

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

UNSTARRED QUESTION NO:4246
ANSWERED ON:06.12.2010
SOFTWARE AND SERVICE SECTORS
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) the annual growth rate of software and service provider companies of the country during the last three years and the current year;
- (b) whether the annual growth rate is even less than the annual average growth rate during the last three years;
- (c) if so, the details thereof and the reasons for such decrease in the annual growth rate:and
- (d) the steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI SACHIN PILOT)

(a): The annual growth rate of Software and Services industry(exports plus domestic) during the last three years is given in Annexure. During the FY 2009-10, the average annual growth rate is estimated at 9.5 %. The software production and export data for the fiscal year 2010-11 will be available next year.

(b) and (c): During the FY 2009-10, the annual growth rate has been less than the annual average growth rate of the last three years. During this period, the annual growth rate has declined due to global economic slowdown as over 75% of the total software and service revenue of the country is from exports.

(d): Government extends several incentives for Information Technology Sector in the country. Under Software Technology Parks (STP) scheme, approved units are allowed to import goods required by them for carrying on software export activities as per the Foreign Trade Policy. Such goods may be imported either on outright purchase basis or free of cost or on loan basis from the client without payment of custom duty. Apart from this, the approved STP units can avail excise duty exemption on procurement of indigenously available capital goods, components & other specified goods.

In addition, the tax benefits to units located in Software Technology Parks under the provision of Section 10A of the Income Tax Act, 1961 which was initially available upto assessment year 2010-11 has been extended upto assessment year 2011-12.

Apart from this, other IT equipment, which are in the nature of capital goods, attract concessional customs duty rate of 7.5%. Software is exempted from basic customs duty. Also, software downloaded from Internet is exempt from customs duty. Telecom software is exempted from customs duty and Excise duty/Countervailing duty. Furthermore, several items for the IT sector are covered under the ITA Agreement, and hence exempted from customs duty.

As regards Central Excise duty, IT equipment attracts 10% excise duty, which is the mean CENVAT rate attracted on most manufactured items. Since credit of input taxes is available, the actual incidence on such equipment is lesser. Moreover, inter-sectoral credit is available for excise duties and service tax, and thus, users can avail credit of taxes paid on equipment.

As regards service tax, exemption to small service providers is available across all taxable services, including information technology software service, for annual turnover upto Rupees Ten lakhs; this apart service tax exemption has been extended to packaged or canned software sold across the shelf and intended for single use.