INDIAN INDUSTRIES ASSOCIATION
AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES
(IN THE SERVICE OF MSME SINCE 1985)

Reference No. 4/Bdgt/12217 **05th November, 2015**

To,
Shri Arun Jaitley
Hon'ble Finance Minister
Govt. of India
Ministry of Finance ,
North Block, New Delhi - 110 001

Subject: Pre-Budget Proposals (2016-17)

Sir,
Indian Industries Association (IIA) is an apex body of Micro, Small and Medium Enterprizes (MSME). Through detailed discussions and feedback from our more than 6000 members we have drafted the Budget Proposals (as attached herewith) with specific reference to Micro, Small and Medium Scale Industries in the country for your kind consideration.

I also take the opportunity to request for an exclusive meeting of IIA delegation with you to discuss the Budget Proposals for the upliftment of this vital sector of the Indian Economy.

I hope that you will be considerate enough to spare some of your valuable time for a meeting with the delegation of Indian Industries Association at the earliest possible convenience.

Thanking you

Yours truly,

Manish Goel
President

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05th November, 2015

Pre-Budget proposals for 2016-17 of Indian Industries Association

	1- INCOME TAX
1.	**Income tax exemption limit:** Looking into the inflation, this limit should be raised upto Rs. 5.00 Lakhs for individuals. The Exemption limits and the limits for the several deductions allowable should be linked to the cost inflation index. This would help the common taxpayer to partially offset the effect of inflation on his earnings.
2.	U/S 80 of Income Tax Act, MSME's should be given special exemptions so that MSME sector is able to compete with Corporate sector
3.	Section 80-I, investment allowance on capex should be without any lower threshold as was the case long years back. As tax benefit will accrue to the claimants only after each claim undergoes the scrutiny of the assessing officers, there should be no problem in administering the facility even in case of smaller capex.
4.	There is an urgent need to introduce tax breaks to promote employment generation on the same lines as depreciation encourages capital investment. The capital intensive large Cos are thus able to save huge amounts on taxes, which in turn results in capital formation and strengthening the Cos. With meager capital investments MSMEs on the other hand are neither able to save on taxes nor do capital formation which leaves them vulnerable forever. There can be no doubt that for a country teeming with HR (looking for gainful employment) and starving (comparatively) for capital, it is the bounden duty of the Government to encourage enterprises that encourage more employment for the same capital. Just a suggestion any increase in social welfare and bonus expenses may be allowed as a 300% weighted deduction for the purpose of tax calculations.
5.	Income Tax for enterprises operating in the much desired (by the government) company format may be levied in slabs as available to individual tax payers.
6.	Clarity is needed whether CA Certificate in Form No. 15CB is required for purchase of goods from Non Residents.
7.	Transfer Pricing provisions have been extended to domestic transactions vide Finance Act 2012. Presently domestic transfer pricing is applicable for all the companies having specified domestic transactions in excess of Rs. 20 crores in a year irrespective of whether there is a possibility of tax arbitrage or not. It is proposed that these provisions should be applied only in case where there is a possibility of tax arbitrage such as where one of the related party is a loss making company or is liable to pay tax at a lower rate and there is a possibility of shifting of profits to such entities. This will reduce huge administrative burden/documentation requirements for the assessees especially in cases where in the assessee as well as the related party are chargeable to tax at the same rate and there is no possibility of tax arbitrage.

