

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1117
ANSWERED ON:28.11.2014
ASSESSMENT OF TAX REBATE
Jadhav Shri Prataprao Ganpatrao

Will the Minister of FINANCE be pleased to state:

- (a) the details of tax rebates and concessions extended to the exporters along with the reasons behind each such facility;
- (b) whether the Government has made any assessment of the impact of such concessions and rebates on textiles, readymade garments, leather goods, diamond jewellery industries;
- (c) if so, the details thereof, sector-wise; and
- (d) the steps taken or proposed to be taken by the Government to rationalise such rebates and concessions.

Answer

FINANCE MINISTER (ARUN JAITLEY)

(a): With a view to promote exports and increase the inflow of foreign exchange in the country, the following tax concessions have been provided in the Income-tax Act, 1961:-

Section 10B of the Income-tax Act, 1961, inter alia, provides for a deduction of profits and gains derived by a hundred per cent, export-oriented undertaking from the export of articles or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things or computer software subject to specified conditions.

Section 10A of the Income -tax Act, 1961, inter alia, provides for a deduction of profits and gains derived by an undertaking from the export of articles or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such article or thing or computer software. The deduction was provided to undertakings manufacturing/producing articles or things or computer software located in any free trade zone, electronic hardware technology park, software technology park or any special economic zone subject to specified conditions.

Section 10AA of the income-tax Act, 1961, inter-alia, provides for a 15 year tax benefit to a unit established in a SEZ which begins to manufacture or produce article or things or provide any services on or after 01.04.2005. Section 10AA provides for hundred per cent, deduction of profits & gains derived from export of such articles or things or from services for five consecutive assessment years and fifty per cent, of profits for further five assessment years and thereafter for the next five assessment years, so much of the amount not exceeding fifty per cent of the profit as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be created and utilized for the purposes of business.

So far as indirect taxes are concerned, exemption schemes, input tax neutralization schemes and other tax concessions are given to exporters with the basic objective of providing level playing field to exporters in the international markets. Concessions/rebates given to exporters in respect of indirect taxes, inter-alia, include:-

Specified goods imported by an exporter of sea food products registered with Marine Products Export Development Authority for use in processing of sea food products for export are fully exempt from payment of basic and additional duty of customs subject to the condition that total value of goods imported shall not exceed 1 % of the FOB value of exports of sea food products during the preceding year.

Specified goods imported by a manufacturer or merchant- exporter (tied up with a supporting manufacturer) of handicrafts registered with Export Promotion Council for Handicrafts for use in manufacture of handicrafts for export are fully exempt from payment of basic and additional duty of customs subject to the condition that total value of goods imported shall not exceed 5% of the FOB value of exports of handicrafts during the preceding year.

Lining and inter-lining materials by a manufacturer or merchant- exporter (tied up with a supporting manufacturer) of textile or leather garments registered with Apparel Export Promotion Council, Silk Export Promotion Council or Council for Leather Exports for use in manufacture of textile or leather garments for export are fully exempt from payment of basic and additional duty of customs subject to the condition that total value of goods imported shall not exceed 5% of the FOB value of exports of textile garments or 3% of FOB value of leather garments during the preceding year.

Specified goods imported by a manufacturer or merchant- exporter (tied up with a supporting manufacturer) of leather or synthetic footwear or other leather products registered with Council for Leather Exports for use in manufacture of textile or leather garments for export are fully exempt from payment of basic and additional duty of customs subject to the condition that total value of goods imported shall not exceed 3% of FOB value of leather or synthetic footwear or other leather products during the preceding year.

Specified goods imported by a manufacturer or merchant- exporter (tied up with a supporting manufacturer) of handloom made-ups, cotton made-ups or man-made made-ups registered with Handloom/Cotton Textile/ Synthetic and Rayon Textile Export Promotion Council for use in manufacture of made-ups for export are fully exempt from payment of basic and additional duty of customs subject to the condition that total value of goods imported shall not exceed 5% of FOB value of handloom made-ups or 1% of FOB value of cotton made-ups or man- made made-ups during the preceding year.

(b) &(c): The Ministry of Finance has not made any assessment of the impact of such concessions and rebates since these concessions and rebates are given as per the policy of the Government on the requests made by the administrative Ministries concerned who are also responsible for impact analysis.

(d) Every year in the budget exercise, tax and duty concessions are reviewed in the light of representations received from various stakeholders. Over the period of time profit linked deductions have been phased out in the Income-tax Act and have been replaced by investment linked deductions in certain sectors. Further, such deductions are subject to Minimum Alternate Tax.