% of cost of new P&M, exceeding INR 250 Million which is acquired and installed during any previous year ending up to 31.3.2017.

R&D INCENTIVES (WWW.INNOVATIONCENTRE.IN)FOR INDUSTRY AND PRIVATE SPONSORED RESEARCH:

- A weighted tax deduction is given under section 35 (2AA) of the Income Tax Act.
- Weighted deduction of 200% is granted to assesses for any sums paid to a national laboratory, university or institute of technology, or specified people with a specific direction and that the said sum is used for scientific research within a program approved by the prescribed authority.

MANUFACTURERS WITH AN IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN):

- Weighted tax deduction of 200% under Section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure, incurred on scientific research and development. Expenditure on land and buildings is not eligible for deduction.
- Concessional excise duty of 6% extended to March 31, 2015 for manufacturers supplying batteries to producers of electrically operated vehicles.
- Exemption from basic customs duty on lithium-ion automotive batteries that are used in the manufacture of hybrid and electric vehicles.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for industrial projects.
- Incentives are in areas like subsidised land cost, relaxation in stamp duty exemption on sale and lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies, tax incentives, backward areas subsidies and special incentive packages for mega projects.

EXPORT INCENTIVES:

- Export promotion capital goods scheme.
- Duty remission scheme.
- Focus product scheme, special focus product scheme and focus market scheme.

AREAS BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective Acts or setting up projects in special areas like the North-east region, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

AVIATION

SUMMARY

- 9th largest civil aviation market.
- 163 Million passengers in 2013.
- 60 Million international passengers by 2017.
- 85 international airlines connecting over 40 countries.
- 3rd largest aviation market by 2020.
- 800 aircraft by 2020.

STATISTICS

- India plans to increase the number of operational airports to 250 by the year 2030.

FINANCIAL SUPPORT

- Aircraft engines and parts thereof are eligible for duty exemption when imported for servicing, repair or maintenance of aircraft used for scheduled operations.
- The budget envisages the development of new airports in Tier I and Tier II cities.
- The Income Tax Act provides presumptive taxation under Section 44AE in respect of assesses who are engaged in the business of plying, hiring or leasing goods carriages. The bill proposes to increase the amount of presumptive income to INR 7,500 per vehicle for all types of goods carriage vehicles.
- Exemptions under the Income Tax Act for infrastructure development under section 80 IA.
- Basic customs duty exemption is available for parts and testing equipment used for the maintenance, repair and overhaul of aircraft.
- Budgetary support is provided to the AAI for the development of airport infrastructure in the north-eastern states of India.

INVESTMENT OPPORTUNITIES

- 300 business jets, 300 small aircraft and 250 helicopters are expected to be added to the current fleet in the next 5 years.
- Growth in aviation is accentuating demand for MRO facilities.
- Greenfield airports under Public Private Partnership at Navi Mumbai and Mopa (Goa).
- The development of new airports – the Airports Authority of India aims to bring around 250 airports under operation across the country by 2020.
- The North-east region – the Airports Authority of India plans to develop Guwahati as an inter-regional hub and Agartala, Imphal and Dibrugarh as intra-regional hubs.
- The Airports Authority of India plans to spend USD 1.3 Billion on non-metro projects between 2013 and 2017, focusing on the modernisation and upgradation of airports.
- Indian airports are emulating the SEZ Aerotropolis model to enhance revenues, focus on revenues from retail, advertising and vehicle parking, security equipment and services.

BIOTECHNOLOGY

STATISTICS

- The Indian biotech industry will grow at an average growth rate of around 30% a year and reach USD 100 Billion by 2025.
- The Indian biotechnology sector is divided into five major segments — bio-pharma, bio-services, bio-agri, bio-industrial and bio-informatics.

FINANCIAL SUPPORT

- Service tax exemption for services provided by operators of common bio-medical waste treatment facilities to a clinical establishment by way of treatment or disposal of bio-medical waste or processes incidental thereto.
- Refund of customs duty paid at the time of import of scientific and technical instruments, apparatus, etc. by public funded and other research institutions, subject to submission of a certificate of registration from the Department of Scientific & Industrial Research.

OTHER INCENTIVES:

- Depreciation allowance on plant and machinery has been raised to 40% from 25%.
- Customs duty exemption on goods imported in certain cases for R&D.
- Customs and excise duty exemption to recognised Scientific & Industrial Research Organisations (SIRO).
- 150% weighted tax deduction on R&D expenditure.
- A 3-year excise duty waiver on patented products.
- 100% rebate on own R&D expenditure.
- 125% rebate if research is contracted in publicly-funded R&D institutions.
- Joint R&D projects are provided with special fiscal benefits.
- The setting up of a venture capital fund to support small and medium enterprises.
- Promoting innovations through BIPP, SBIRI, BIRAC and biotech parks.

CHEMICALS

SUMMARY

- 3rd largest producer in Asia.
- 3rd largest global producer of agro-chemicals.
- 6th largest producer of chemicals in the world.
- Total production of 19,300 Thousand Metric Tonnes in 2013-14.
- 70,000 commercial products.
- 16% of world dye production.

STATISTICS

- India accounts for approximately 16% of the world production of dyestuff and dye intermediates.

FINANCIAL SUPPORT

- Basic customs duty (BCD) on reformate is being reduced from 10% to 2.5%.
- Basic customs duty (BCD) on propane, ethane, ethylene, propylene, butadiene is being reduced from 5% to 2.5%.
- Basic customs duty (BCD) on ortho-xylene is being reduced from 5% to 2.5%.
- Basic customs duty (BCD) on denatured ethyl alcohol and methyl alcohol is being reduced from 7.5% to 5%.
- Basic customs duty (BCD) on crude naphthalene is being reduced from 10% to 5%.
- Basic customs duty (BCD) on fatty acids, crude palm stearin, RBD and other palm stearin and specified industrial grade crude oils is being reduced from 7.5% to nil for the manufacture of soaps and oleo-chemicals subject to actual user conditions.
- Basic customs duty (BCD) is also being reduced on crude glycerine from 12.5% to 7.5% in general and from 12.5% to nil for manufacture of soaps subject to actual user conditions.

Any of the following two deductions can be availed:

1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015 provided the aggregate amount of investment in new plants and machinery during the said period exceeds INR 1 Billion.
2. In order to provide a fillip to companies engaged in manufacturing the said benefit of additional deduction of 50% of the cost on new plant and machineries exceeding INR 250 Million, which is acquired and installed during any previous year ending up to 31.3.17.