8.	Section 35(2AB) provides for deduction on expenditure incurred on in-house research and development facility approved by the prescribed authority for industries. At present deduction is allowed only to companies having their own manufacturing units and it is not allowed if manufacturing is done by the processor. It is submitted that the technology is made available by the company to such processor for manufacturing its products. Hence, the benefit should be made available to a company for in house manufacture and also for toll manufacturing.
9.	The Department of Industrial & Scientific Research (DSIR) has issued guidelines in May 2010 for submission of report in Form No 3CL u/s 35(2AB) of the Income Tax Act, 1961. The guidelines specify that expenditure on building maintenance, municipal taxes and rental charges, lease rent for research lab, foreign patent filing, Consultancy etc are not be claimed u/s 35(2AB). DSIR has further issued guidelines in May 2014 specifying that the personnel with Degree/Diploma in Science or engineering discipline and above qualification will only be regarded as R&D manpower eligible for weighted tax deduction. Manpower under the category of retainership/consultants and manpower on contracts will not be admissible for weighted tax deduction. However, section 35(2AB) of the Income tax Act, does not prohibits claiming these expenditures. Hence, the guidelines issued by DSIR are ultra vires to the provision of section 35(2AB). Therefore, the guidelines need to be suitably modified to bring it in line with the statute.
10	**Additional Depreciation/ Investment Allowance/ Standard Deduction to MSME** Micro, Small and Medium Enterprise Sector enormously contributes to the GDP of the country, but still it perpetually struggles for survival due to lack of financial resources. To remain competitive in terms of quality as well as cost, every enterprise needs to constantly review and upgrade its plant and machinery. In spite of being fully aware of steps that need to be taken to ensure long term survival, MSME entrepreneurs are unable to implement their plans due to their inability to spare cash. Rising bank interests rates have further complicated the prospects of survival for MSME sector. Now it is as much responsibility of the government as of the entrepreneur himself to ensure that necessary capital investment in plant and machinery continues so that survival of MSME sector is endurable. • Therefore, the rate of depreciation on plant and machinery for MSME sector be enhanced to 50% from 15% at present as an incentives for investment in new plant and machines. • Also the income tax rate for Micro and Small manufacturing enterprises be reduced to 10% for income upto Rs 5 lakhs, 20% for income more than Rs 5 lakhs & upto Rs 10 Lakhs and 30% for income more than Rs 10 lakhs as at present. This would unlock some money in the hand of Micro & Small entrepreneurs to make capital investment.
11.	**System of reprimand for wrong assessments.** In case of wrong/inflated assessments where assessed income is later on reduced, a system of reprimand should be introduced so that if decision of an Assessing officer is reverted for 25 cases in a year, a reprimand should be issued to the concerned A.O.
12.	**Surveys U/S 133 A** Section 133A has become a means of oppression as this provision is being used indiscriminately only for the purpose of 'surrender of income' under duress with a view to collect Advance Tax and to be able to fulfil the 'quotas' allotted to the authorities. The powers of Surveys u/s 133A should be exercised by the Director of Investigations and only in deserving rare & exceptional circumstances and only when on the basis of specific information and only when he has 'reasons to believe' that income exceeding Rs. 10 lacs is being evaded and the same can be unearthed by resorting to Survey operations.
13.	**Filing Income Tax returns for loss** Delay in filing Income Tax returns in the case of loss return, upto the close of financial year should be condoned. Loss in such cases should be allowed to be carried forward There should also be provision for carrying back the losses and allowing its set off from profits of prior years. Benefit of carry forward /set off of loss should also be available against future profits. Belated returns filed U/S 139(4) should also be allowed to be revised.
14.	**Rationalising the disallowance of cash payment U/S 40 –A(3)** The limit for cash payment per transaction under the above section was last revised in 1999 to Rs 20000.00 (Rs 35000.00 for freight payments only). Inflation in the intervening period of nearly two decades has been more than five folds. It's well known that, ongoing freights from any port town to any town in North India are in excess of Rs 70000.00. The prevailing cash limit figures per

