

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:2465
ANSWERED ON:15.12.2004
BOOSTING SOFTWARE INDUSTRY
Angadi Shri Suresh Chanabasappa;Nayak Shri Ananta

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

-
- (a) whether Indian Information Technology Industry is facing stiff competition from China and other fast growing IT hubs from other countries;
- (b) if so, the details thereof;
- (c) whether while developing infrastructure for export oriented industries the Union Government is not taking into account software export while fixing inter-State allocation under it; and
- (d) if so, the action/steps taken by the Government to boost the software industry and bring it at a par with other countries?

Answer

MINISTER OF STATE FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY(DR.SHAKEEL AHMAD)

(a) and (b): Indian Information Technology industry has leading edge in the software development and services including Information Technology enabled Services (ITeS)/ Business Process Outsourcing (BPO). It does not face any stiff competition from China and other fast growing IT hubs at present. However, in the future competition from such countries is likely to build up for which both government and industry is keeping a watch to undertake appropriate measures as may be required.

(c) and (d): No such issue has come to the notice of this Department. The action/ steps taken by the Government to boost the software industry and bring it at par with other countries are enclosed in Annexure.

AREW ACTIONS/ STEPS TAKEN BY THE GOVERNMENT TO BOOST THE SOFTWARE

INDUSTRY AND BRING IT AT PAR WITH OTHER COUNTRIES

1. Approvals for all foreign direct investment proposals relating to the Information Technology Sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.
2. Peak rate of customs duty continues to be 20%. Customs duty on Computers and Peripherals is @10%. All storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors continue at 0%. Customs duty on parts of computers and Switch Mode Power Supply (SMPS) has been fully exempted. Customs duty on Information Technology Agreement (ITA-1) bound items is as per commitments. Laptops brought as part of baggage are exempted from customs duty. Excise duty on computers reduced from 8% to 0%. Microprocessors, Hard Disc Drives, Floppy Disc Drives and CD ROM Drives continue to be exempt from excise duty.
3. Export Promotion Capital Goods scheme (EPCG) allows capital goods on payment of 5% customs duty. The Export Obligation under the scheme is linked to the duty saved and is 8 times the duty saved on capital goods imported, to be fulfilled over a period of 8 years.
4. 100% depreciation is available to computers and computer peripherals over a period of 3 years for all types of electronic units under Export Oriented Units (EOU)/ Software Technology Park (STP)/ Special Economic Zone (SEZ) schemes.
5. Information Technology Software is exempted from Customs and Excise Duty.
6. EOU and STP units are eligible for Income Tax exemption on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.
7. Benefit of Section HHE is available to supporting software developers.
8. Threshold limit for obtaining `Export House` status reduced to Rs.5 crores from Rs.15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/J&K; exporters exporting to countries in Latin America/CIS/Sub Sahara Africa and units having ISO 9000 (Series) status. The status holders are eligible for the following new/special facilities:

- 100% retention of foreign exchange in Exchange Earners` Foreign Currency (EEFC) account;

- Enhancement in normal repatriation period from 180 days to 360 days.

9. Income by way of dividends or long-term capital gains of a Venture Capital Fund (VCF) or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income. SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

10. Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expansion of e-commerce through internet.

11. Efforts are going on through negotiations as per General Agreement on Trade in Services (GATS) of World Trade Organisation (WTO) to secure increased access to the foreign markets and removal of trade barriers being faced by the Indian industry.