



# Budget 2009 Snapshot

## Specific proposals for Metal and Mining sector

### Economic Indicators

- Mining sector recorded a growth of 2.3% for 2008-09 as against growth of 5.1% for 2007-08.
- Basic metals and alloys industry grew by 4% compared to 12% growth in 2007-08.
- Raw coal production growth rate was around 6 per cent during the period from 2003-04 to 2007-08 which increased to about 8 per cent during 2008-09.
- Steel exports for 2008-09 provisionally stood at 3.66 MT – negative growth of 28% as compared to 2007-08.

### Government's 100 days' Action Programme

- Pursuing the National Mineral Policy, 2008 (for non-fuel and non-coal minerals), seeking to make regulatory environment conducive to private investment so as to attract large investments and high technology.
- Royalty system on minerals to be rationalized by adopting *advalorem* principle, wherever feasible.
- Steel Ministry to prioritize and expedite greenfield and brownfield capacity expansion in order to achieve 124 million tonne capacity projected by 2012.

### In the News

- Coal Regulator to be in place soon to look into the aspect of disciplined mining, increasing coal production, grading of coal as well as issue of pricing.
- Economic Survey 2009 provides for allowing private entry into coal mining under a well regulated coal sector.
- Competitive bidding for coal and mineral blocks being envisaged is likely to enhance transparency of the process.
- Transferability of licenses are likely to see specialists in exploration and prospecting making investments in the sector.
- Reserve accounting on economic as well as technical parameters, excluding those resources under forest cover, will give better picture of national inventories.

## Income tax

- There is no change in rates of corporate tax and therefore, effective corporate tax rate for Indian companies remains at 33.99%.
- Government responds to Industry demands by abolishing Fringe Benefit Tax (FBT) which will save corporates from some tax outflow and more importantly, cumbersome compliance requirements.
- Rate of Dividend Distribution Tax (DDT) remains unchanged at 16.995%.
- Minimum Alternate Tax (MAT) rate is increased from 11.33% to 16.995% which increase the burden on companies claiming tax holiday. The limit to carry forward MAT credit is increased from 7 to 10 years.
- New Direct Tax code will be launched within 45 days for public debate, which will hopefully simplify tax compliance.
- Proposed introduction for alternate dispute mechanism and safe harbor rules will facilitate determination in case of cross-border transactions.
- 150% weighted deduction for R & D expenditure extended to any business of manufacture or production of any article or thing (not covered under Eleventh Schedule)

## Limited Liability Partnership (LLP)

- Limited Liability Partnership will be treated as opaque entity i.e. similar to that of partnership firms. The share of profits of LLP would be exempt in the hands of the partners.
- LLP is an useful form of entity as it gives lot of operational flexibility. Currently, MAT & DDT are not applicable to LLP, thereby reducing the overall tax cost. Further, LLP are not subjected to surcharge as well.

- Where ever feasible, mining/power sector co's can explore setting up LLP as JV to execute the contracts which are in partnership with other corporate. This will bring in greater operational flexibility as well as reduced tax/compliance costs.

## Service Tax

- Service Tax rate remains unchanged at 10.30%.
- Service Tax is proposed to be levied on services in relation to transport of goods by rail.

## Customs

- There is no change in the median rate of 10% basic custom duty on import of goods in India.
- Custom duty on gold increased as follows:
  - serially numbered gold bars (other than tola bars) and gold coins has been increased from Rs. 100 per 10 gram to Rs. 200 per 10 gram.
  - other forms of gold – increased from Rs. 250 per 10 gram to Rs. 500 per 10 gram.
- Custom duty on silver has been increased from Rs. 500 per kg to Rs. 1000 per kg.

## Central Excise and Central Sales Tax

- Median rate of excise duty remains unchanged at 8.24%.
- Central Sales Tax rate remains unchanged at 2%.

## GST

- Reiteration of April 1, 2010 deadline for implementation of GST.
- Satisfactory progress on roadmap.
- Dual GST structure proposed – Central and State.

## General

- Advance Ruling process enabled for indirect tax matters as well.

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