R&D INCENTIVES (WWW.INNOVATIONCENTRE.IN):

- Industry/private sponsored research programs – a weighted tax deduction is given under Section 35 (2AA) of the Income Tax Act. A weighted deduction of 200% is granted to assesses for any sums paid to a national laboratory, university or institute of technology, for specified persons with a specific direction, provided the said sum is used for scientific research within a program approved by the prescribed authority.

COMPANIES ENGAGED IN MANUFACTURE HAVING AN IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN):

- A weighted tax deduction of 200% under Section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. Expenditure on land and buildings are not eligible for deductions.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for industrial projects.
- Incentives are in areas like subsidised land cost and relaxation in stamp duty exemption on sale/lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects etc.

EXPORT INCENTIVES:

- Export promotion capital goods scheme.
- Duty drawback scheme.
- Focus product scheme, special focus product scheme and focus market scheme.

AREA BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective Acts or setting up projects in special areas like the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

Construction

SUMMARY

- USD 1,000 Billion investments for infrastructure sector projected in 12th five year plan (2012-17).
- USD 650 Billion investments in urban infrastructure estimated over next 20 years.
- 100% FDI permitted through the automatic route for townships, cities.
- 10% of India's GDP is based on construction activity.

FINANCIAL SUPPORT

- The Government of India in the Union Budget 2014-15, has announced a project to develop 'One Hundred Smart Cities' as satellite towns of larger cities by modernizing the existing mid-sized cities in the country. INR 70.6 Billion has been allocated in the current fiscal year for the same. The following has also been announced in the budget in relation to smart cities:
- To encourage development of 'Smart Cities', which will also provide habitation for the neo-middle class, requirement of the built-up area and capital conditions for FDI is being reduced from 50,000 sq. mts. to 20,000 sq. mts., from USD 10 Million to USD 5 Million respectively. To further encourage this, projects which commit at least 30% of the total project cost for low cost affordable housing will be exempted from minimum built-up area and capitalisation requirements.
- A National Industrial Corridor Authority, with its headquarters in Pune is being set up to coordinate the development of Industrial Corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization.
- Master Planning of the Amritsar-Kolkata Industrial Corridor will be completed expeditiously for the development of Industrial Smart Cities in seven states of the country. The seven states to be covered in this project are Punjab, Haryana, Uttar Pradesh, Uttarakhand, Bihar, Jharkhand and West Bengal.
- Master planning of three new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka are to be completed.
- A Perspective Plan for the Bengaluru Mumbai Economic Corridor and Vizag-Chennai Corridor is to be completed with provision for 20 new industrial clusters.
- A proposed allocation of INR 40 Billion, to set up a mission on low cost affordable housing, will be anchored in the National Housing Bank.

- A proposed allocation of INR 1 Billion, to develop metro projects in Lucknow & Ahmedabad.
- INR 80 Billion has been allocated for the National Housing Bank with a view to expand and continue to support rural housing in the country.
- State governments concerned are purposed to be notified as sponsoring authority for metro rail projects covered under project import regulations, 1986.

REITS AND INVITS:

- A new tax structure for real estate and infrastructure investments trusts. Both of them have been given pass-through status.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for investments and special incentive packages for mega projects.

INCENTIVES FOR DEVELOPING SEZ/EMC'S/OTHER SECTORAL CLUSTERS:

The major incentives and facilities available to SEZ developers include:

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years, in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and the Second Schedule of the SEZ Act).

INCENTIVES FOR DEVELOPING ELECTRONIC MANUFACTURING CLUSTERS:

- Brownfield EMC: The assistance will be restricted to 75% of project costs, subject to the ceiling of INR 0.5 Billion. The remaining project cost will be financed by other stakeholders of the EMC with a minimum industry contribution of 15% of the project cost.
- Greenfield EMC: The assistance will be restricted to 50% of the project cost subject to ceiling of INR 0.5 Billion for every 100 acres of land. The remaining project cost shall be financed by other stakeholders of EMC with a minimum industry contribution of 25% of the project cost.
- The administrative expenses are to be restricted to 3% of the central assistance in the project. Expenses towards the preparation of a detailed project report will also be considered a part of project cost.

AREA-BASED INCENTIVES:

Incentives for units in SEZ/NIMZ as specified in respective acts or the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

DEFENCE MANUFACTURING

SUMMARY

- 3rd largest armed forces in the world.
- 40% of budget spent on capital acquisitions.
- 60% of requirements met by imports.
- INR 250 Billion to be invested in 7-8 years.

STATISTICS

- India has the third largest armed forces in the world.
- India is one of the largest importers of conventional defence equipment and spends about 40% of its total defence budget on capital acquisitions.
- About 60% of its defence requirements are met through imports.

FINANCIAL SUPPORT

- Provision of INR 2,290 Billion for defence services.
- Capital outlay for defence increased by INR 50 Billion including a sum of INR 10 Billion for accelerating the development of the railway system in the border areas.
- INR 1 Billion is provided to set up a Technology Development Fund for defence.
- INR 22.5 Billion has been provided to strengthen and modernize border infrastructure.
- The scope of exemption for granting full exemption from Basic Custom Duty (BCD) and Countervailing Duty (CVD) on goods imported for use in the manufacture of aircraft for the Ministry of Defence is being clarified to the effect that the exemption is available to all materials in any form and articles thereof, subject to the overall condition that they conform to aeronautical specifications accompanied with a certificate of conformance and/or a release note.
- Either of the following two deductions can be availed:

  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plants and machinery acquired and installed between 01.04.2013 to 31.03.2015 provided the aggregate amount of investment in the new plants and machinery during the said period exceeds INR 1 Billion.

2. In order to provide a further fillip to companies engaged in the manufacture of an article or thing, the said benefit of additional deduction of 15% of the cost of new plants and machinery, exceeding INR 250 Million, acquired and installed during any previous year until 31.3.2017.

TAX INCENTIVES:

- R&D INCENTIVES(WWW.INNOVATIONCENTRE.IN) – Industry/private sponsored research programmes.
- A weighted tax deduction is given under Section 35 (2AA) of the Income Tax Act.
- A weighted deduction of 200% is granted to assessees for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction that the said sum would be used for scientific research within a programme approved by the prescribed authority.
- For companies engaged in the manufacture of an IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN), a weighted tax deduction of 200% under Section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. Expenditure on land and buildings are not eligible for deduction.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are in areas like subsidised land cost, relaxation in stamp duty exemption on sale/lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects.

