

**GOVERNMENT OF INDIA**  
**MINISTRY OF COMMERCE AND INDUSTRY**  
**RAJYA SABHA**  
**QUESTION NO 21.04.2010**  
**ANSWERED ON**  
**. RELIEF TO INDUSTRY AND COMMERCE SECTOR .**

2759

Shri Shivanand Tiwari

Will the Minister of COMMERCE AND INDUSTRY be pleased to state :-

- (a) whether it is a fact that the industry and commerce sector are getting economic relief as exemption, rebate, concession, for the past few years;
- (b) if so, the details thereof;
- (c) whether the above relief is required for the smooth functioning of the industry and commerce sector in the country; and
- (d) if so, the reaction of the Government thereto?

**ANSWER**

## THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY

(SHRI JYOTIRADITYA M. SCINDIA)

(a) to (d): The various policy responses referred to were to a large extent shaped by the effect of the global financial crisis on Indian industry. Measures taken specifically for the industrial sector included fiscal measures alongwith appropriate monetary policy intervention to ensure availability of credit. (Annex- I). The effort in this regard was to mitigate the impact of the global recession on Indian industry, especially the export-oriented sectors that were the most affected. Apart from the fiscal and monetary responses, sector-specific measures and programmes were also undertaken. (Annex – II).

Annex -I

ANNEXURE REFERRED TO IN REPLY TO RAJYA SABHA UNSTARRED QUESTION NO.2759 FOR ANSWER ON 21.4.2010

### STIMULUS PACKAGES ANNOUNCED AND IMPLEMENTED

The developments in terms of policy responses during 2008-09 were to an extent shaped by the effects of the global financial crisis on Indian industry. Measures taken specifically for the industrial sector included fiscal measures and measures to ensure availability of credit. Broadly, the effort in this regard was to mitigate the sharp impact of the global recession on industry, especially the export-oriented sectors that were the most directly affected. Measures announced in three stimulus packages on 7th December, 2008 and 2nd January, 2009 and in the interim budget announced on 16th February, 2009 , inter alia, include

#### Central Excise

- oGeneral reduction in Excise Duty rates by 4 per cent points was made with effect from 7.12.2008. It is further reduced from 10 per cent to 8 per cent.

- oReduction in the rate of central excise duty on bulk cement from 10 per cent or Rs. 290 PMT, whichever is higher to 8 per cent or Rs.230 PMT, whichever is higher.

#### Service Tax

- oThe Service Tax rate is reduced on taxable services from 12 percent to 10 per cent.

#### Housing :

- oRefinance facility of Rs.4000 crore for the National Housing Bank by RBI.

- oTo facilitate access to funds for the housing sector, the development of integrated townships was permitted as an eligible end-use of the External Commercial Borrowing (ECB).

#### Textiles :

oAn additional allocation of Rs.1400 crore to clear the entire backlog in Technology Upgradation Fund (TUF) Scheme was announced in the Stimulus package. In the Union budget 2009-10, allocation for TUFs was enhanced to Rs 3140 crore against Rs 1140 crore.

Automobile :

oAccelerated depreciation of 50% for commercial vehicles.

oAssistance to the state under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for the purchase of buses for the urban transport system.

oGovernment Departments allowed to replace government vehicles within the allowed budget, in relaxation of extant economy instructions.

oExcise duty on petrol driven trucks used for transportation within cities reduced from 20% to 8%.

oA specific component was added to the ad valorem duty of 24 per cent applicable to large cars and utility vehicles in June last year. In the case of vehicles of engine capacity below 2000 cc, this component was Rs. 15000 per unit while for vehicles of higher engine capacity it was Rs. 20000 per unit. These rates are unified at the lower level of Rs. 15000 per unit. Construction:

oFull exemption on goods manufactured at site including pre-fabricated concrete slabs or blocks, when used for further construction at site.

IT Industry:

oValue attributable to the transfer of the right to use packaged software is exempted from excise duty and CVD.

Annex -II

ANNEXURE REFERRED TO IN REPLY TO RAJYA SABHA UNSTARRED QUESTION NO.2759 FOR ANSWER ON 21.4.2010

Exports : Several measures have been taken to support exporters such as :

a.Interest subvention of 2% for pre and post shipment export credit for labour intensive industries such as textiles, handlooms, handicrafts, leather, Gems and jewellery, marine products and Micro, Small & Medium Enterprise sector.

b.Additional funds of Rs.1100 crore to ensure full refund of Terminal Excise duty/Central Sales Tax.

c.An additional allocation for export incentive schemes of Rs.350 crore.

- d. Government back-up guarantee to Export Credit Guarantee Corporation (ECGC) to the extent of Rs.350 crore to enable it to provide guarantees for exports to difficult markets/products.
- e. Enhancement of duty drawback benefits on certain items including knitted fabrics, bicycles, agricultural hand tools and specified categories of yarn.
- f. Providing pre-shipment credit, in rupees or dollars to Indian exporters at competitive rates by Export Import (EXIM) bank.
- g. Service tax concessions and enhancement of drawback rates for exports.
- h. Extension of a Line of Credit (LoC) by Rs.5000 crore to EXIM Bank from RBI to provide pre-shipment and post-shipment credit, in rupees or dollars, to Indian exporters at competitive rates.

## MSME

- o Refinance facility of Rs.7000 crore for Small Industries Development Bank of India (SIDBI) which will be available to support incremental lending either directly to MSMEs or indirectly via banks. This facility means doubling of credit finance through the banks in the ratio of 50:50.
- o In the budget 2009-10 an additional refinance facility of Rs. 4000 has been announced for MSEs
- o Grant of need -based ad-hoc working capital loans upto 20% of the existing fund-based limits
- o Reduction in interest rates for borrowing by micro enterprises by 1% and in respect of Small and Medium Enterprises (SMEs) by 0.5%
- o Extension of the benefit of collateral free loans to MSEs
- o Simplification of computation of working capital requirement for MSEs
- o Emphasis on lending to micro units
- o Directions for setting up specialized MSE branch in every district
- o Setting of a time frame for disposal of loan applications
- o Setting up of special State Level Banker's Committee (SLBC) in each state exclusively for MSME sector
- o To boost collateral free lending, the current guarantee cover under Credit Guarantee Scheme for Micro and Small enterprises on loans will be extended from Rs.50 lakh to Rs.1 crore with guarantee cover of 50 percent.
- o The lock in period for loans covered under the existing credit guarantee scheme will be reduced from 24 to 18 months, to encourage banks to cover more loans under the guarantee scheme.
- o Public Sector Banks have announced a reduction of interest rates on existing as well as new loans to MSME sectors.