Building People Building India

Economic Policy Update

Confederation of Indian Industry

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Key Economic Indicators

- **GDP Growth Rate (Quarterly)**
  At current prices : Oct - Dec '07 : 11.3%
  At constant prices : Oct - Dec '07: 8.4%

- **IIP Growth April-January (2007-08)**

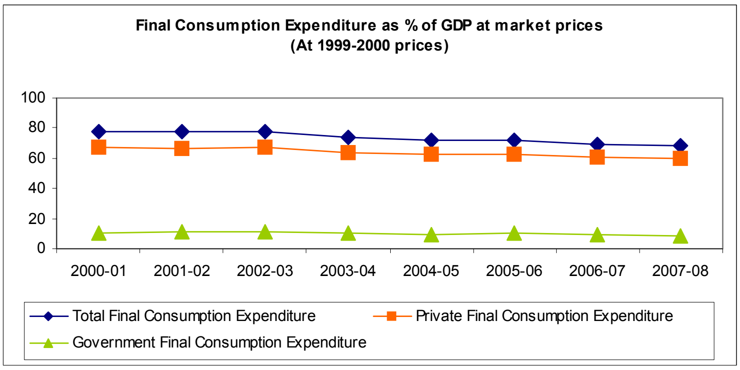
General	:	8.7%
Mining	:	4.6%
Manufacturing	:	9.2%
Electricity	:	6.3%
Basic goods	:	7.4%
Capital goods	:	18.3%
Intermediate	:	9.3%
Consumer goods	:	5.9%
Consumer durables	:	-1.7%
Consumer non-durables	:	8.6%

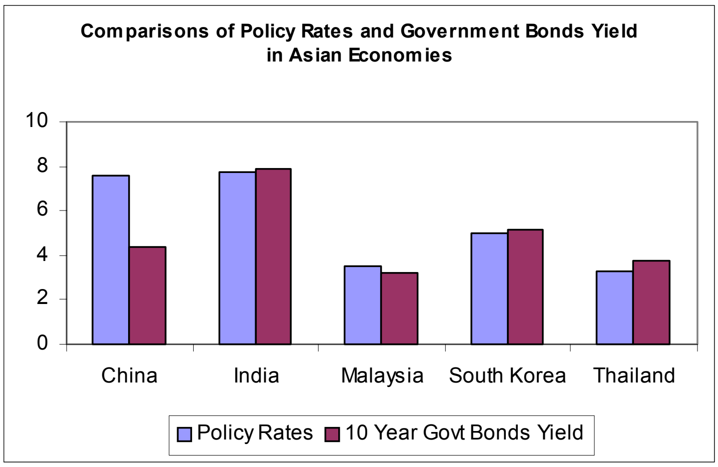
- **Trade Performance (April '07 – Jan.'08)**

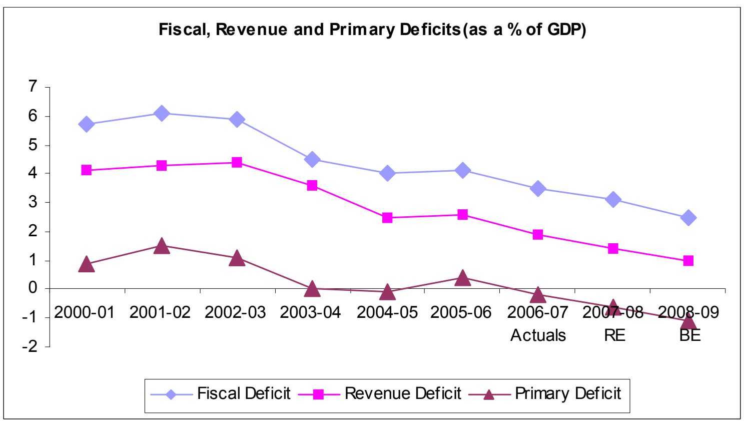
Export Growth	: 21.62%
Import Growth	: 29.63%
Total Exports	: US$ 124.19 billion
Total Imports	: US$ 191.60 billion
Merchandise Trade Deficit	: US$ 67.41 billion

- **Forex Reserves (As on 29th Feb. 08)**
  US$301.235 billion

- **Inflation**
  WPI (for the week ending 23rd February 2008) : 5.02%
  CPI (I W) Month ending January 2008 : 5.51%







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A Balanced and Growth Oriented Union Budget 2008-09

The Finance Minister, Mr P Chidambaram has presented a comprehensive, balanced and growth-oriented budget. The Finance Minister has managed to perform a balancing act between growth and inclusiveness very astutely.

The beneficiaries of the budget vary from farmers to industry to the average salary earner while managing fiscal prudence. However, CII hoped that the expected proposals of the Sixth Pay Commission have been kept in mind while balancing the budget, since any provision for that did not seem apparent from the Finance Minister's speech.

The cornerstone of the budget has to be the obvious fillip that it would provide to consumption in the country and thereby pump up a demand led growth cycle. This would supplement the neutral stance that the RBI has just indicated in the last Monetary Policy Review. This is very important if the economy has to maintain its current growth trajectory and move to a double digit one.