EXPORT INCENTIVES:

- Export promotion capital goods scheme.
- Duty remission scheme.
- Focus product scheme, special focus product scheme, focus market scheme.

AREA BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective Acts or for the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

ELECTRICAL MACHINERY

SUMMARY

- 10.5% rate of market expansion between 2007-12.
- USD 4.9 Billion of exports in 2013-14.
- 14.8% yearly increase in exports in the last 8 years.
- USD 24 Billion-sized industry in 2012-13.

STATISTICS

- Estimated output by 2022 is USD 100 Billion.

FINANCIAL SUPPORT

Any of the following two deductions can be availed:

- Investment allowances (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015 provided the aggregate amount of investment in the new plant and machinery during the said period exceeds INR 1 Billion.
- In order to provide a further fillip to companies engaged in the manufacture of an article or thing, the said benefit of additional deduction of 15% of the cost of new plant and machinery, exceeding INR 250 Million which is acquired and installed during any previous year ending on 31.3.2017.

TAX INCENTIVES :

R&D INCENTIVES (WWW.INNOVATIONCENTRE.IN): industry/private sponsored research programmes

- A weighted tax deduction is given under Section 35 (2AA) of the Income Tax Act. A weighted deduction of 200% is granted to assesses for any sum paid to a national laboratory, university or institute of technology, or specified persons with a specific direction, provided the said sum is used for scientific research within a program approved by the prescribed authority.

COMPANIES ENGAGED IN MANUFACTURE HAVING AN IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN) :

- A weighted tax deduction of 200% under Section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. (Expenditure on land and buildings are not eligible for deduction).

STATE INCENTIVES :

- Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are in areas like subsidised land cost, relaxation in stamp duty, exemption on the sale/lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects, etc.

EXPORT INCENTIVES :

- Export promotion capital goods scheme.
- Duty remission scheme.
- Focus product scheme, special focus product scheme, focus market scheme.

AREAS BASED INCENTIVES :

- Incentives for units in SEZ/NIMZ as specified in respective Acts or the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

ELECTRONIC SYSTEM

SUMMARY

- 3rd largest pool of scientists in the world.
- USD 29 Billion consumer electronics market by 2020.
- USD 94.2 Billion – demand projected by 2015.
- 9.88% industry growth rate between 2011-15.
- 2 government-driven incentives – National Knowledge Network & National Optical Fibre Network.
-

STATISTICS

- The sector comprises Electronic Products, Electronic Components, Semiconductor Design and Electronics Manufacturing Services (EMS).

FINANCIAL SUPPORT

- Basic customs duty on LCD and LED TV panels below 19 inches is being reduced from 10% to NIL.
- Basic customs duty is being exempted on specified parts of LCD and LED panels for TVs.
- Basic customs duty on colour picture tubes for manufacture of cathode ray TVs is being reduced from 10% to NIL.
- Special additional duty on all imports/components used in the manufacture of personal computers is being exempted.
- Education cess and secondary and higher education cess is being levied on imported electronic products.
- Full exemption from SAD is being provided on specified inputs i.e. PVC sheets and ribbon used in the manufacture of smart cards.
- Basic customs duty is being reduced from 7.5% to nil on e-book readers.
- Either of the following two deductions can be availed:

  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 to 31.03.2015 provided the aggregate amount of investment in new P&M during the said period exceeds INR 1 Billion.
  2. In order to provide a further fillip to companies engaged in the manufacture of an article or thing, the said benefit of an additional deduction of 15% of cost of new P&M,

exceeding INR 250 Million which is acquired and installed during any previous year, until 31.3.2017.

- Under the existing provisions of Section 35 AD of the Act, investment- linked tax incentive is available by way of allowing deduction of the whole of any expenditure of a capital nature (other than expenditure on land, goodwill and financial investments) incurred wholly and exclusively for purposes of the “specified business” during the previous year in which such expenditure is incurred.
- In order to promote investment in new sectors few more businesses have been added under the above section.
- Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such a unit is notified by the board in accordance with the prescribed guidelines.
- The above business shall begin operations on or after 01.04.2014.
- It has also been decided to provide for a lock-in period of 8 years for use of assets in respect whereof a deduction under Section 35 AD has been claimed.

MODIFIED SIPS :

- Capital subsidy up to 20-25% for 10 years on capex.
- Reimbursement of CVD/excise for capital equipment in non-SEZ units.
- Reimbursement of central taxes and duties for 10 years in select high tech units like fabs and ATMPs.
- Available for the entire value chain of identified electronics products.
- Incentives available for 10 years from the date of approval.

PREFERENTIAL MARKET ACCESS :

- Preference to domestically manufactured electronics goods in government procurement.
- Extent of government procurement from domestic manufacturers will not be less than 30% of the total procurement.

ELECTRONIC MANUFACTURING CLUSTERS :

- Subsidy of 50-75% – up to USD 10 Million per 100 acres of land.
- Applicable to both greenfield and brownfield projects.

EXPORT INCENTIVES :

- Focus product scheme – 2% duty credit scrip.
- Special focus product scheme – 5% duty credit scrip.

AREAS BASED INCENTIVES :

- Incentives for units in SEZ/NIMZ as specified in respective acts or the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.
- National Scheme for Supporting MSMEs in the ESDM sector.
- For compliance of electronic goods with Indian Standards, both testing and certification are required for exports.
- Development of Electronic Manufacturing Clusters by MSMEs.

STATE INCENTIVES :

- Apart from the above incentives, India offers additional incentives for industrial projects, while some states offer separate policies for this sector.

FOOD PROCESSING

SUMMARY

- 192 Million Hectares of gross cropped area.
- 89.9 Million Hectares of net irrigated area.
- 127 agro-climactic zones.
- 42 mega food parks being set up with an allocated investment of INR 98 Billion.

FINANCIAL SUPPORT

- INR 500 Million has been allocated for the development of indigenous cattle breeds and an equal amount has been set for starting a blue revolution in inland fisheries. It has also been decided to provide for a lock-in period of eight years for use of assets in instances where deduction under Section 35 A of teh Income Tax Act has been claimed.
- Any of the following two deductions can be availed:

  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015 provided the aggregate amount of investment in new plant and machinery during the said period exceeds INR 1 Billion.
  2. In order to provide a further fillip to companies engaged in manufacturing, the said benefit of an additional deduction of 15% of the cost of new plant and machinery exceeding INR 250 Million, acquired and installed during any previous year, until 31.3.2017.

