

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

STARRED QUESTION NO:332
ANSWERED ON:27.07.2009
PROMOTION OF ELECTRONIC HARDWARE
Rajendran Shri C.

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

- (a) whether the global economic slowdown has impacted the domestic consumption of computers in India;
- (b) if so, the details thereof; and
- (c) the steps taken by the Government to promote electronic hardware in the country?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI A. RAJA)

(a),(b) and (c): A Statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.332 FOR 27.07.2009 REGARDING PROMOTION OF ELECTRONIC HARDWARE

(a) and (b): The global economic slowdown has adversely impacted the domestic consumption of computers in India. As per information provide by the Manufacturers Association for Information Technology (MAIT), the total sales of Personal Computer (PC) for the financial year 2008-09 were 67.9 lakh units, registering a decline of 7% over the previous year. The domestic consumption of notebook computers and desktop computers declined by 17% and 4% respectively.

(c): The steps taken by the Government to promote electronics hardware manufacturing in the country are given at Annexure.

ANNEXURE steps taken by the government to promote electronics hardware manufacturing

1. Foreign Direct Investment:

Approvals for all foreign direct investment upto 100% in the electronics hardware manufacturing sector are under the automatic route.

2. Customs Duty:

Peak rate of customs duty is 10%. Customs duty on 217 Information Technology Agreement (ITA-1) items has been abolished from 1.3.2005.

All goods required in the manufacture of ITA-1 items have been exempted from customs duty subject to Actual user condition.

Customs duty on specified raw materials / inputs used for manufacture of electronic components and optical fibres and cables is 0%.

Customs duty on specified capital goods used for manufacture of electronic goods is 0%. Customs duty on LCD Panels reduced from 10% to 5% to promote indigenous manufacture of LCD TV.

Customs duty on Set Top Box raised from 0% to 5% to promote indigenous manufacture of Set Top Box.

Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories has been reintroduced for one year i.e. upto 6.7.2010.

3. Excise Duty:

The mean rate of excise duty (CENVAT) has been reduced to 8%.

Microprocessors, Hard Disc Drives, Floppy Disc Drives, CD ROM Drives, DVD Drives/DVD Writers, Flash Memory and Combo-Drives have been exempted from excise duty.

Parts, components and accessories of mobile handsets including cellular phones are exempted from excise duty.

4. Special Incentive Package Scheme (SIPS):

A Special Incentive Package Scheme (SIPS) to encourage investments for setting up Semiconductor Fabrication and other micro and nano technology manufacture industries in India, has been announced by the Government vide Gazette Notification dated 21st March, 2007.

5. Export Promotion Capital Goods scheme (EPCG):

Export Promotion Capital Goods scheme (EPCG) allows import of capital goods on payment of 3% customs duty.

The export obligation under EPCG Scheme can also be fulfilled by the supply of Information Technology Agreement (ITA-1) items to the DTA provided the realization is in free foreign exchange.

6. Supplies of Information Technology Agreement (ITA-1) items and notified zero duty telecom/electronic items in the Domestic Tariff Area (DTA):

Supplies of Information Technology Agreement (ITA-1) items and notified zero duty telecom/electronic items in the Domestic Tariff Area (DTA) by Electronics Hardware Technology Park (EHTP)/Export Oriented Unit (EOU) units are counted for the purpose of fulfillment of positive Net Foreign Exchange Earnings (NFE).

7. Special Economic Zones (SEZs):

Special Economic Zones (SEZs) are being set up to enable hassle free manufacturing and trading for export purposes.

Sales from Domestic Tariff Area (DTA) to SEZs are being treated as physical export. This entitles domestic suppliers to Drawback/ DEPB benefits, CST exemption and Service Tax exemption. 100% Income Tax exemption on export profits available to SEZ units for 5 years, 50% for next 5 years and 50% of ploughed back profits for 5 years thereafter.

8. Information Technology Investment Regions (ITIRs)

The Policy Resolution for Setting up of ITIRs has been published in the Gazette of India dated 29.5,2008. The regions would be a combination of IT/ITES and Electronics Hardware Manufacturing Units; public utilities, residential areas, social infrastructure and administrative services. Such regions could include new integrated townships, SEZs, industrial parks etc.

9. Second hand capital goods:

Second hand capital goods are freely importable.

10. Promotion of Research & Development:

Weighted deduction of 150% of expenditure incurred on in-house R&D in case of a company engaged in the business of electronic equipment, computers and telecommunication equipment is available under clause (1) of sub-section (2AB) of Section 35 of the Income Tax Act.

Department of Information Technology has put in place the following Schemes:

Support International Patent Protection in Electronics & IT (SIP-EFT); Under this scheme SMEs and Technology Start-up units will be reimbursed costs incurred in filing international patent applications in Electronics & ICT domain for their indigenous inventions to the extent of 50% of the actual cost incurred by the applicant on filing International Patent, subject to a maximum of Rs. 15 lakhs per application.

Multiplier Grants Scheme: The objective of the scheme is to encourage industry to collaborate with premier Academic and Government R&D institutions for development of innovative and commercially viable products / packages. Under this scheme, the Government would provide grants up to the maximum of twice the amount invested by the industry / industry consortium / association towards the innovation at academic / R&D institution.

Scheme for Technology Incubation and Development of Entrepreneurs (TIDE) in the area of Electronics. ICT and Management: The Scheme aims to assist Institutions of Higher learning (IITs, IIMs, IIITs and NITs) to strengthen their Technology

Incubation Centres and thus enable young entrepreneurs to initiate technology start up companies for commercial exploitation of technologies developed by them.