While largely, industry has every reason to be happy owing to the various favourable measures announced by the Finance Minister, CII is particularly happy that the necessary attention has been given to the social sector including Health and Education. The fact that this has been supplemented by a lot of focus on the rural economy would indirectly fuel a growth cycle. And eventually, this is one budget, which has focussed a lot on the development of people of this country, which can make the difference between reaping a demographic dividend against the risk of facing a liability.

Stepping up budgetary allocation by 20% and focus on improved access to healthcare along with setting up of SC/ST/minorities Development Finance Corporation are measures that would help build people of India. Setting up a Skills Development Corporation, and putting skills development on a mission mode, as suggested by CII in its pre-budget memorandum, is a move in the right direction to address the issue of skills shortage in the economy and nurture development of human capital. In addition, CII strongly welcomes announcement by the Finance Minister for setting aside another Rs 750 crores for upgrading another 300 ITIs.

Realising the need for greater R&D, the budget proposal on 125% weighted deduction on outsourced R&D expenses by companies is a step in a right direction to help transform India from a labour-arbitrage to knowledge-arbitrage economy. Further, extending 150% weighted deduction on account of expenditure of in-house R&D in seeds and agriculture implements would help increase productivity in agriculture. Allocation of Rs 150 crores for extending the National knowledge network would also help in skilling as well as improve knowledge intensiveness of Indian workforce.

Accordingly, a 5-year tax holiday for Hospitals under section 80 IA of the Income Tax Act set up anywhere in India except specified urban agglomerations and especially in Tier II & Tier III cities is a great step in the direction of increasing access to quality healthcare. This step would help more private sector hospitals to setup facilities and the benefits of section 80IB will be useful to help break-even and enhance viability of such investments.

CII welcomes the move to accord five-year holiday from income tax to two, three or four-star hotels that would be established in specified districts which have UNESCO-declared 'World Heritage Sites' would encourage greater mobilization of investments for the tourism sector.

CII also Welcomes the industry stimulus package comprising reduction of cenvat rate from 16% to 14%, as suggested by CII. Budget announcements on reduction in excise duty on

Pharmaceuticals from 16% to 14%, buses \ truck chassis from 16% to 12%, small cars from 16 to 12% and two \ three wheelers from 16% to 12% were CII's recommendations on excise duty. CII also welcomes the withdrawal of National Calamity Contingent Duty on PFY and inclusion of four new services to the service tax net, which was also suggested by CII in its pre-budget memorandum.

Increased outlay for the TUFS scheme will help the textile sector facing the onslaught from the appreciation of Rupee. Gems and jewellery sector would benefit from the exemption from custom duty on few specified items. The reduction in the custom duty to nil on the steel melting scrap and the aluminium scrap is good news for the sector.

CII welcomed no further reduction of peak customs duty and is delighted that its plea has been considered. On the direct taxes front, the proposal to increase the exemption limits of personal income tax is a welcome step and would provide greater income in the hands of low income groups, who would in turn help in increase demand for consumer goods. The cascading impact of dividend distribution tax in a holding company structure has been removed and this is a welcome step especially for infrastructure companies who finance infrastructure development through SPVs.

While the budget did not have specific mention of public private partnerships in the infrastructure sector, the increase in allocations to flagship schemes such as Bharat Nirman, JNNURM, NHDP and also the focus on irrigation is positive for the infrastructure sector. In addition, the reduction in customs duty from 7.5% to 5% on project imports is positive for infrastructure projects. In the power sector, the creation of a national fund for transmission and distribution reform is positive.

Some of the measures for developing capital markets include key reforms that will kick-start infrastructure finance. The Budget takes steps for the development of tradable bond, currency, convertibles and derivatives markets by implementing some of the recommendations of the R H Patil Committee report. A major step is the exemption from TDS on dematerialized listed corporate debt instruments. To create a pan Indian market for securities, the Finance Minister also requested the Empowered Committee of State Finance Ministers to look into having uniform stamp duties across states. These are long awaited measures and CII was delighted by the Finance Minister's announcements.

The Budget has also put a lot of emphasis on the agricultural sector by actually setting a target for increasing gross capital formation in agriculture. Massive allocation for irrigation is very welcome and much overdue. The institution of the Irrigation and Water Resources Finance Corporation will help in maintaining continuous focus on irrigation investment over the years and will lead to enhance productivity. The loan waiver aimed at removing agricultural indebtedness is welcome as long as it does not hurt the public sector banks. For industry, the customs duty waiver to cold chain equipment is a welcome move. On the Rs. 60,000 crore agriculture loan waiver, CII feels that the benefit to the farmers is very well deserved and necessary, however, a loan waiver should not send the message that a financial obligation, like a loan could be reneged, which would send distortionary messages all across.

The allocation of Rs.4000 crores for establishing two funds of Rs 2000 crores each by SIDBI for meeting the needs for availability of risk capital & refinancing are expected to give boost to the MSME sector, with focus on promoting entrepreneurship. At the same time the relaxation in service charges by CGFTSI and enhancement in exemption limit for small-scale service providers from Rs 8 lakhs to Rs 10 lakhs is expected to relief to entrepreneurs at large.