- Full exemption from customs duty is being granted to de-oiled soya extract, groundnut oil cake/cake meal, sunflower oil cake/cake meal, rice bran/rice bran oil cake and palm kernel cake until 31.12.2014.
- The government has introduced several schemes to provide financial assistance in the form of grants and subsidies for the setting up and modernization of food processing units, the creation of infrastructure, support for research and development and human resource development as well as other promotional measures to encourage growth within the processed food sector.

THE NATIONAL MISSION ON FOOD PROCESSING :

- The centrally sponsored scheme provides the following:

  1. Technology upgradation, establishment and modernization of the food processing industries.
  2. Cold chain, value addition and preservation infrastructure for non-horticultural products.

3. The setting up, modernization and expansion of abattoirs.
4. Human resource development.
5. Promotional activities.
6. Primary processing and collection centres in rural areas.
7. The modernisation of meat shops.
8. Reefer vehicles.

- The scheme for infrastructure development includes grant of subsidies for the setting up of mega food parks and integrated cold chains.
- Project imports for food processing at concessional customs duties.
- In order to promote faster establishment of food processing industries in the country, the government provides various tax and other incentives to businesses

INCOME TAX :

Deduction of expenditure:

- These incentives are allowed for the following businesses, for the investment made in the previous year and prior to commencement of its operations.

1. Businesses permitted 100% deductions:

a) Setting up and operating a cold chain facility.
b) Setting up and operating warehousing facilities for storage of agricultural produce.

2. Businesses permitted 150% deduction, provided the taxpayer has commenced business on or after the Ist of April, 2012.

a) Beekeeping and the production of honey and beeswax.
b) The setting up and operation of a warehousing facility for the storage of sugar.

DEDUCTION OF TAX FROM PROFIT:

- This tax incentive is available at the rate of 100% tax exemption for the first 5 years of operations. After 5 years, the rate is 25% of the profits. However, in the case of a company, the rate of tax is 30% of profits, after 5 years of operations. This benefit is available only for ten years provided that such business has commenced with effect from the 1st of April, 2001.
- This incentive is provided for new units in the business of processing, preservation and packaging of fruits or vegetables, meat and meat products, poultry, marine or dairy products. However, in the case of businesses relating to meat, meat products, poultry, marine products or dairy products, the above incentive is available to only those units who have started their production after the 1st of April, 2009.

SERVICE TAX:

Exempted activities:

- Service tax may not be levied on items contained in the negative list. These are services including processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun-drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market.

Exempted categories:

- Service tax is exempted in the following instances:

  1) The construction, erection, commissioning or installation of original works pertaining to post-harvest storage infrastructure for agricultural produce, including cold storage for such purposes.
  2) Mechanized food grain handling system, machinery or equipment for units processing agricultural produce as foodstuff, excluding alcoholic beverages.
  3) Services provided by goods transport agencies for transportation of fruit, vegetables, eggs, milk, food grains or pulses in a goods carriage.
  4) Services such as loading, unloading, packing, storage or warehousing of agricultural produce.

CUSTOMS DUTY:

- Projects for the installation of mechanized food grain handling systems and pallet racking systems in mandis (agricultural produce markets) and warehouses for food grains and sugar.
- Cold storage, cold rooms (including facilities for farm level pre-cooling) or industrial projects for the preservation, storage or processing of agricultural produce, apiaries, horticultural production, dairy, poultry, marine produce and meat.
- Consequently, all goods related to food processing, imported as partof the project, irrespective of their tariff classification, would be entitled to uniform assessment at a concessional customs duty of 5%, plus countervailing duties as applicable.

CENTRAL EXCISE DUTY :

Food Products:

- Nil excise duty in milk, milk products, vegetables, nuts & fruits – both fresh and dried.
- Against a standard excise duty of 12%, processed fruits and vegetables carries a merit rate of 2% without CENVAT or 6% with CENVAT.

Food Processing Machinery:

- All refrigeration machinery and parts used for the installation of cold storage, cold room or refrigerated vehicles for the preservation, storage, transport or processing of agricultural, apiary, horticultural and marine produce as well as dairy and poultry, are exempt from excise duty.
- Machinery for pasteurising, drying, evaporating, etc. used in the dairy sector is exempt from excise duty.

IT AND BPM

SUMMARY

- USD 118 Billion expected 2014 revenues.
- USD 200 Billion in savings for companies in the last five years.
- 600 offshore development centres for 78 countries.
- USD 225 Billion industry by 2020.

FINANCIAL SUPPORT

- Allocation of INR 5 Billion for launching a pan-India programme – Digital India and a national rural internet and technology mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme.

EXPORT INCENTIVES:

- Export incentives under foreign trade policy.

AREA-BASED INCENTIVES:

- Incentives for units in SEZ as specified in respective acts.

STATE INCENTIVES:

- Benefits are also available under state industrial/IT policies.

LEATHER

SUMMARY

- USD 11 Billion industry.
- USD 6 Billion worth of exports in 2013-14.
- 10% of the world's leather production.
- 24% growth projected in the next five years.
- 55% of workforce below 35.

FINANCIAL SUPPORT

- The entire leather product sector is de-licensed, facilitating expansion on modern lines with state-of-the-art machinery and equipment.
- Under the IDLS sub-scheme of ILDP, 30% grant is provided on the cost of plant and machinery for Micro and Small units and 20% for other units, with a ceiling of INR 20 Million for each product line.
- Under the MLC sub-scheme of ILDP, 50% grant with a ceiling of INR 1.25 Billion based on size is provided for the establishment of Mega Leather Clusters to boost infrastructure facility and support services for production and export.
- Under the Leather Technology, Innovative and Environmental Issues sub-scheme of ILDP, assistance is provided for up to 50% of the project cost with a ceiling of INR 500 Million for upgradation/installation of Common Effluent Treatment Plants (CETPs) to address environmental pollution caused by leather units.

MEDIA AND ENTERTAINMENT

SUMMARY

- INR 220 Billion film industry by 2018.
- INR 918 Billion in 2013 revenues.
- 3rd largest TV market in the world.
- 161 Million television households in 2013.
- INR 40 Million animation industry.
- 800 TV channels.

FINANCIAL SUPPORT

- INR 1000 Million has been allocated to encourage the growth of community radio stations.
- INR 5000 Million has been allocated for launching a pan-India programme named Digital India and a national rural internet and technology mission for services in villages and schools, training in IT skills and e-kranti for government service delivery and governance scheme.
- INR 1000 Million has been allocated for launching a programme to promoting good governance.

STATE INCENTIVES:

- Available depending upon the number of jobs created, area of investment etc.
- Animation and gaming: incentives for units in SEZ as specified in the Act.