	transaction are thus meaningless and need to be reviewed and revised. The limit for Cash payments per Transaction should enhanced to at least Rs 150000 per transaction and these too should be linked to industrial inflation index to provide for automatic limits adjustment on annual basis as part of a transparent system.
15.	**TDS Provisions:** • TDS amounts should be allowed to be adjusted in any of the Assessment Years up to 3 years following the year of *deduction*. This will take care of the genuine problems of delay *in filing of quarterly returns* especially from Government Departments and will provide convenience to assesses to get it adjusted in any of the following 3 years also. • TDS on interest (other than interest on securities) U/S 194-A should be deducted only if interest payment is exceeding Rs. 25000/- P.A. Present limit of Rs.5000/- was fixed long time back and needs revision. In case of Bank, the limit should be increased to Rs 50000 P.A from the present value of Rs 10000/- P.A. • Threshold limit u/s 194H for payment of commission & brokerage be raised to Rs. 50,000 against the present limit of Rs. 5,000/- fixed long time back. Further the rate of deduction of TDS should be reduced to 5% • Threshold limit u/s 194J fees for professional or technical services should be raised to Rs. 1,00,000 per annum against the present limit of Rs. 30,000/- • TDS deductor is collecting this tax on behalf of the Govt from the deductee. The onus for its timely payment and its proper reporting including filing of returns is the responsibility of the deductor . The deductee should not be denied the benefit of credit for any lapse of compliance by the deductor. • **Payment Limits for Tax Deduction at Source –** Prevailing payment limits for TDS in Income Tax are –Rs 30000 per transaction subject to cumulative payments not exceeding Rs 75000 per annum all transaction put together per recipient. The above threshold limits were fixed nearly two decades back with very limited revision. In the intervening period Cost Inflation Index has moved up nearly four folds. These limits too must be reviewed and revised. The per transaction payment and annual payment limits for the purpose of tax deduction at Source (TDS) must be revised to at least Rs 50000 per transaction and Rs 300,000 per annum per recipient. These threshold limits must further be linked to – a. Cost Inflation Index and be revised automatically on annual basis. b. Or Basic Income Tax Exemption limits announced in every finance bill. • Credit of TDS should be allowed either on the basis of for 26AS or original TDS certificate filed before the AO. Assessee should not be penalized for noncompliance of the deductor.
16.	**2. Dividend Distribution Tax on Liquid Mutual Funds** Central Government has taken excellent initiative of setting up of MUDRA Bank to support weak / cash strapped Micro & Small Enterprises. However, there are several Micro & Small enterprises, who manage their day to day cash flow efficiently, and look for venue to park their surplus cash for short durations, so that they manage to get healthy returns and at the same time capital remains safe To address this need of Micro & Small Enterprises, government must consider an additional avenue – i.e. Liquid Mutual Funds – as a tool for efficient management of Surplus Cash on day to day basis. Liquid Mutual funds offer an excellent alternative for parking short duration sur-plus capital left with enterprises due to seasonal variation of cash flow. However there is a draw back in terms of very high rate of Dividend Distribution Tax (DDT). Presently DDT has two slabs – namely for (i) Individuals & HUF – Charged @28.84% (25%+12% Surcharge + 3% Edu.Cess) and (ii) Others – Charged @34.608% (30%+12% Surcharge + 3% Edu.Cess).

	To promote the use of this tool for management of surplus cash by Micro & Small Enterprise sector, A third category (iii) Micro & Small Enterprise must be introduced with a very nominal rate of DDT not exceeding 5%.
17.	**Advance Tax** Interest U/S 234-B should be applicable only in case advance tax paid falls short of 60 % of the total tax payable on the returned income. Further, for Micro & Small entrepreneur it is very difficult to calculate/estimate the tax liability for whole year in September or December, because many times they get good business at the far end of the year. Hence, their liability of advance, tax should have provision to pay by Mar.15 without any overdue Interest/Penalty and the threshold limit should be enhanced to Rs 200000/ from the present value of Rs 10000/-.
18.	**Section 269-SS and 269 T** Threshold limits fixed under section 269SS and 269T for taking or accepting certain loans & deposits and for repayment of loan or deposits, should be raised to Rs. 50,000/-. Present limit of Rs. 20,000/- was fixed long time back.
19.	**Section 50-C- Valuation of assets** These provisions should be dropped from the act being inequitable because in many states there is no provision for the rates being fixed by the district officials and in many places the rates are increased on arbitrary basis as revenue yielding exercise by the state Government**.** The Hon'ble Supreme Court has consistently held the Circle Rates are mere guidelines and do not have any statutory force. Legally speaking, Stamp Duty is required to be paid on the market value of the property but for all practical purposes, in order to purchase peace, shun litigation and to get back the sale deed after registration; the purchaser is constrained to pay stamp duty on the value as per the 'circle rate' declared by the collector. The seller has to face the rigour of section 50C in these circumstances. The procedure for determination of market value by the departmental valuer is cumbersome and promotes unhealthy practices. It is therefore recommended that valuation should be based on actual market value for which proper procedures and norms should be prescribed.
20.	**Section 40-A(2)(b) regarding salary payments** At present even if the salary is paid to partners by the firm within the limits of allowablity u/s 40(b) the AO is empowered to disallow the salary u/s 40-A(2B). If the salary of partner is paid within limit then the same should not be disallowable u/s 40-A(2B).
21.	**Corporate Tax** Levy of surcharge needs either to be withdrawn or it should be made applicable on income exceeding Rs. 5 Crores.
22.	Education Cess and Higher Education Cess should be withdrawn/merged with Income Tax as has been done in Central Excise and Service Tax.
23	Limits of TDS U/S 193/194 and its different sub-sections stand in need of up ward revision.
24.	Investment by individuals / corporate / any other Tax payer in Micro & Small manufacturing units be encouraged by extending income tax exemptions to the investors. Such investment upto Rs 2 lakhs be allowed to be deducted from the taxable income and the interest accrued thereon be also exempted from income tax. Such a measure will solve the problem of non availability of finance by Micro & Small Manufacturing Units to a great extent**.**
25.	**Investments in Liquid Mutual Fund be Exempted from Annual Information returns of Mutual Funds –** Units of Liquid Mutual Funds is a popular avenue of investment among industry and business for efficient utilization of surplus funds. The uniqueness of these funds is that it allows free flow of surplus fund into the liquid schemes and redemption on cash-demand without any exit load. Thus, the same amount of money is recycled several times in a year by an enterprise depending up on its varying cash needs. Provisions for Annual Information Return (AIR) under Income Tax Act require all investments exceeding ₹ 10 lacs be reported in AIR filed by mutual funds operators. Strangely, prevailing system captures all the data on investments into the liquid schemes, however, the data on redemptions is ignored. Thus, if an enterprises on an average invests and redeems ₹ 10 lacs per month, the AIR sums up and indicates total investment of ₹ 1.2 crore in the entire year. The amount immediately triggers notices for explanation of investment, leading to scrutiny of accounts of the enterprise