Railway Budget 2008-09

Union Railway Minister Mr Lalu Prasad Yadav presented the Railway Budget for 2008-09 in Parliament on 26th February'2008. Indian Railways exhibited an impressive double-digit growth in traffic earnings in the first nine months of 2007-08. Accordingly, the budget estimates for 2008-09 are set higher in terms of revenue generation. Revenues in Freight earnings are targeted to be Rs. 52,700 crore and Passenger earnings to be Rs. 21,681 crore. Gross Traffic Receipts are estimated to be Rs. 81,901 crore, showing an increase of 12.6% over the revised estimates of the previous year. The Annual Plan for the year 2008-09 is the largest plan so far at Rs 37,500 crore. Thrust areas include enhancement of high-density network routes, improvement and expansion of traffic facility and network, construction of flyovers, bypasses and up gradation of goods – sheds.

Several new concessions have been announced for rail travel. These include extension of the scheme of free monthly season tickets for students, concession for senior lady citizens, concession for Ashok Chakra Awardees and for AIDS affected persons. Extended concessions for students include free monthly season tickets for girl students up to graduation and for boy students up to 12th standard. The Union Railway Minister, Shri Lalu Prasad also announced that passenger fare concession for lady senior citizens will be increased to 50% from 30% at present for all classes of travel. He also proposed to increase contribution to the Staff Benefit Fund of Railway employees from Rs. 35/- to Rs. 350/- per employee for the year 2008-09.

The Railway Minister said that a multi-pronged strategy using information technology has been prepared to permanently terminate long queues at railway ticket reservation counters within two years. The Railways are exploring the option of issuing tickets through mobile phones besides increasing number of UTS counters to 15000 and Automatic Ticket Vending Machine counters to 6000 to facilitate availability of ticket in neighbourhood.

The Budget also includes reduction in passenger fares of various classes for the year 2008-09. There will be a reduction of one rupee in the second-class fares of up to rupees fifty for non-suburban mail/express and ordinary passenger trains. The second-class fares of all mail/express and ordinary trains will be reduced by 5% for the tickets costing more than fifty rupees per passenger to benefit long distance passengers.

The Railway Minister also announced a reduction in the fares for newly designed Sleeper Class coaches by 2%. Fare reduction by 2% for the newly designed AC 3 tier and AC Chair Car coaches has also been announced. This reduction will be only half for popular trains and during the peak period.

To make the fares for higher classes more competitive, the Railway Minister announced reduction of fares for AC-I class by 7% and AC-2 tier by 4%. This reduction would only be half for popular trains and during the peak period. With this reduction, the process of rationalization of AC class fares has now been completed.

The budget also marked the completion of the process of rationalization of freight structure, initiated four years back. He said, barring a few light commodities, the difference between the highest and the lowest rates is not more than two times. With the rationalization of freight structures, freight rates for petrol and diesel would be further reduced by about 5%. The freight rates for these commodities will thus be brought down by 17% in three years' time. He announced reduction by 14% in the freight rates for fly ash. The policy of discount under empty flow direction freight discount scheme has been further liberalized. The rate of discount has been increased from 30 to 40 per cent.

As a roadmap for the future growth of Indian Railways,'Vision 2025' document would be finalized within six months. The document will set forth targets for the coming 17 years for operational performance and up gradation of services. It will also have a detailed action plan for achieving the stipulated targets and necessary investment plans thereof. A multi-departmental innovation promotion group will also be set up in the Railway Board. The budget also welcomes PPP schemes for raising an investment of Rs. 1,00,00o crore over the next five years for developing world-class stations, rolling stock and other logistics. Commercial use of Railway land by Rail Land Development Authority to give a boost to railway revenues was also proposed for the future.

FINANCIAL SECTOR POLICY

Government Further Extends the Scheme to refund Service Tax on Taxable Services linked to Exports

Government on 19th February'2008 has issued Notification No. 3/2008-ST, extending the scheme to refund service tax paid by exporters on taxable services, which are not in the nature of "input services" but could be linked to export of goods, from existing ten services to following three more taxable services:

(i) Services provided by the Goods Transport Agency in relation to transportation of export goods from the place of removal to the actual place of export i.e. inland container depot / port / airport. (Section 65[105][zzp]),

(ii) Services provided in relation to transportation of export goods in containers by rail from the place of removal to the actual place of export i.e. inland container depot / port / airport. (Section 65[105][zzzp]),

(iii) Courier Services provided to an exporter in relation to transportation of documents, goods or articles relating to export, to a destination outside India. (Section 65[105][f] of the Finance Act, 1994).

Issue of Foreign Currency Exchangeable Bonds Scheme, 2008

In order to permit Indian companies to unlock a part of holding in-group companies for meeting their financing requirements by issue of Exchangeable Bonds, Government have notified a Scheme on 15th February, 2008 for Issue of Foreign Currency Exchangeable Bonds. The salient features of the Scheme are as follows:

(i) Foreign Currency Exchangeable Bond "is a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is a resident outside India in foreign currency and exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments.

(ii) The Issuing Company shall be part of the promoter group of the Offered Company and shall hold the equity share/s being offered at the time of issuance of Foreign Currency Exchangeable Bond.

(iii) The Offered Company shall be a listed company, which is engaged in a sector eligible to receive Foreign Direct Investment and eligible to issue or avail of Foreign Currency Convertible Bond or External Commercial Borrowings.

(iv) The investment under the scheme shall comply with the Foreign Direct Investment policy as well as the External Commercial Borrowing Policy requirements.