MINING

SUMMARY

- 20-30 year mining leases.
- 302 Billion Tonnes of coal reserves.
- 3108 operational mines.
- 6th largest bauxite reserves.
- 5th largest iron ore reserves.

FINANCIAL SUPPORT

- Changes, if necessary, in the MMDR Act, 1957 to be introduced to encourage investment in the mining sector and promote sustainable mining practices.
- The Basic Customs Duty (BCD) on ships imported for breaking up is being reduced from 5% to 2.5%.
- Basic Customs Duty (BCD) on coal-tar pitch is being reduced from 10% to 5%.
- Basic Customs Duty (BCD) on battery waste and battery scrap is being reduced from 10% to 5%.
- Basic Customs Duty (BCD) on steel grade limestone and steel grade dolomite is being reduced from 5% to 2.5%.
- Full exemption from basic customs duty is being granted to pre-forms of precious and semi-precious stones.
- The variation level and the parameter of measurement with respect to re-import of cut and polished diamonds after certification/grading from a foreign laboratory/agency are being increased as a trade facilitation measure.
- Under the existing provisions of Section 35 AD of the Act, an investment – linked tax incentive is available by way of allowing deduction of the whole of any expenditure of capital nature (other than expenditure on land, goodwill and financial investment) incurred wholly and exclusively for purpose of the "specified business" during the previous year in which such expenditure was incurred.
- In order to promote investment in new sectors, few more businesses have been added under the above section. Those related to the mining sector are:

  1. Laying and operating a slurry pipeline for the transportation of iron ore.
  2. The above business shall begin operations on or after 01.04.2014. It also has the condition of lock-in period of 8 years for use of assets.

FISCAL INCENTIVES:

- One-tenth of the expenditure on prospecting, extraction and production of certain minerals during five years ending with the first year of commercial production is allowed as a deduction from the total income.
- Export profits from specified minerals and ores are eligible for certain concessions.
- Minerals in their finished form are exempt from excise duty.
- There is low customs duty on capital equipment used for minerals on nickel, tin, pig iron and unwrought aluminium.
- Capital goods imported for mining under the EPCG scheme qualify for concessional customs duty subject to certain export obligations.

STATE INCENTIVES

- Each state in India offers additional incentives for industrial projects, related to specific sector. Incentives have been provided in areas such as subsidised land cost, the relaxation of stamp duty on the sale or lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies and tax incentives, backward areas subsidies and special incentive packages for mega projects.

OIL AND GAS

SUMMARY

- 96 Trillion Cubic Feet of estimated shale gas reserves.
- 47 Trillion Cubic Feet of proven natural gas reserves.
- 800 MMT of proven oil reserves.
- 4th largest consumer of crude oil and petroleum products in the world.
- 2nd largest refiner in Asia.

FINANCIAL SUPPORT

- Cut in excise duty of branded petrol from INR 7.50 per litre to INR 2.35 per litre.
- An additional 15,000 km of gas pipeline will be developed using appropriate PPP models.
- Reduction in fuel subsidies through appropriate measures.
- Section 25 of The Customs Act is being amended to provide that the customs duties on mineral oils like oil and gas extracted or produced in the continental shelf of India or the exclusive economic zone of India shall not be recovered for the period prior to 7th February, 2002.

FISCAL INCENTIVES:

- All exploration and drilling costs are 100% tax-deductible. Such costs are aggregated until the year of commencement of commercial production.
- A special deduction is available for provisions made for site restoration expenses if the amount is deposited in a designated bank account. The deduction is the lower of the following amounts: the amount deposited in a separate bank account or site restoration account, or 20% of the profits of the business in the relevant financial year.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are provided in areas such as subsidised land cost, the relaxation of stamp duty on sale/lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies and/or tax incentives, backward areas subsidies, special incentive packages for mega projects.

EXPORT INCENTIVES:

- Under the Exports Promotion Capital Goods Scheme, the import of capital goods at a zero basic custom duty is allowed for export purposes. Capital goods for the pre/post production stage are also permitted. The exports are to be effected equivalent to six times the duty saved on capital goods. Exports are to be completed in 6 years.

FOCUS MARKET SCHEME:

- The basic objective is to offset high freight cost and other externalities to select international markets. A benefit of 3% transferable duty-free credit entitlement for specified countries has been envisaged; special focus markets get 4% benefits.

AREA-BASED INCENTIVES:

- Incentives for units in special economic zones (SEZs) and national investment and manufacturing zones (NIMZs) are specified in respective acts.Plans have been made for the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

PHARMACEUTICALS

SUMMARY

- 3rd largest pharmaceuticals market by 2020.
- 20% of global exports in generics.
- USD 45 Billion in revenue by 2020.
- USD 26.1 Billion in generics by 2016.
- USD 200 Billion to be spent on infrastructure by 2024.
- 49% of all drug master filings registered in the USA.

REASONS TO INVEST

- India is expected to rank amongst the top three pharmaceutical markets in terms of incremental growth by 2020.

FINANCIAL SUPPORT

KEY PROVISIONS IN THE 2O14-15 UNION BUDGET:

- Creation of new drug testing laboratories and further strengthening of the 31 existing state laboratories.
- Full exemption from excise duty is being provided for HIV/AIDS drugs and diagnostic kits supplied under National AIDS Control Programme funded by the global fund to fight AIDS, TB and Malaria (GFATM). The customs duties on the said drugs are also being exempted.
- Allocation of INR 5000 Million to set up four more institutions of the stature of AIIMS in Andhra Pradesh, West Bengal, Maharashtra and U.P.
- Any of the following two deductions can be claimed:

  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015 provided the aggregate amount of investment in new plant and machinery during the said period exceeds INR 1 Billion.

  2. In order to provide further fillip to companies engaged in manufacturing, the said benefit of additional deduction of 15% of cost of new plant and machinery, exceeding INR 250 Million which is acquired and installed during any previous year ending up to 31.3.2017.

EXPORT INCENTIVES HAVE BEEN ENVISAGED IN THE FOLLOWING SCHEMES:

- Focus product scheme.
- Special focus product scheme.
- Focus market scheme.
- Export promotion capital goods scheme.

AREA-BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective acts.
- Setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

UNITS IN CLUSTERS:

- A scheme for the development of common facilities like effluent treatment, testing centres etc.

STATE INCENTIVES:

- Besides the above, each state in India offers additional incentives for industrial projects.
- Incentives are in areas like subsidised land cost, relaxation in stamp duty on sale/lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects etc.