	regardless of its bona-fides. Over last several years this flaw in data capture / reporting has become serious cause of harassment of several of the most bona-fide tax payers at the hands of the IT assessing officers who rampantly exploit this to serve their vested interests, with minimal gain in revenue. Therefore, The Liquid Mutual Fund Investments by Business Enterprises must therefore be exempted from AIR reporting by mutual funds.
26.	**Procedural clarification needed** 1. At present the Form No 15CA has to be filed electronically. There are chances that user might make error while uploading Form No 15CA, however, at present there is no mechanism to amend/revise the Form No 15CA. A suitable mechanism needs be introduced. 2. Presently Form No. 15CA is required to be uploaded with digital signature of the Managing Director of the Company. It is proposed that Managing Director can authorize company officials to sign and upload the Form 15CA along with the Company officials digital signature and a clause enabling such provision should be introduced.

2. CENTRAL EXCISE

1.	Presently Turnover ceiling for availing Non-Tariff Benefits for MSME is ₹ 4 Crores, fixed in 1998. Cost Inflation Index in 1998 – 99 = 351; Cost Inflation Index in 2014 – 15 = 1024. This Ceiling therefore must be revised to atleast Rs. 16 Crores and also linked to Cost Inflation Index and be revised automatically on annual basis.
2.	Finance Act 2015 has fully exempted education cess and higher education cess by correspondingly increasing the ad valorem rate of duty from 12% to 12.50%. Various Companies have balances of education cess and Higher education cess pertaining to period prior to 01.03.2015. Currently there is no clarity on the process for utilization of the same. It would be helpful if a provision is introduced clarifying that such balance can be utilized against the excise duty liability of the Company.
3.	Section 35 of the Central Excise Act, 1944 gives power to Commissioner (Appeal) to condone the delay in filing appeal by 30 days only. However, Tribunals and High Courts have the power to condone the delay for any period provided reasonable cause exists. Suitable amendment needs to be made in Section 35 so as to empower Commissioner (Appeal) to condone the reasonable delay.
4.	Section 37 of the Central Excise Act, 1944 gives power to the Central Govt to make rules to carry into effect the purpose of the Act. Suitable provisions should be made in the Act so as to restrict any retrospective amendment in the Act and Rules made there under, if such amendment is prejudicial to assessees.
5.	**Difficulties being faced by the Small Manufacturer Exporters in the country, resulting substantial loss of foreign exchange earnings, request for legal resolution.** We have received various representations from the members who are manufacturer exporters to 100% export oriented units, units to SEZ or to the projects approved by the Govt. of India or the concerned State Governments which is not a physical export but are termed as the deemed export. Such manufacturer exporters are having huge amount of accumulated balance of credit of duties suffered on such inputs which is refundable in cash to such manufacturer exporters under rule 5 of the CENVAT credit rules, 2004. The jurisdictional authorities of Central Excise, using their discretionary powers are rejecting such refunds of the manufacturer exporters under the plea that rule 5 of the CENVAT credit rules, 2004 provides the refund of such accumulated credit in respect of exports only i.e. Physical exports. This rule does not provide the refund of accumulated credit of inputs consumed in the goods of deemed exports. Attention is invited towards final order no. A/167/2008-WZB/AHD, dated 06-02-2008 in appeal no. E/368/2006 of CESTAT West Zonal Bench, Ahmadabad in the case of Commissioner of Central Excise, Surat vs Shilpa Copper Wire Industries, laying down that "in as much as the final product were cleared to another 100% EOU as deemed export, the same has to be treated as export and the refund of unutilized credit has to be made to the assessee." The honorable Zonal Bench of CESTAT, Ahmadabad has also analyzed and relied the circular no.220/54/96-CX dated 4 June 1996 issued vide file no. 267/72/96-CX-8, which proves the intention of the legislature is very clear to allow the benefit to the assesses even in the cases of the deemed exports without any difference with physical exports. The apex court of the country has also confirmed the views of honorable Zonal Bench of