(v) The proceeds of Foreign Currency Exchangeable Bond can be invested by the issuing company in the promoter group companies and shall be used in accordance with end uses prescribed under the External Commercial Borrowings policy. The promoter group company receiving such investments will not be permitted to utilize the proceeds for investments in the capital market or in real estate in India.

(vi) The proceeds of Foreign Currency Exchangeable Bond can also be invested by the issuing company overseas by way of direct investment including in Joint Ventures or Wholly Owned Subsidiaries subject to the existing guidelines on Indian Direct Investment in Joint Ventures or Wholly Owned Subsidiaries abroad.

(vii) The rate of interest payable on Foreign Currency Exchangeable Bond and the issue expenses incurred in foreign currency shall be within the all in cost ceiling as specified by Reserve Bank of India under the External Commercial Borrowings policy.

(viii) At the time of issuance of Foreign Currency Exchangeable Bond the exchange price of the offered listed equity shares shall be as per FCEB Scheme.

(ix) The minimum maturity of the Foreign Currency Exchangeable Bond shall be five years for purposes of redemption. The exchange option can be exercised at any time before redemption.

(x) The proceeds of the Foreign Currency Exchangeable Bond shall be retained and/or deployed overseas in accordance with the policy for the proceeds of External Commercial Borrowings.

(xi) The Tax treatment on Exchangeable Bonds would be as per FCEB Scheme.

Enhanced Limits for Filing TDS/TCS Returns

All tax deductors / collectors are required to file the TDS/TCS returns in Form No.24Q (for salaries), Form No.26Q (for payments other than salaries) or Form No.27EQ (for TCS). These forms require details of all tax deductions with name and permanent account number (PAN) of parties from whom tax was deducted.

In reference to the above, The Finance Ministry has decided to enhance the threshold limit for PAN quoting without which TDS/TCS returns will not be accepted. The limit has been enhanced to 95% from 90% n case of Form 24Q and to 85% from 70% in case of Forms 26Q and 27EQ. The enhanced limits will be applicable for and from the quarter ending 31.03.2008. These threshold limits will also apply to all those TDS/TCS returns, which are filed for any of the earlier quarters on or after 01/04/2008.

ATMs of Banks: Fair Pricing and Enhanced Access

Automated Teller Machines (ATMs) have gained prominence as a delivery channel for banking transactions in India. Banks have been deploying ATMs to increase their reach. While ATMs facilitate a variety of banking transactions for customers, their main utility has been for cash withdrawal and balance enquiry. It is evident that the charges levied on the customers vary from bank to bank and also vary according to the ATM network that is used for the transaction. Consequently, a customer is not aware, before hand, of the charges that will be levied for a particular ATM transaction, while using an ATM of another bank. This generally discourages the customer from using the ATMs of other banks. In view of this, RBI had placed on its website an Approach paper and sought public comments. The comments received have been analyzed. Based on the feedback a framework of service charges would be implemented by all banks as under:

Sr. No	Service	Charges
1	For use of own ATMs for any purpose	Free (With immediate effect)
2	For use of other bank ATMs for balance enquiries	Free (With immediate effect)
3	For use of other bank ATMs for cash withdrawals	No bank shall increase the charges prevailing as on December 23, 2007 (i.e. the date of release of Approach Paper on RBI website) Banks which are charging more than Rs.20 per transaction shall reduce the charges to a maximum of Rs.20 per transaction by March 31, 2008 Free - with effect from April 1, 2009.

Use of electronic mode of payment for large value transactions

Recognising the importance of ensuring the safety, security of the payment systems, the Reserve Bank of India (RBI) has put in place three modes of electronic payments i.e. Real time Gross Settlement (RTGS) System, National Electronic Fund Transfer (NEFT) System and Electronic Clearing Service (ECS). Payments by these modes have been steadily growing in the last few years. A study conducted by the Reserve Bank revealed that during a three-month period about 2,100 cheques each valued at Rs.1 crore and above were processed in the clearinghouses in the four metros. It is proposed that with effect from April 1, 2008 all payment transactions of Rs. 1 crore and above between RBI regulated entities i.e. banks, primary dealers and NBFCs as well as in RBI regulated markets i.e. money market, Government Securities market and foreign exchange market may be mandated to be undertaken through electronic mode only. This move will not only reduce risk from moving large paper-based value retail payments to safer electronic modes, but will also bring greater efficiency and customer convenience to the payment systems.

SEBI and AMF (FRANCE) Announce Terms of cooperation between the two authorities

Securities and Exchange Board of India (SEBI) and Autorité des Marchés Financiers (AMF), France announced terms of cooperation and collaboration with a view to promoting fair, efficient and transparent capital markets in India and France. The announcement of Terms of a Regulatory Dialogue for cooperation with the AMF of France was made on 7th February'2008 and represents a similar arrangement that SEBI had entered into with the US SEC in early January

The collaboration between the two authorities would include, but not be restricted to, promoting mutual regulatory understanding and exchange of information as well as an annual cooperation program. Through the framework of promoting mutual regulatory understanding and exchange of information and the annual cooperation program, SEBI and the AMF acknowledge the need to establish a framework of close relationship between the two Authorities for the purpose of better understanding and knowledge of each other's regulatory system. It also aims at addressing the increasing cross-border business and the globalization of financial markets.

