



Budget 2009 Snapshot

Specific proposals for Shipping sector

Economic Indicators

- For financial year 2008-09, overall GDP growth rate of India was 6.7% whereas fiscal deficit was 6.2%.
- Overall shipping cargo handled by major Indian ports in fiscal year 2008-09 was 530 million tonnes as against 519 million tonnes during 2007-08.
- The growth rate of shipping cargo handled by major ports in 2008-09 was 2.1% as against an impressive average growth of around 10% per annum in the five year ending 2007-08. The slowdown in growth can be said to be mainly due to poor exports, a manifestation of the global meltdown last year.
- Around 44% of the existing Indian fleet will have to be scrapped by the year 2012 due to old age/IMO phase out regulations. The requirement for new vessels should, accordingly, rise in next few years.

Policy Initiatives

• Separate Shipping Ministry

The carving out of Ministry of Shipping under the aegis of Mr. G. K. Vasan from the erstwhile combined Ministry of Shipping, Road transport and Highways has been welcomed by the industry. It is perceived that a separate Ministry will attract greater focus and attention for the Indian shipping industry. As a result, projects as well as policy implementations are expected to be on the fast track.

• 100 days action plan of new Ministry

New Shipping Ministry has unveiled intention of more public private partnership projects for building ports, speedier acquisition of ships and equipments in its 100 days action plan.

• Infrastructure Development

Government to increase the investment in infrastructure to more than 9% of GDP by 2014. Towards this end, Indian Infrastructure Finance Corporation Limited (IIFCL) will evolve a Takeout financing scheme which will facilitate incremental lending to infrastructure sector. IIFCL will refinance 60% of commercial bank loans for PPP projects in critical sectors over next 15 to 18 months. These measures will ease the liquidity crunch; however the key lies in effective coordination between Central and State government agencies to ensure that the funds percolate down to PPP projects.

• National Maritime Development Programme (NMDP)

The Government of India has formulated NMDP under which 111 projects for Shipping & Inland Water Transport Sector have been identified. These projects are expected to be implemented by the year 2015 and would attract a massive investment of Rs.44,535 crores. Out of this, Rs. 13,300 crores is expected from private investment.

• Permission to foreign cruise ships

Foreign cruise ships can now take passengers all along India's coast without restriction. The relaxation opens a window for global luxury cruise ship owners to run ships in the Indian market.

Income Tax

- Tonnage tax provisions for Indian shipping companies and deeming income-tax provisions applicable to foreign shipping companies have remained unaltered. There was an expectation that the procedural difficulties and administrative compliances on ship clearances would be minimized and streamlined but unfortunately, that was not done in this Budget.
- There is no change in rates of corporate tax and therefore, effective corporate tax rate (under normal provisions) for Indian companies remains at 33.99%.
- Government responds to Industry demands by abolishing Fringe Benefit Tax (FBT) which will save corporates, including shipping companies, from some tax outflow and more importantly, cumbersome compliance requirements.
- Rate of Dividend Distribution Tax (DDT) has remained unchanged at 16.995%.
- New Direct Taxes Code will be released within 45 days for public debate, which will hopefully simplify direct tax compliance.
- Proposed introduction for alternate dispute mechanism and safe harbor rules will facilitate cross-border transactions between group companies.

Service Tax

- Service tax rate remains unchanged @ 10.30%.
- Territorial jurisdiction of service tax extended to installations, structures and vessels in the entire Continental Shelf and Exclusive Economic Zones India.
- Scope of service tax has been enlarged to cover 'transport of costal goods; and goods transported through Inland Water including National Waterways'.

Customs

- There is no change in the median rate of 10% basic custom duty on import of goods in India.

Central Excise

- Median rate of excise duty remain unchanged @ 8.24%.

Central Sales Tax (CST)

- CST rate remains unchanged @ 2%.

Goods and Service Tax (GST)

- Reiteration of April 01, 2010 deadline of implementation of GST.
- Satisfactory progress on roadmap.
- Dual GST structure proposed – Central and State.



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