	CESTAT, Ahmadabad in the case of Amitex Silk Mills vs CCE Surat vide order no I – 2005 -TMI – 54619. Since the intention of the legislature is clear to provide the benefit of rule 5 of CENVAT rules 2004 to the manufacturer exporters without any discrimination between physical exports and deemed export, even the jurisdictional authorities of Central Excise are rejecting such claims and putting the manufacturer exporters into unwarranted and long ending litigations. It therefore appears very essential that the rule 5 of CENVAT credit rules 2004 may be suitably amended with appropriate words. It is requested that the said rules may be amended suitably, "Export/deemed export" or "All exports" may be substituted the word export. If this amendment is not possible for any reason a suitable circular in supersession to circular no. 220/54/96-CX dated 4 June 1996 may be issued, leaving no discretionary power to the jurisdictional authorities of Central Excise for putting the assesses in losses and unwarranted litigations.
6.	The "Education Cess" and "Secondary & Higher Education Cess" have been removed from excise duty but the credit is available in the books. Notification should be issued to allow transfer of these credits to the Basic Duty head.

3. SERVICE TAX

1.	**SERVICE TAX APPLICABLE ON MEMBERSHIP FEE OF MSME INDUSTRY ASSOCIATIONS SHOULD BE EXEMPTED** Service tax was levied on Industry Associations in 2005 by clubbing them under 'Club or Associations Services' (excluding trade unions, political parties, farmers associations). Industry associations representing the cause of Micro Small and Medium Enterprises (MSME) are like Farmers Association / Trade Unions and they work for the public cause and clubbing them with entertainment clubs is unjust and unfair. **Hence the liability of Service Tax on MSME Industry Association membership fee should be exempted.**
2.	Since service tax is payable on the basis of point of taxation rules, date for payment of service tax should be 20th of next month after the close of quarter. For the quarter ending 31st march date of payment should be 30th April.
3.	**Goods Transport Services** Among all the services covered under the service tax, "Goods Transport Service (GTS) happens to be one peculiar example which is subjected to "Regular Charge" as well as "Reverse Charge" depending up on the category of person who availed the GTS services. To elaborate the issue, in accordance with the notification No. 35/2004 – service tax dtd. 3rd. Dec.`2004, except for a proprietorship firm / an individual, all category of GTS service availers have to themselves deposit service tax on GTS services availed and then file returns. For the individuals / proprietorship firms, the transporter will be required to charge and deposit the service tax and file returns of service tax. Thus GTS service has the distinction of being one service where the Service Provider as well as service availers have to get themselves registered under service tax and file returns. Obviously this is one of the most cumbersome and administratively inefficient forms of tax collection arrangement. The fundamental basis of Service tax is "Tax collection on value addition". However, due to one of the most ill-conceived tax collection arrangement in place for GTS services, the concept of tax on value addition is most inefficient as in most of the cases transporters are charging service tax as well as service availers are required to pay service tax because they are unable to claim credit of service tax paid to the transporter. This is leading to huge cascading effect. Over the years, government has succeeded in getting nearly all the transporters to register under Service Tax and all of them are collecting and paying service tax as well as filing returns. The underlying reason for making Goods transport services reverse charge based has already become irrelevant. Therefore, the concept of "Reverse Charge" in the Goods transport services must