Amendment to Securities Contracts (Regulation) Rules Proposed

Based on a review, Government has proposed to amend the Securities Contracts (Regulation) Rules, 1957 (SCRR) for both initial and continuous listing requirements of companies in stock exchanges. The amendments proposed by the Ministry of Finance are:

1) The standards for initial listing and continued listing may be prescribed in the SCR Rules.

2) The standards for initial and continuous listing may be uniform, as the objective is same.

3) The public offer envisaged at initial listing is of no consequence unless the public is actually allotted shares. The SCRR may speak in terms of allotment to public, not just public offer.

4) As of now, the word 'public' is not defined. If 'public' means 'non-promoters' and includes FIs, FIIs, MFs, employees, NRIs/OCBs, private corporate bodies, etc., the floating stock would be insignificant. A view needs to be taken on this.

5) For a company to be listed and continue to be listed, it must have a public stake of 25%.

6) If for any reason, the public holding reduces below 25%, the promoters, management and company may be jointly and severally be liable to bring the public holding to 25% within 3 months, in the manner prescribed by SEBI, failing which appropriate enforcement action, including delisting, may be taken.

7) There should not be any discrimination between a Government company and non-Government company. The powers of the stock exchange to relax any of the conditions of listing with the prior approval of SEBI in respect of a Government company need to be withdrawn. Similarly, the powers of SEBI to relax listing requirements may be withdrawn.

A large number of shares distributed among a large number of shareholders are essential for the sustenance of a continuous market for listed securities to provide liquidity to the investors and to discover fair prices. The larger the number of shares and the number of shareholders, i.e., the larger the public float, the less is the scope for price manipulation. In order to ensure this, the securities laws prescribe initial and continuous listing requirements.

The details of Sum assured with respect to "Workmen's Compensation" to be submitted

The Insurance Regulatory and Development Authority (IRDA) on 1st February 2008 issued a circular with respect to premium segment on "Workmen's Compensation". According to the earlier circular 039/IRDA/F&A/Cir/Oct-07 issued by the authority, the details of the sum insured regarding the said segment were not to be furnished. However, after re-examination in the context of the industry practice, it is now advised that the sum insured details be indicated under point (5) i.e. business segment of the circular under reference. All the insurance Companies are to ensure compliance with the clarification with immediate effect.

Amendment to the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulation, 2002

The Insurance Regulatory and Development Authority (IRDA on 11th February 2008 has issued an amendment Notification to the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002 as under: -

1) **IRDA (Obligations of Insurers to Rural or Social Sectors) (Third Amendment) Regulations, 2008**: The amendments provide for the obligations of the insurers in the sixth year onwards of operations. The obligations of the public sector insurers from the financial year 2007-08 onwards have also been notified. The amendment regulations also provide for alignment of obligations with the IRDA (Micro Insurance) Regulations, 2005.

2) **IRDA (Obligations of Insurers to Rural or Social Sectors) (Fourth Amendment) Regulations, 2008:** The amendments provide for the obligations of the insurers in the first year of operations.

Insurers are advised to comply with the above regulations effective the financial year 2007-2008.

Amendment to the IRDA (Registration of Indian Insurance Companies) Regulation

According to the IRDA (Investment) Regulations, 2000 mandate investment in Infrastructure Sector, both from Life and General Insurance Companies can be made in "Infrastructure related entities" as defined in the IRDA (Registration of Indian Insurance Companies) Regulations, 2000.

The definition of "Infrastructure" by RBI and IRDA are by and large similar in intent with some minor difference. However, in the context of the report of the Deepak Parekh Committee set-up to examine the steps needed to enlarge flow of institutional funds to infrastructure, it has been decided by IRDA to harmonize the definition of "Infrastructure" to bring it in alignment with RBI definition. The revised definition of "Infrastructure" in IRDA (Registration of Indian Insurance Companies) Regulations 2000 has been approved by the Insurance Advisory Committee.

Capital Requirement of State Bank of India

The Union Cabinet on 21st February 2008 gave its approval to modify the earlier decision of the Cabinet to the extent that the Government may subscribe to the Rights Issue of equity shares of SBI amounting to Rs.9995.99 crore by issue of "Special Marketable Government Securities" instead of "SLR Marketable Government Securities."

The Government is likely to receive around Rs.1449 crore additionally by way of dividend and taxes from the Bank during the years 2008-09, as against an expenditure of around Rs.825 crore as interest to be paid to the Bank for the proposed Securities. However, in subsequent years, the Government is likely to receive higher amount of additional revenues (Rs.1683 crore in the year 2009-10 and Rs.2049 crore in the year 2010-11 and thereafter). The additional growth of the bank due to its increased capital base will also have multiplier effect on the overall performance of the Bank, which will gain in terms of its position in the industry, ratings – both in international as well as domestic markets, and in increased valuation of its stock, besides boost to the economy at large. The transaction will be completed within the current financial year and, thereafter a "securities redemption fund" will be created to redeem these securities on due date.

Regulatory Framework for Mortgage Guarantee Company

The Reserve Bank of India on 15th February 2008 issued the final Guidelines on Registration and Operations of Mortgage Guarantee Company. The guidelines will be known as the 'Mortgage Guarantee Company (Reserve Bank) Guidelines, 2008' and will be applicable with immediate effect. The Mortgage Guarantee Company will be treated as Non-Banking Financial Company. A mortgage guarantee company shall commence the business of providing mortgage guarantee after obtaining a certificate of registration from the Reserve Bank of India and having a net owned fund of one hundred crore rupees or such other higher amount.

