



## India announces more tax cuts

Indian Finance Minister Shri Pranab Mukhejee has announced a third package of tax cuts as the government attempts to provide further stimulus to the Indian economy amid the global slowdown.

During a debate on the recently-announced interim budget, Mukhejee informed the lower house of parliament, the Lok Sabha, that the government has "some flexibility" to cut taxes, particularly in the area of excise taxes and duties, with the intention of boosting trade.

"Even though the signals are encouraging, the full impact of the recession in other parts of the world specially Europe and Asia is yet to unfold. Due to the strong export linkages with these economies, it is likely that the Indian economy may feel further impact in coming months," the Finance Minister observed.

Under the latest tax cut package, the central excise duty will be cut from 10% to 8%, and extended beyond March 31, 2009. The rate of central excise duty on bulk cement will also be cut, from 10% or INR290 per tonne (approx USD5.83), whichever is higher, to 8% or INR230 per tonne, whichever is higher. The rate of central excise duty on goods currently attracting ad valorem rates of 8% and 4% will be retained.

In addition, the rate of service tax will be reduced from 12% to 10% on taxable services in line with the government's ongoing objective to harmonize value-added tax and the service tax into the uniform goods and services tax.

Other tax measures announced by Mukhejee included the removal of basic customs duty on the import of naphtha for use in power generation, and an amendment to the Income Tax Act to iron out an anomaly in tax treatment for companies having units located in both Special Economic Zones and Domestic Tariff Areas.