	be immediately done away with. Only transporters must collect and deposit service tax on GTS services. All category of GTS service availers be allowed to de-register from service tax and thus finally put an end to duplication of same work.
4.	**<u>Proposal for exemption of Service Tax Reverse Charge on services to MSMEs</u>** The applicability of Service tax Reverse Charge has now been extended further for services provided by Advocates, Security Services, Arbitral Tribunal, Hiring vehicle for passengers, support service by Government or local authority and work contracts etc. in addition to Goods Transport Services. Moreover the service receiver cannot claim general exemption limit of Rs. 10 lakhs. So he has to pay even on few rupees of service received and have to register himself in service tax and have to file Service tax Return on prescribed intervals. Moreover under Service Tax Act nil return is also mandatory and every registered person has to file half yearly return. This reverse charge mechanism is too harsh on Micro & Small Enterprises and difficult for them to implement. Hence should be exempted to MSMEs.
5.	As per service tax notification no. 33/2004 dated 3rd December 2004, there is no liability of service tax on transportation **o**f Milk, Eggs and Vegetables. This list had been further extended to Pulses also subsequently. The criterion for exemption appears the perishable nature of foods products being transported. Bread also falls in the same category **<u>hence Service tax on transportation of Bread should be exempted.</u>**
6.	Any entity registered under Service Tax Act / Rules should be allowed to render any other service which is taxable under Service Tax Act without requirement of any additional registration or modification in the existing registration.
7.	Threshold for applicability of Service Tax should be enhanced from Rs 10 Lacs to 25 Lacs. There should be a threshold limit of Rs 10.00 Lacs for Service recipients also which at present is nil. The cost of compliance for this is relatively very high for all such assesses who are otherwise not subject to any other service tax / cenvat compliance obligations. Putting a threshold will facilitate taking out the small ticket Service Tax payers under this head.
8.	Service Tax payable under works contract category for compounding scheme should be brought down to 2% from 4% as is applicable in VAT.
9.	Service Tax on rent of immovable property should be abolished, because by no stretch of logic "rent" can be construed as "service". The case of service apartments run on commercial basis may however be different. Treating rent as a service and applying service tax to it has increased the cost of infrastructure for many SME units. Besides, the very jurisdiction of central govt. to impose tax on immovable property which is a State subject raises a debatable constitutional issue. If that is inevitable, the threshold limit for coverage of rentals must be raised to 25 lacs from current level of 10 lacs, which is artificially too low for MSMEs operating out of rented premises.
10	Service Tax paid on export relating services should be allowed as service tax Cenvat credit instead of its refund by filing Service Tax Refund Claim. At preset thirteen services are allowed for filling claim for refund of service tax for exporting units. This involves lot of clerical, procedural and time taking process. To avoid this, the payment of the service tax for the services taken for export should be allowed as Cenvat credit.
11.	1. Presently the cenvat credit in respect of input services covered under partial reverse charge mechanism i.e. wherein part of the service tax is charged by the vendor in the invoice and part of the service tax is required to be paid by the service receiver is allowed only on or after the day on which payment is made of the value of the input service and the service paid/payable as indicated in the invoice, bill or challan. It is proposed that in case of partial reverse charge mechanism: • Cenvat credit in respect of service tax charged by the vendor in the invoices should be

	allowed on receipt of invoice from the vendor; and • Cenvat credit in respect of service tax paid by the service receiver should be allowed on the basis of challan for payment of such service tax.