The essential features of the mortgage guarantee contract shall be that it shall be a contract of guarantee under Section 126 of the Indian Contract Act, 1872. The contract shall be unconditional and irrevocable and the guarantee obtained shall be free from coercion, undue influence, fraud, misrepresentation, and/or mistake under Indian Contract Act, 1872 and shall guarantee the repayment of the principal and interest outstanding in the housing loan account of the borrower, up to the amount of guarantee.

The mortgage guarantee company shall primarily transact the business of providing mortgage guarantee which means that at least 90% of the business turnover is mortgage guarantee business or at least 90% of the gross income is from mortgage guarantee business (which includes the income derived from reinvesting the income generated from mortgage guarantee business).

A mortgage guarantee company shall maintain a capital adequacy ratio of 10% and Tier I capital of at least 6% of its aggregate risk weighted assets of on balance sheet and of risk adjusted value of off-balance sheet items. The company shall have a minimum net owned fund of Rs.100 crore at the time of commencement of business, which shall be reviewed for enhancement after 3 years. The mortgage guarantee company shall be under the regulatory and supervisory jurisdiction of the Reserve Bank of India. The mortgage guarantee company shall not carry on insurance business.

Under the Prudential and accounting norms, the mortgage guarantee company shall be required to comply with various prudential guidelines including those relating to income recognition, asset classification, provisioning, classification and valuation of investments and prudential exposures that are issued by the Reserve Bank of India. It will also be required to comply with all the relevant Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India. No single guarantee shall exceed 10% of the company's Tier I and Tier II capital.

The company shall appropriate each year at least forty percent (40%) of the premium or fee earned during that accounting year or twenty five percent (25%) of the profit (after provisions and tax), whichever is higher, to the Contingency Reserve.

GENERAL ECONOMIC POLICY

Plan for revival of Sick Mills of NTC

The Minister of State for Textiles stated on 27th February 2008 that twenty-two mills will be modernized by National Textiles Corporation (NTC) itself by inducting new machineries, rationalization of manpower, capital restructuring etc. Out of forty mills, remaining 18 mills will be modernized through Joint Venture route. Private partners to run 5 of these mills have been finalized.

Giving further details of the Modified Rehabilitation Scheme, 2006 approved by BIFR and Group of Ministers (GOM), the Minister informed the House that out of the total 52 mills, 12 mills have been identified for further closure where there was no production activity and most of the employees opted for benefits of Modified Voluntary Retirement

Scheme (MVRS). Out of these, 2 mills have been closed, raising the number of closed mills from 65 to 67.

De-reservation of 79 items from the list of items

The Government has taken major policy measures since the early 1990's for making Indian industry including its crucial MSEs competitive to unleash its growth potential. One of the crucial measures have been the gradual and calibrated removal of restriction in the form of reservation of items to be exclusively produced in the Small Scale Sector. The Government has recently decided to de-reserve another 79 items. With this de-reservation only 35 items will remain in the list of the items, which can be exclusively manufactured in the Small Scale Sector.

Prohibition on Export of Non Basmati Rice under transitional arrangements

The Ministry of Commerce & Industry on 8th February 2008 has announced that the Central Government has, with immediate effect, prohibited any export of Non-Basmati Rice under the Transitional arrangements under Para 1.5 of the Foreign Trade Policy, 2004-09 (as amended from time to time). The export of Non-Basmati Rice was earlier prohibited vide Notifications No. 38 & 44 w.e.f. 10.10.2007. However, in order to honour the prior commitments of exporters, Non-Basmati Rice exports were being undertaken against valid irrevocable commercial letters of credit as provided in Para 1.5 of the Foreign Trade Policy.

Amendment of the Maternity Benefit Act, 1961

The Union Cabinet on 14th February 2008 has approved a proposal for introduction of a Bill in the Parliament for amending the Maternity Benefit Act, 1961.

The existing ceiling of Rs. 250/- as Maternity Bonus under Maternity Benefit Act, 1961 is inadequate in the present economic scenario. Hence, there was an urgent need to increase the amount to Rs. 1000/- so that it could be a source of financial support to workingwomen as far as maternity benefits are concerned. This decision will empower the Central Government to revise the medical bonus after every three years payable under the Maternity Benefit Act, 1961, subject to the maximum limit not being more than an amount of Rs. 20000/- (Rupees Twenty Thousand) by issuing notification.

Removal of controls imposed under the Essential Commodities Act, 1955

The Union Cabinet on 21st February 2008 gave its approval for issuing a Central Order under Section 3 of the Essential commodities Act, 1955, for extending the validity of the Central notification dated 29-08-2006, 27-02-2007 and 31-08-2007 for a further period of six months beyond 29-02-2008. This would empower the State Governments to undertake de-boarding operations and to control the prices of wheat and pulses.

Government contemplating changes in policy for leasing of Lignite/Coal blocks

The Government proposed to change the present policy for leasing of Lignite/Coal blocks. In order to make the policy for leasing of Lignite and Coal blocks more transparent and objective in the context of increasing number of applications and declining number of coal and lignite blocks, the Government is contemplating to introduce a system of auctioning through competitive bidding for allocation of such blocks by making necessary amendments in the Mines and Minerals (Development and Regulation) Act, 1957.

