

**Government of India
Ministry of Finance
Department of Revenue**

**LOK SABHA
UNSTARRED QUESTION NO. 3811
TO BE ANSWERED ON FRIDAY, MARCH 24, 2017
CHAITRA 3, 1939 (SAKA)**

UNIFORMITY IN THE IMPORT DUTY STRUCTURE

3811: SHRIMATI RITA TARAI:
DR. KULAMANI SAMAL:

Will the Minister of Finance be pleased to State:

- (a) whether the Government has taken appropriate policy measures to encourage manufacturing and formalization of the different sectors of the economy by in view of demonetization, new goods and service tax and rationalisation of direct tax regime and if so, the details thereof;
- (b) whether the Government proposes to bring about uniformity in the import duty structure to encourage the manufacturing sector; and
- (c) if so, the details thereof and action taken thereon?

**ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)**

(a):
Direct Tax

As regards policy measures taken to encourage manufacturing and formalisation of the different sectors of the economy in view of the rationalisation of the direct tax regime, some of the steps that have been taken are as follows:-

(i) Government has stated as part of its policy that corporate tax will be reduced from 30% to 25% over four years. As part of this commitment, it was provided vide Finance Act ,2016

(a) that new manufacturing companies which are incorporated on or after 1.3.2016 will be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation; and

(b) that corporate income tax rate of relatively small enterprises i.e companies with turnover not exceeding Rs. 5 crore (in the financial year ending March 2015) would be reduced to 29% plus surcharge and cess for FY 2016-17.

(ii) Further, it has been proposed to reduce the income tax for smaller companies with annual turnover up to Rs. 50 crore to 25%. The proposed reduction will benefit 96% of the companies, making the Medium, Small and Micro Enterprises (MSME)

sector – which occupy the bulk of economic activities and are also instrumental in providing maximum employment to people.

(iii) To provide relief to small tax payer, rate of tax is proposed to be reduced from 10% to 5% in the income slab of Rs 2,50,000-5,00,000.

(iv) To achieve the Government's mission of moving towards a less cash economy and to incentivise small traders /businesses to proactively accept payments by digital means in order to formalise different sectors of the economy, it has been decided to reduce the existing rate of deemed profit of 8% under section 44AD of the Income-tax Act, 1961 ('the Act') to 6% in respect of the amount of total turnover or gross receipts received through banking channel / digital means for the financial year 2016-17.

This would enable small business to make a tax saving of almost 46%. This benefit is proposed to be provided for all small business having total turnover or total receipts of Rupees two crore or less. Legislative amendment to the Act in this regard has already been proposed in the Finance Bill, 2017.

Indirect Tax

A number of measures have been taken to incentivise and promote domestic manufacturing and formalisation of different sectors of the economy in the past three Union Budgets. These steps include reduction in Basic Customs Duty (BCD) and/or Additional duty of customs in the form of CVD or SAD to reduce the cost of raw materials. Further, under the Goods and Services Tax (GST) number of Central and State taxes will be subsumed into a single tax, mitigating cascading or double taxation and creating a common national market. The key provisions of the GST architecture such as tax rate, laws and rules have been discussed in the GST Council.

(b) & (c): There is no proposal to bring about uniformity in the import duty structure to encourage the manufacturing sector.