4. CST & VAT

(Competition on the basis of difference in Tax Rates should be avoided)

1.	Central Sales Tax Rules – third amendment dtd. 16th.Sept. '2005 lead to collection of C – Forms from customers and submission with the Commercial tax authorities on Quarterly basis replacing the age old tried and tested system of doing this on annual basis. This has needlessly made the compliance of CST laws extremely cumbersome without accruing any tangible benefits or gains what so ever. For "The Ease Of Doing Business", the government must immediately rescind CST Rules – third amendment dtd. 16th.Sept. '2005 and old system of issuing C-Forms annually be restored.
2.	At the time of introduction of Nationwide Vat, one of the promises held out by the government was that Central sales tax (CST) rates will be gradually reduced from 4% to 0% in phased manner over three to four years. However, it has been a promise that government appears most reluctant to keep. While the first drop of 1% was prompt. Next drop of 1% came only in July`2008 after a delay of nearly two years. But that is where things rest since. It has been nearly 7 years now but further reduction to 1% is being avoided on one or the other ground. The State governments on their part promised never to charge any tax other than VAT. However, it now turns out that nearly all the States are charging Additional tax over and above VAT ranging from 1 - 2% and also entry tax ranging from 1 to 5%. There is therefore no justification in continuing with CST @2%. Therefore, the rate of CST should be immediately brought down to 0% without any further delay. One of the major positive fallout of this move would be push the inflation in to downward spiral and thus hastening the process of normalization of overheated economy. Till the time it is not done, the Ministry of Finance may suggest the State Governments to bring the VAT rate of all the items given below and any other items where in most of the States the VAT rate is 12.5% to 4% + additional Tax. This will help the home State units manufacturing such items to reduce their disadvantage / discrimination to the level of 2% as against about 11.5% at present. • Capital Goods. • All type of Electrical items. • Fabrication Items.

5.CUSTOMS

1.	Requirement for submitting a bond to Customs for importing Crude Palm Oils (Edible Grade) for the amount of Custom Duty Difference between Edible Grade Crude Palm Oil & Non Edible Grade Crude Palm Oil should be relaxed. We are demanding this because "if a company dealing in Edible Oils & Importing Edible Grade Crude Palm Oils (Which is Confirmed by All the other agencies like FASSAI & PHO) then the need to submit a bond to custom & Excise Department as per Annexure III should not be there .
2.	Now a days the Importer has to pay Custom Duty on quantity as per Bill of Lading. But the OTR (the Quantity which is discharged by Vessel to our storage or the Quantity which is unloaded from Vessel to Our Land) Quantity of our goods (Edible Oils) is always less than the BL Quantity. Hence importer has to pay Custom Duty which he has not received. This increases his cost of poduction. The Custom Duty therefore should be charged by Custom Department only on the OTR Quantity.
3.	Rates of Import/Custom Duties on various stages of production - from raw material to finished

	products may be finely differentiated allowing small breathing space to each of the value adder. This will create a pull for "Make in India" through backward integration.
4.	**<u>Use of Anti-Dumping duties for creating monopolies</u>** There have been several instances where Anti-dumping duties have been imposed on products. These benefit only a few manufacturers to monopolise the markets and raise prices. They often use these provisions to create cartels. A very large base of customers ends up paying higher prices for these products. Not only does this make the consumers of these products uncompetitive in the international market, but it also makes the products produced by the consuming industries costlier for the local markets. These in turn cause inflation. Typical examples relevant to paint industry are: Pentaerythritol, n-Butanol, White Cement, DPP Red 254 Pigment, Phthalic Anhydride, Emulsion Resin, etc. The manufacturers of the products on which anti-dumping duties are imposed are concentrated and the stakes are high. They hire the best lawyers to represent them. On the other hand, the consumers of these products are many and collection of data is a problem. They seldom get together and fight together. Sometimes Industry Associations fight cases on their behalf but due to paucity of funds, they are not able to hire the best lawyers. This usually tilts the scales in favour of anti-dumping duties being imposed, without much opposition. Ways and means should be worked out to make the domestic manufacturers competitive in the international markets. Protecting these few manufacturers is harming the larger interest of the consumers.