The Government proposed to transfer the entire resource raised through competitive bidding to the concerned state government where the coal block is located. Under the existing provisions of the Act, prior approval of the Central Government is necessary before State Governments can grant mining lease in respect of Coal/Lignite and other minerals included in the First Schedule of the Act.

RGGVY for habitations with a population of 100

The Government has sanctioned electrification of habitations with a population of 100 under the Rajiv Gandhi Grameen Vidyutikaran Yojana on 7th February 2008. Earlier it was limited to habitations with 300 or more people. The RGGVY was launched in April 2005 to electrify all the un-electrified remaining villages by 2009.

PLI to introduce Girl Child Insurance

Shri I.M. G. Khan Secretary, Posts has announced that Postal Life Insurance (PLI) is going to introduce Girl Child Insurance very soon. He further said that with a huge PLI fund, Rural Postal Life Insurance (RPLI) has come to the fore as a very exciting new interest. Its high growth rate has led the decision to invest RPLI funds in the business.

Therefore an Investment Board will be set up and fund managers will be appointed by the Government to make it a real business organization than a bureaucratic one. PLI comes on its own as a business organization. Management of Corpus will be within the framework of Insurance Regulatory and Development Authority (IRDA) investment regulations. Professional training will be given to the sales force and granting license to the sales force in the pattern of IRDA Regulations.

Disinvestment of NEPA

The Government has decided to revive Nepa Ltd. through Joint Venture partner by disinvestment of Government of India Equity, preferably to the extent of 74% or 100%. Nepa Limited (Disinvestment of Ownership) Bill 2007 was introduced in Lok Sabha for getting Parliamentary approval of disinvestment of Nepa Ltd.The Bill provides that every officer or other employee of the Nepa Ltd., except the Chairman and Directors, serving in its employment immediately before the disinvestment of the Nepa Ltd., shall continue in office or service after such disinvestment, on the same terms and conditions as if the disinvestment of the Nepa Ltd., had not been made and shall continue to do so until the expiry of the period of one year from the date of such disinvestment. Where an officer or other employee of the Nepa Ltd. opts not to continue in the employment or service of the Nepa Ltd., such officer or other employee shall be deemed to have resigned.

Mahabir Prasad launches Rajiv Gandhi Udyami Mitra Yojana

Shri Mahabir Prasad, Minister of Micro, Small and Medium Enterprises launched Rajiv Gandhi Udyami Mitra Yojana on 7th February 2008. The scheme aims to provide handholding assistance to first generation entrepreneurs through lead agencies or Udyami Mitra, who shall provide guidance to the potential entrepreneurs and help them in completion of various tasks and formalities necessary for the establishment of the enterprise.

OCI scheme for Overseas Indians

The Ministry of Overseas Indian Affairs launched Overseas Citizenship of India (OCI) scheme on 22nd February 2008. Under the scheme, eligible Overseas Indians are issued an OCI Registration Booklet and a life-long multiple entry, multipurpose visa sticker. OCIs are also granted parity with Non-Resident Indians (NRIs) in the economic, financial and educational fields; Government is also considering to extend parity to OCIs with NRIs in all fields except those specified under Section 7(B) (1) of the Citizenship Act, 1955; (ii) Scholarship Programme for Diaspora Children (APDC) launched in 2006 provides admission-cum-scholarships to children of overseas Indians in technical and higher educational institutions in India; and (iii) a policy framework for setting up a NRI-PIO University at a suitable place in the country, ensuring flexibility in the choice of disciplines and courses offered, has been approved by the Government. The Schemes will meet the aspiration of the overseas Indian and also fulfill commitment made at the highest level to overseas Indians. Engagement with Indian Diaspora is mutually beneficial.

NOTIFICATIONS ON TAXATION POLICY (WEB-LINKS)

Notification/ Circular	Subject	Web-links
	1. Central Excise (Non - Tariff)	
08/2008 C.E. (N.T.)	Amends Notification No. 45/2001-Central Excise (N.T.), dated the 26th June, 2001	http://www.cbec.gov.in/excise/cx-act/notfns-2k8/cent08-2k8.htm
09/2008 C.E. (N.T.)	Amends Notification No. 24/2005-Central Excise (N.T.), dated the 13th May, 2005	http://www.cbec.gov.in/excise/cx-act/notfns-2k8/cent09-2k8.htm
	2. Central Excise Circulars	
865/2008	Power of adjudication of Central Excise Officers	http://www.cbec.gov.in/excise/cx-circulars/cx-circulars-08/865-2008-cx.htm
866/2008	Corrigendum in respect of Circular no. 863/1/2008-CX dated 18th January, 2007 -regarding	http://www.cbec.gov.in/excise/cx-circulars/cx-circulars-08/866-2008-cx.htm