R&D BENEFITS:

Industry/private sponsored research programs:

- A weighted tax deduction is given under section 35 (2AA) of the Income Tax Act.
- A weighted deduction of 200% is granted to assesses for any sum paid to a national laboratory, university or institute of technology, or specified persons with a specific direction provided that the said sum is used for scientific research within a program approved by the prescribed authority.

Companies engaged in manufacture having an IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN):

- Weighted tax deduction of 200% under section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. Expenditure on land and buildings are not eligible for deduction.
  A national centre to help develop bulk drugs and facilitate their research is being set up in Hyderabad.

PORTS

SUMMARY

- 87 new projects approved.
- 73 Public Private Partnerships.
- 60 operational non-major ports.
- 800 Million Metric Tonnes in cargo capacity.
- 12 major ports.
- INR 430 Billion invested between 2010-14.

FINANCIAL SUPPORT

- Allocation of INR 116.35 Billion for the development of the Outer Harbour Project in Tuticorin for Phase I.
- A Ganges-based project named 'Jal Marg Vikas' will be undertaken between Allahabad and Haldia. This project is to be completed over a period of 6 years at an estimated cost of INR 42 Billion.
- Exemptions under the Income Tax Act for Infrastructure Development, under Section 80IA.

INVESTMENT OPPORTUNITIES

- Port development – the opportunity to serve the spill-off demand from major ports.
- Port support services – operation and maintenance services such as pilotage, dredging, harbouring and provision of marine assets such as barges and dredgers.
- Ship repair facilities in ports – demand for ship repair services will increase, providing opportunities to build new dry docks and set up ancillary repair facilities.

RAILWAYS

SUMMARY

- 4th largest rail freight carrier in the world.
- USD 1,000 Billion worth of projects to be awarded through Public Private Partnership.
- 1.3 Million-Strong workforce.
- World's largest passenger carrier.

FINANCIAL SUPPORT

For manufacturing activity:

STATE INCENTIVES:

- State governments offer additional incentives for industrial projects. Incentives are in areas such as rebates in land cost, relaxation in stamp duty on the sale or lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.

EXPORT INCENTIVES:

- Various kinds of incentives on exports are available under foreign trade policy.

AREA-BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective Acts or setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh &Uttarakhand.

TAX INCENTIVES: R&D INCENTIVES(WWW.INNOVATIONCENTRE.IN):

- Industry/private sponsored research programs: a weighted tax deduction is given under section 35 (2AA) of the Income Tax Act. Weighted deduction of 200% is granted to assesses for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction, provided that the said sum would be used for scientific research within a program approved by the prescribed authority.

- Companies engaged in manufacture, having an IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN). Weighted tax deduction of 200% under section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. (Expenditure on land and buildings are not eligible for deduction).

RENEWABLE ENERGY

SUMMARY

- 5th largest power generation portfolio.
- 5th largest wind energy producer.
- 1,500 MW annual PV (photo volatics) capacity by the end of 2014.
- 243 GW of installed capacity as of March 2014.
- 20,000 MW of solar power by 2022.

REASONS TO INVEST

- Wind energy is the largest renewable energy source in India. The Jawaharlal Nehru National Solar Mission aims to generate 20,000 MW of solar power by 2022, creating a positive environment among investors keen to tap into India's potential.

FINANCIAL SUPPORT

KEY PROVISIONS IN BUDGET 2O14-15:

- Allocation of INR 5 Billion towards the proposed ultra-mega solar power projects in Rajasthan, Gujarat, Tamil Nadu and Ladakh in J&K which includes an allocation of INR 4 Billion for launching a scheme for solar power driven agricultural pump sets and water pumping stations for energizing 100,000 pumps and a future allocation of INR 1 Billion for the development of 1 MW solar parks on the banks of canals.
- Excise duty is being reduced from 12% to NIL on forged steel rings used in the manufacture of bearings of wind-operated electricity generators.
- Full exemption from excise duty is being provided for solar tempered glass used in the manufacture of solar photovoltaic cells/modules, solar power generating equipment/system and flat plate solar collectors.
- Full exemption from excise duty is being granted in respect of machinery, equipments etc. required for setting up of solar energy production projects.
- Full exemption from excise duty is being provided to backsheet and EVA sheet used in the manufacture of photovoltaic cells/modules and specified raw materials used in their manufacture.

- Full exemption from excise duty is being provided to parts consumed within the factory of production for the manufacture of non-conventional energy devices.
- Full exemption from excise duty is being provided on flat copper wire used in the manufacture of PV ribbons (timed copper interconnect) for use in the manufacture of solar cells/modules.
- Full exemption from excise duty is being provided on machinery, equipment etc. required for the setting up of compressed biogas plants (Bio-CNG).
- Basic customs duty is being reduced from 10% to 5% on forged steel rings used in the manufacture of bearings of wind-operated electricity generators.
- Full exemption from SAD is being provided on parts and components required for the manufacture of wind-operated electricity generators.
- Basic customs duty on machinery, equipments etc. required for the setting up of solar energy production projects is being reduced to 5%.
- Full exemption from basic customs duty is being provided on specified raw materials used in the manufacture of solar back sheet and EVA sheet.
- Full exemption from basic customs duty is being provided on flat copper wire used in the manufacture of PV ribbons (timed copper interconnect) for solar PV cells/modules.
- Concessional customs duty of 5% is being provided on machinery, equipment etc. required for the setting up of compressed biogas plants.

INCENTIVES OFFERED BY THE GOVERNMENT FOR THE DEVELOPMENT OF THE SOLAR ENERGY SECTOR INCLUDE:

- Exemption from excise duties and concession on import duties on components and equipment required to set up a solar plant.
- A 10-year tax holiday for solar power projects.
- Wheeling, banking and third party sales, buyback facility by states.
- Guaranteed market through solar power purchase obligation for states.
- GBI schemes for small solar projects connected to a grid below 33KV.
- Reduced wheeling charges as compared to those for conventional energy.
- Special incentives for exports from India in renewable energy technology under renewable sector-specific SEZ.
- A payment security mechanism to cover the risk of default by state utilities/discoms.
- A subsidy of 30% of the project cost for off-grid PV and solar thermal projects.
- Loans at concessional rates for off-grid applications.

FISCAL INCENTIVES FOR BIOMASS POWER PROJECTS:

- Accelerated depreciation: a claim of 80% depreciation in the first year for certain specific equipment.
- A 10-year income tax holiday.
- Concessional customs duty and excise duty exemption for machinery and components during the setting up of the project.
- An exemption of sales tax in certain states.
- Financial assistance from IREDA for the setting up of biomass power and bagasse co-generation projects.

