



BUDGET HIGHLIGHTS 2010 -2011

March 2010

- ECBs to be allowed for cold storage facilities including farm level pre-cooling.
- A bill providing for establishment of “National Biotechnology Regulatory Authority” (“**NBRA**”) is expected to be introduced soon in the Parliament. The NBRA would regulate the research, manufacture, importation and use of genetically modified organisms and products derived thereof.
- New duty rates:

	Description	Rate
1.	<p>Basic Customs Duty (“BCD”)</p> <ul style="list-style-type: none"> • On goods required for medical, surgical, dental or veterinary use and parts & accessories thereof. • On hospital equipment, apparatus and appliances including spare parts and accessories. • Concessional BCD on cold storage, cold room or industrial project for preservation, storage of dairy, agricultural, apiary, horticultural, aquatic and marine produce and meat under Project Import Scheme. • Concessional BCD on machinery and equipment for mechanized handling and pallet-racking systems. • Concessional BCD on specified machinery for tea, coffee and rubber plantations has been extended up to March 31, 2011. 	<p>5% (from 7.5%)</p> <p>4%(from 5%)</p> <p>5%</p> <p>5%</p> <p>5%</p>
2.	<p>Additional Customs Duty</p> <ul style="list-style-type: none"> • Hospital equipment, apparatus, and appliances including spare parts and accessories, subject to prescribed conditions. • Life saving medical equipment including accessories spare parts or both imported for personal use 	4%
3.	Special Additional Duty on goods required for medical, surgical, dental or veterinary use and parts & accessories thereof.	Exempted
4.	Service Tax	

	<ul style="list-style-type: none"> Services provided in relation to health check up undertaken by hospitals or medical establishments for the employees of business entities; and health services provided under health insurance schemes offered by insurance companies provided the payment is made directly by the business entity or the insurance company to the hospital or medical establishment. Services provided in relation to maintenance of medical records of employees of a business entity. Setting up, commissioning of mechanized handling and pallet-racking systems in food processing industry. 	10% 10% NIL
5.	Excise Duty – Goods covered under the Medicinal & Toilet Preparations Act. Further the rate on API has also been increased by 2%, which would marginally increase the input cost for the Pharma companies.	10% (from 16
6.	Income Tax <ul style="list-style-type: none"> The tax surcharge on domestic companies Deduction on “in-house” R&D expenditure 	7.5% (from 10 200% (from 1

PSA View:

The budget announcement with regard to charging a nominal rate of customs duty and the exemption from service tax on the allied sectors to food processing are definitely a step in the right direction. Further, the increase in R&D deduction will incentivize the Pharma companies to increase their expense on R&D and in turn accelerate the growth momentum. These incentives will definitely spur the growth momentum of the already fast-emerging medical devices and equipment sector in India. Some tax incentives for the business of setting up and operating “cold chain” infrastructure, which is an integral part in the logistics for vaccines and many biotech products, have also been announced. The government definitely needs to revisit the strategy adopted to promote food parks as presently, out of the total fifteen proposed food parks, only two have been established and are not 100% functional. Further, the government must take drastic steps if it desires to establish all mega-food parks with full functionality by 2015. The increase in MAT is also likely to have a negative impact on companies as all companies claim MAT credit, increasing margin pressures considerably, and the rise in excise duty will result in increased input costs for drug companies.

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