

**GOVERNMENT OF INDIA
SCIENCE AND TECHNOLOGY
LOK SABHA**

STARRED QUESTION NO:182
ANSWERED ON:03.03.2006
PRODUCTION OF NANO CHIPS
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Will the Minister of SCIENCE AND TECHNOLOGY be pleased to state:

- (a) the level of production of hardware used in computers;
- (b) the future of development of Nanometer size Chips;
- (c) India's share in world production of Semi-conductor Chips;
- (d) whether the Government proposes to formulate a policy to encourage the development and fabrication/production of Nano Chips to ensure fair share of the industry; and
- (e) if so, the details thereof?

Answer

MINISTER OF SCIENCE & TECHNOLOGY AND MINISTER OF OCEAN DEVELOPMENT (KAPIL SIBAL)

(a) to (e) A statement is laid on the Table of the House.

STATEMENT AS REFERRED IN REPLY TO PARTS (a) to (e) OF LOK SABHA STARRED QUESTION NO. 182 FOR 03.03.2006 REGARDING "PRODUCTION OF NANO CHIPS"

(a) : The hardware used in computer primarily consists of Microprocessor, Storage Devices, Motherboard, add-on-cards, Chassis, SMPS (power supply), Monitor, Keyboard, Mouse, etc. According to the Manufacturers' Association for Information Technology (MAIT), the current local value addition based on the amount of local sourcing is around 10-15%.

(b) : The nanometer technology is developing quite rapidly. Intel is already shipping microprocessors based on 65 nanometer technology and has recently disclosed initial details of its 45 nanometer process.

(c) : India's share in world production of semi-conductor chips is estimated to be less than 0.1%.

(d) & (e) : The Government is continuously taking steps to encourage domestic production of hardware including chip fabrication. Details of the incentives being provided are annexed.

ANNEXURE AS REFERRED IN REPLY TO PARTS (d) AND (e) OF LOK SABHA STARRED QUESTION NO. 182 FOR 03.03.2006 REGARDING "PRODUCTION OF NANO CHIPS" Steps taken by the Government for promotion of Electronics/IT Hardware Industry

1. Approvals for all foreign direct investment upto 100% in the Hardware manufacturing sector are under the automatic route.
2. National Common Minimum Programme (NCMP) of the Government emphasises on energizing and sustaining the growth of manufacturing industry including IT Hardware.
3. Peak rate of customs duty has been reduced to 12.5%. Customs duty on ITA-1 items (217 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 or optical fibres / cables is 0%. Customs duty on specified capital goods used for manufacture of electronic goods is 0%.
4. Excise duty on computers is 12%. Microprocessors, Hard Disc Drives, Floppy Disc Drives, CD ROM Drives, DVD Drives, USB 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.
5. Export Promotion Capital Goods scheme (EPCG) allows import of capital goods on payment of 5% 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) 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) 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. Second hand capital goods are freely importable.

9. EOU/EHTP units are eligible for Income Tax exemption on export profits, upto 2009-10, in terms of Sections 10A and 10B of the Income Tax Act.

10. 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.