ROADS AND HIGHWAYS

SUMMARY

- USD 3.8 Billion outlay planned for highways.
- 4.86 Million kms of roads and highways.
- USD 19 Billion infrastructure development between 2012-17.
- 100,000 kms of national highway by the end of 2017.
- 100 completed Public Private Partnership Projects.

FINANCIAL SUPPORT

PROVISIONS OF THE 2014-2015 UNION BUDGET:

- INR 378.8 Billion has been allocated towards the proposed investment in the National Highways Authority of India and state roads which includes INR 30 Billion for the North-east.
- INR 143.89 Billion has been allocated towards the Pradhan Mantri Gram Sadak Yojana.
- INR 5 Billion has been allocated to set up an institution to provide support to mainstreaming Public Private Partnerships in India called 3P India.
- It is clarified that road construction machinery imported duty-free can be sold within 5 years of import, subject to the payment of customs duty on depreciated value and that individual constituents of the consortium whose names appear in the contract can import goods without payment of duty.
- The requirement of certification by the Ministry of Road Transport for availing customs duty exemptions on specified goods required for the construction of roads is to be done away with.
- Plants and equipment imported prior to 2008 for use in projects financed by the UN or an international organization, which hitherto could not be transferred/sold/re-exported out of the project site, are now permitted to be transferred/sold/re-exported from the project site.
- The FII investment limit in infrastructure corporate bonds was raised from USD 5 Billion to USD 25 Billion.
- Companies enjoy 100% tax exemption in road projects for 5 years and 30% relief for the next five years.
- Capital gains of up to 40% of the total project cost to enhance viability.

- Financial institutions have received government approval to issue tax-free bonds for a total value of USD 9.2 Billion in 2014-15.
- The India Infrastructure Finance Company (IIFC) is to provide long-term funding for infrastructure projects.
- Interest payments on borrowings for infrastructure are now subject to a lower withholding tax of 5%.
- Infrastructure Debt Fund income is exempt from income tax.

SPACE

SUMMARY

- India’s space programme stands out as one of the most cost-effective in the world.
- 33 countries and 3 multinational bodies have formal co-operative arrangements in place with the Indian Space Research Organization.
- 30 spacecrafts in differing orbital paths.

TEXTILES AND GARMENTS

SUMMARY

- 1st in global jute production.
- 7 Million Tonnes of FBP in 2013-14.
- 63% of the world's market share in textiles and garments.
- 2nd largest textile manufacturer in the world.
- 2nd largest producer of silk and cotton.
- 24% of the world's spindles.
- 8% of the world's rotors.

FINANCIAL SUPPORT

KEY PROVISIONS OF BUDGET 2O14-15:

- Allocation of INR 500 Million towards the setting up of a trade facilitation centre and a crafts museum to develop and promote handloom products and carry forward the rich tradition of the handlooms of Varanasi.
- Allocation of INR 2000 Million towards the proposed setting up of mega textile clusters at Bareilly, Lucknow, Surat, Kuttch, Bhagalpur and Mysore and one in Tamil Nadu.
- Allocation of INR 300 Million towards the setting up of Hastkala Academy for the preservation, revival and documentation of the handloom/handicraft sector in PPP mode in Delhi.
- Allocation of INR 500 Million towards the setting up of Pashmina Promotion Programme (P-3) and a programme for the development of other crafts of Jammu & Kashmir.
- The duty-free entitlement for import of trimmings and embellishments used by the readymade textile garment sector for manufacture of garments for exports is being increased from 3% to 5%.
- Non-fusible embroidery motifs or prints are being included in the list of items eligible to be imported duty-free for manufacture of garments for exports.
- The list of specified goods required by handicraft manufacturer-exporters is being expanded by including wire rolls so as to provide customs duty exemption on import by handicrafts manufacturer-exporters.
- Fusible embroidery motifs or prints, anti-theft devices, pin bullets for packing, plastic tag bullets, metal tabs, bows, ring and slider hand rings are being included in the list of items

eligible to be imported duty-free for manufacture of handloom made ups or cotton made ups or manmade made ups for export.

- Specified goods imported for use in the manufacture of textile garments for export are fully exempt from Basic Customs Duty (BCD) and Countervailing Duty (CVD) subject to conditions that the manufacturer produces an entitlement certificate from the Apparel Export Promotion Council or from the Indian Silk Export Promotion Council.
- Basic Customs Duty (BCD) on raw materials for manufacture of spandex yarn viz. polytetramethylene ether glycol and diphenylmethane 4,4 di-isocyanate is being reduced from 5% to NIL.

- Any of the following two deductions can be availed:

  1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015, provided the aggregate amount of investment in new plant and machinery during the said period exceeds INR 1 Billion.
  2. In order to provide a fillip to companies engaged in manufacturing, the said benefit of additional deduction of 15% of the cost of new plant and machinery, exceeding INR 250 Million, acquired and installed during any previous year, until 31.03.2017.

TAX INCENTIVES:

R&D INCENTIVES(WWW.INNOVATIONCENTRE.IN): Industry/private-sponsored research programmes:

- A weighted tax deduction is given under Section 35 (2AA) of the Income Tax Act.
- A weighted deduction of 200% is granted to assesses for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction that the said sum would be used for scientific research within a program approved by the prescribed authority.

COMPANIES ENGAGED IN MANUFACTURE HAVING AN IN-HOUSE R&D CENTRE (WWW.INNOVATIONCENTRE.IN):

- A weighted tax deduction of 200% under Section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. Expenditure on land and buildings are not eligible for deductions.

STATE INCENTIVES:

- Apart from the above, each state in India offers additional incentives for industrial projects. Some of the states also have separate policies for the textiles sector.

- Incentives are in areas like subsidised land cost, relaxation in stamp duty exemption on sale/lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.

EXPORT INCENTIVES:

- Export Promotion Capital Goods Scheme (PCGS).
- Duty Remission Scheme.
- Focus Product Scheme, Special Focus Product Scheme, Focus Market Scheme.

AREA-BASED INCENTIVES:

- Incentives for units in SEZ/NIMZ as specified in respective acts or the setting up of projects in special areas such as the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

THERMAL POWER

SUMMARY

- 123 Billion Tonnes of proven coal reserves.
- 1,355 Billion Cubic Metres of proven natural gas reserves.
- 5th largest producer of electricity.
- 5th largest consumer of electricity.
- 100% FDI permitted under automatic route in the power sector.