Notification/ Circular	Subject	Web-links
	3. Custom Notification (Tariff)	
14/2008 - Customs	Amends notification No. 39/96-Customs, dated the 23rd July, 1996	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/cs14-2k8.htm
15/2008 - Customs	Regarding anti-dumping duty on the subject goods, originating in, or exported from, the United States of America, Japan, the European Union and Singapore	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/cs15-2k8.htm
16/2008 - Customs	Rescinds Notification No.120/2002-Customs, dated the 31st October, 2002	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/cs16-2k8.htm
17/2008 - Customs	Anti-dumping duty on specified items from People's Republic of China	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/cs17-2k8.htm
18/2008 - Customs	Rescinds Notification No. 104/2007-Customs, dated the 14th September, 2007	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/cs18-2k8.htm
19/2008 - Customs	Rescinds Notification No. 114/2007-Customs dated the 28th November, 2007	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/cs19-2k8.htm
	4. Custom Notification (Non - Tariff)	
06/2008-Customs (N.T.),	Amends notification No. 36/2001-Cus (N.T.), dated, the 3rd August 2001	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/csnt06-2k8.htm
07/2008 - Customs (N.T.),	Amends notification No. 36/2001-Cus (N.T.), dated, the 3rd August 2001	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/csnt07-2k8.htm
08/2008 - Customs (N.T.),	Empowers gazetted officers under Section 108 of Customs Act, 1962	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/csnt08-2k8.htm
09/2008 - Customs (N.T.),	Amends Notification No. 39/2005-Customs (N.T.), dated the 13th May, 2005	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/csnt09-2k8.htm
10/2008 - Customs (N.T.),	Exchange rate notification for Import of / exported goods with effect from 1st March, 2008	http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k8/csnt10-2k8.htm
	5. Custom Circulars	
04/2008	Valuation practice of second hand machinery to be adopted by all Custom Houses/ Customs Commissionerates-regarding	http://www.cbec.gov.in/customs/cs-circulars/cs-circulars08/circ04-2k8-cus.htm
	6. Service Tax Notifications	
03/2008 - Service Tax	Amends No.41/2007-Service Tax, dated the 6th October, 2007	http://www.servicetax.gov.in/notifications/notfns-2k8/st03-2k8.htm
04/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st04-2k8.pdf
05/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st05-2k8.pdf
06/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st06-2k8.pdf
07/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st07-2k8.pdf
08/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st08-2k8.pdf
09/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st09-2k8.pdf
10/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st10-2k8.pdf
11/2008 - Service Tax	Budget Notification 2008-09	http://www.servicetax.gov.in/notifications/notfns-2k8/st11-2k8.pdf

Budget at a Glance

(In Crore of Rupees)

	Items	2006-07 (Actuals)	2007-08 Budget Estimates	2007-08 Revised Estimates	2008-09 Budget Estimates
1	**Revenue Receipts**	**4,34,387**	**486422**	**525098**	**6,02,935**
	2. Tax Revenue (net to centre)	3,51,182	40,3,872	4,31,773	5,07,150
	3. Non-Tax Revenue	83,205	82,550	93,325	95,785
4	**Capital Receipts (5+6+7)***	**1,49,000**	**1,94,099**	**1,84,275**	**1,47,949**
	5. Recoveries of Loans	5,893	1,500	4,497	4,497
	6. Other Receipts	534	41,651	36,125	10,165
	7. Borrowings and other liabilities*	1,42,573	1,50,948	1,43,653	1,33,287
8	**Total Receipts (1+4)***	**5,83,387**	**6,80,521**	**7,09,373**	**7,50,884**
9	**Non-Plan Expenditure**	**4,13,527**	**4,75,421**	**5,01,849**	**5,07,498**
	10. On Revenue Account of which	3,72,191	3,83,546	4,12,975	4,48,352
	11. Interest Payments	1,50,272	1,58,995	1,71,971	1,90,807
	12. On Capital Account	41,336	91,875	88,874	59,146
13	**Plan Expenditure**	**1,69,860**	**2,05,100**	**2,07,524**	**2,43,386**
	14. On Revenue Account	1,42,418	1,74,354	1,75,611	2,09,767
	15. On Capital Account	27,442	30,746	31,913	33,619
16	**Total Expenditure (9+13)**	**5,83,387**	**6,80,521**	**7,09,373**	**7,50,884**
	17. Revenue Expenditure (10+14)	5,14,609	5,57,900	5,88,586	6,58,119
	18. Capital Expenditure (12+15)	68,778	1,22,621	1,20,787	92,765
19	**Revenue Deficit (17-1)**	**80,222(1.9)**	**71,478(1.5)**	**63,488(1.4)**	**55,184(1)**
20	**Fiscal Deficit (16-(1+5+6))**	**1,42,573(3.5)**	**1,50,948(3.3)**	**1,43,653(3.1)**	**1,33,287(2.5)**
21	**Primary Deficit (20-11)**	**-7,699(-0.2)**	**- 8,047(-0.2)**	**-28,318(-0.6)**	**-57,520(-1.1)**

Note:

- * = Does not include receipts in respect of Market Stabilization Scheme, which will remain in the cash balance of the Central Government and will not be used for expenditure.
- GDP for BE 2008-2009 has been projected at Rs. 5303770 crore assuming 13% growth over the advance estimate of 2007-2008 (Rs. 4693602 crore) released by CSO.

Disclaimer

Study Team : Tanvi Garg and G.Srivastava
For any query, please contact : Mr. G Srivastava, Head – Economic Policy, g.srivatsava@ciionline.org

Confederation of Indian Industry
India Habitat Centre, 4th Floor, Core 4A, Lodi Road
New Delhi 110003, India
Tel: 91-11-24682230-35, Fax: 91-11-24682229
email : g.srivatsava@ciionline.org, website : www.cii.in