

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

STARRED QUESTION NO:241
ANSWERED ON:21.07.2004
I.T. HARDWARE PRODUCTION
Ramadass Prof. M

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

- (a) whether the Government is aware of the stagnant growth of IT hardware production as compared to the impressive growth of software sector;
- (b) if so, the reasons therefor;
- (c) the steps proposed to be taken by the Government to bring hardware sector at par with software sector;
- (d) whether there is any proposal under the consideration of the Government to introduce a hardware policy; and
- (e) if so, the main feature of the said policy?

Answer

MINISTER OF COMMUNICATIONS & INFORMATION TECHNOLOGY (DAYANIDHI MARAN)

(a) to (e): A Statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.241 FOR 21.07.2004 REGARDING I.T. HARDWARE PRODUCTION

(a): The production of computer hardware in India is not stagnant. The growth registered during the year 2003-04 has been of the order of 60%, from Rs.4250 crore in 2002-03 to Rs.6800 crore in 2003-04.

(b): Does not arise.

(c): The main steps taken by the Government for the growth of the hardware sector have been summarised in the Annexure.

(d) and (e): The National Common Minimum Programme (NCMP) of the Government places emphasis on energizing and sustaining the growth of the manufacturing industry in general and IT hardware in particular. The NCMP. also envisages the establishment of a National Manufacturing Competitiveness Council to provide a continuing forum for policy dialogue on this subject.

ANNEXURE

Steps taken by the Government to promote the Hardware Sector

1. National Common Minimum Programme (NCMP) of the Government emphasises on energizing and sustaining the growth of manufacturing industry including IT Hardware.

2. The Depreciation on Computers is allowed @ 60%.

3. Peak rate of customs duty continues to be 20%. Customs duty on project imports with investment of at least Rs. 5 crore in plants and machinery is @ 10%. 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 Information Technology Agreement (ITA-I) bound items is as per commitments. Customs Duty on specified raw materials/inputs used for manufacture of electronic components or optical fibres/cables is @ 0%. Customs duty on specified capital goods used for manufacture of electronic goods is @ 0%. Specified infrastructure equipment for basic/cellular/internet, V-SAT, radio paging and public mobile radio trunked services and parts of such equipment exempted from basic customs duty. Customs duty exemption to mobile switching centers presently available to cellular mobile telephone service providers has been extended to imports by universal access service providers. Customs duty on cellphones continues at 5%. Laptops brought as part of baggage are exempted from customs duty.

4. Excise duty on computers reduced from 8% to 0% with a view to bringing down the prices of computers. Microprocessors, Hard Disc Drives, Floppy Disc Drives and CD ROM Drives continue to be exempt from excise duty. Pre-loaded software on PCs, Audio CDs, Recorded VCDs and DVDs, Cellular Phones, Radio trunking terminals, Portable receivers for calling, alerting or paging; parts, components and accessories of mobile handsets including cellular phones remain exempted from excise duty.

5. 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. Import of capital goods upto 10 years old and import of capital goods for pre-production and post-production facilities are permitted under the scheme. Import of spares is also permitted to facilitate upgradation of existing plant and machinery.

6. Supplies of Information Technology Agreement (ITA-I) items and notified zero duty telecom/electronic items in the Domestic Tariff Area (DTA) by EHTP/Export Oriented Unit (EOU) units are counted for the purpose of fulfillment of positive NFE.

7. 100% depreciation is available to computers and computer peripherals over a period of 3 years for all types of electronic units under EOU/EHTP/STP/SEZ schemes.

8. 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.

9. Customs clearances will be based on self assessment and selective examination. Round the clock electronic filing of customs documents for clearance of goods, presently available in 9 customs formations, is being extended to 23 customs formations.

10. Second hand capital goods upto 10 years old are freely importable.

11. EOUEHTP units are eligible for Income Tax exemption on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

12. 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.

13. Tax holiday under provisions of Section 80-IA of the Income Tax Act (Infrastructure Status) is available to Internet Service Providers (ISPs) and Broadband Network providers.

14. With a view to giving a boost to the manufacturing sector, a deduction of a further sum of 15% of the actual cost of machinery or plant acquired and installed after 31.3.2002 in case of new industrial undertaking or substantial expansion by an existing industrial undertaking is being allowed.

15. To encourage re-location of industries to India, plant and machineries is permitted to be imported without a licence, where the depreciated value of such relocating plants exceeds Rs.50 crores.

16. To induce more investment for Research and Development activities, a weighted deduction of 150% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research is available.