FINANCIAL SUPPORT

PROVISIONS UNDER BUDGET 2O14-15:

- Extension of sunset date under section 80 IA (4) (iv) of the Income Tax Act for the power sector (generation, distribution and transmission) to 31.03.2017 for claiming deduction of 100% of profits and gains for 10 consecutive assessment years.
- Adequate quantity of coal will be provided to power plants which are already commissioned or are to be commissioned by March 2015.
- Allocation of INR 1 Billion for preparatory work for a new scheme creating ultra-modern super critical coal-based thermal power technology aimed at providing cleaner and efficient thermal power.
- Allocation of INR 5 Billion to Deen Dayal Upadhyaya Gram Jyoti Yojana, for launching feeder separation to augment power supply to the rural areas and for strengthening sub-transmission and distribution systems.
- Full exemption from central excise duty is being provided to liquefied propane mixture, liquefied propane, liquefied butane and liquefied petroleum gases for supply to non-domestic exempted category customers by the IOCL, HPCL or BPCL retrospectively from 08.02.2013.
- The duty structure on non-agglomerated coal of various types is being rationalized at 2.5% Basic Customs Duty (BCD) and 2% Counterveiling Duty (CVD). The BCD on anthracite coal and other coal is being reduced from 5% to 2.5%.
- The CVD on anthracite coal, coking coal and other coal is being reduced from 6% to 2%.
- Exemption from BCD is being granted on re-gassified LNG for supply to Pakistan.
- Imports of liquefied propane mixture, liquefied propane, liquefied butane and liquefied petroleum gases for supply to non-domestic exempted category customers by the IOCL, HPCL or BPCL retrospectively from 08.02.2013.

TAX INCENTIVES: R&D INCENTIVES (WWW.INNOVATIONCENTRE.IN)

- Industries and infrastructure sectors including the power/energy efficiency sectors with in-house R&D centers get a write-off in revenues and capital expenditure incurred on R&D.
- A weighted tax deduction is given under section 35 (2AA) of the Income Tax Act to industry/private sponsored research programmes.
- A weighted deduction of 200% is granted to assesses for any sums paid to a national laboratory, university or institute of technology, or specified people with a specific direction and the said sum will be used for scientific research within a programme approved by the prescribed authority.

STATE INCENTIVES:

- India offers additional incentives for industrial projects in certain states.
- Incentives are in areas such as rebates in land cost, the relaxation of stamp duty exemption on the sale and lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies, tax incentives, backward area subsidies and special incentive packages for mega projects.

AREA BASED INCENTIVES:

- Incentives are available for the setting up of projects in special areas like the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

TOURISM AND HOSPITALITY

SUMMARY

- 6.8% of India's GDP.
- USD 18.13 Billion in foreign exchange earnings.
- 1 Billion domestic travellers.
- 30 world heritage sites.
- 6.97 Million foreign tourists in 2012-13.
- 21 hotel management institutes.
- 78 jobs with every USD 1 Million invested.
- 25 bio-geographical zones.

FINANCIAL SUPPORT

KEY PROVISIONS OF BUDGET 2O14-15:

- INR 5 Billion has been allocated towards the proposed creation of 5 tourist circuits around specific themes.
- INR 1 Billion has been allocated towards a National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation (PRASAD), a drive that is to be launched in this financial year.
- INR 2 Billion has been allocated towards National Heritage City Development and Augmentation Yojana (HRIDAY) to be launched for conserving and preserving the heritage character of certain cities.
- INR 1 Billion has been allocated for the preservation of archaeological sites.
- Services provided by Indian tour operators to foreign tourists in relation to tours wholly conducted outside India are being exempted from levy of service tax.
- World-class tourist facilities are being developed to promote Sarnath-Gaya-Varanasi Buddhist circuit.
- INR 2 Billion has been set aside to support the Gujarat Government in its initiative to erect and build the largest ever statue of Sardar Vallabh Bhai Patel.

TAX INCENTIVES:

- An investment-linked deduction under Section 35 AD of the Income Tax Act is in place for establishing new hotels in the 2-star category and above across India, thus permitting a

100% deduction in respect of the whole or any expenditure of a capital nature excluding land, goodwill and financial instruments incurred during the year.

STATE INCENTIVES:

- Incentives offered by state governments include subsidised land cost, relaxation in stamp duty, exemption on sale/lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.
- Incentives are provided for setting up projects in special areas – the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

INCENTIVES FROM THE MINISTRY OF TOURISM:

- Assistance in large revenue-generating projects.
- Support to Public Private Partnerships in infrastructure development such as viability gap funding.
- Schemes for capacity-building of service providers.

WELLNESS

SUMMARY

- 2nd largest exporter of Ayurvedic and alternative medicine in the world.
- INR 162 Billion industry by 2014.
- INR 490 Billion wellness market.
- 6200 indigenous herbal plants.

FINANCIAL SUPPORT

- A scheme has been envisaged for the development of AYUSH clusters, for creating a Common Facility Centre for standardization, quality assurance and control, productivity, marketing, infrastructure and capacity-building through a cluster-based approach.
- Central Sector Scheme for promotion of international cooperation in AYUSH which provides for international exchange of experts and officers, incentive to drug manufacturers, entrepreneurs, AYUSH institutions etc. for international propagation of AYUSH by participating in international exhibitions, trade fairs, road shows etc. and registration of AYUSH products (Market Authorization) at regulatory bodies of different countries such as USFDA/EMEA/UK-MHRA/NHPD/TGA etc. for exports, support for international market development and AYUSH promotion-related activities, translation and publication of AYUSH literature/books in foreign languages.
- A centrally-sponsored scheme has been set up for specialized AYUSH facilities in government tertiary care as well as AYUSH hospitals in Public Private Partnership mode.
- The National Mission on Medicinal Plants is a centrally-sponsored scheme for cultivation of medicinal plants on farmers lands used in medicines of AYUSH for sustained availability. The Central Sector Scheme for 'Conservation, Development and Sustainable Management of Medicinal plants' aimed at ex-situ/in-situ conservation, awareness creation, R&D, herbal gardens, etc.
- Provisions have been made for the North-eastern region in this sector.
- The Scheme for Hospitals and Dispensaries, under NRHM including AYUSH flexi-pool, continues to provide assistance to states for integrating AYUSH in the national health care network, creating AYUSH facilities in PHCs/CHCs/District Hospitals.
- The AYUSH Sector Innovation Council has been instituted by the Government of India.