6. OTHER MISCELANEOUS ISSUES

1.	Provisions of Advance Ruling announced in previous years budget – is a vey welcome step. It can drastically reduce litigations and unnecessary waste of entrepreneurs' scarce energy. To ensure the step serves the intended purpose, all rulings/decisions may be uploaded on a portal so that other assesses may also get the guidance from the ruling.
2.	To provide succor to fund starved MSMEs, setting up of a online platform for discounting of their supply bills as suggested by Kamath Committee may be expedited. To make it purposeful, the system would need to be backed by legislative action that makes uploading of the invoices mandatory, grants status of deemed acceptance converting these into negotiable financial instruments. This will not only provide much needed liquidity to MSMEs but will also usher in financial discipline in corporate and PSUs which is equally important for the country's financial system.
3.	Tax holidays must be done away with to provide even playing field to MSMES.
4.	**"C" Forms:** In the interest of equity and fair play the onus for providing "C" Form for availing concessional tax on inter state sales should shift to the purchaser from the supplier. The thought behind the existing system is to arm twist the dealers - who are in no way benefitted by the "form" - to carry out the obligation which in principle is that of the department.
5.	**<u>STRICTER ACCOUNTABILITY:</u>** Enforce stricter accountability for Govt officials delivering various services to citizens. If penal provisions are imposed under taxation laws on assesses for failure to comply with certain rules, the assessing officers should also be liable to penal action if any action by them is found unwarranted or grossly unjustified. In this connection, it is desirable to modify the indemnity clause under section 293 (Chapter XXIII) which, in its present form, provides a blanket protection to erring officials from prosecution or suits or other proceedings. Executive authorities in the implementation of policies/laws/schemes should not be allowed to do wrongs to citizens, abusing the process of law in an unjust or unfair manner in the name of good faith.

	Time bound delivery of services should be ensured by making suitable provisions in the Tax Acts / Laws with a provision of fine on Officers for not adhering to the time lines. Wide publicity for these time lines and actions against erring officers should be made.
6.	**NPA NORMS FOR MSES** NPA norms for Micro & Small Manufacturing Enterprises (MSEs) should be relaxed in view of the acute cash flow problem with them. MSEs normally are not able to get the raw materials on credit at the same time payments for the supplies made by them are delayed for more than 180 days invariably and in some cases it extends to more than a year. Hence the grace period for default by MSEs be doubled.
7.	**INTEREST RATES FOR MICRO & SMALL INDUSTRIES :** Interest rates applicable for Micro & Small Industries should be at par with agriculture sector keeping in view the similarities of both the sectors in terms of employment generation , economic contribution and MSI Entrepreneurs plight similar to the farmer.
8.	**NO AMMENDMENT HAVING RETROSPECTIVE EFFECT IN TAX LAWS:** Any amendment having effect on taxability should not be made retrospectively. Such amendments cause serious consequences especially for MSMEs.
9.	**National Pension System (NPS)** The NPS is a well intended product to introduce the equity investment option for Social Security. However, some points have made it a failure: Not allowing it as an alternative to EPF. Making it taxable on maturity has created such a strong disincentive to invest in it. Similar products in Mutual Fund and ULIP schemes of Insurance Companies will always be perceived as better alternatives for smart planners. The lower cost structure of this product seems to be more than offset by the taxability on maturity. The product is complicated, making it difficult for common people to understand.
10.	**Employee Provident Fund** There is such a large "entry load" in terms of "Administrative charges", that it makes the product a poor investment. For a debt product with predictable but low returns, keeping administrative charges so high means that the employees are being robbed of returns for the first few years. The admin charges are more than 4% of the amount invested. This typically means that for a few years the investment will not even beat inflation.
11.	**Regulation of Investment Products in the garb of Insurance** The insurance regulator in India has allowed so many fraudulent practices to flourish in the insurance space. There needs to be regulation of all products which make investments, by a common regulator. SEBI does a very good job in this regard. The investment component of all kinds of products (not just insurance) should be regulated by SEBI. The insurance component should be treated separately. This will ensure a level playing field and will benefit the investors and people seeking insurance.
12.	**Know Your Customer norms** There are different KYC norms for all kind of financial products. The process has become such a big road block in ease of investing. There need to be some common KYC norms which should be accessible by banks, vendors of all financial products or wherever they are required. Frequent changes in the KYC norms are making life difficult.