

## Biscuits, instant foods, water purifiers cheaper; cigarettes costlier

Middle class households have got plenty to cheer from Finance Minister P. Chidambaram's budget: biscuits, instant foods and water purifiers will become cheaper and so will be umbrellas, footwear, cement, plywood and biodiesel even as cigarettes will be costlier.

Announcing proposals on excise duties and service tax during his budget speech in parliament Wednesday, Chidambaram noted: 'The food processing sector is poised to achieve high growth. Concessions were extended last year to several items of food. This year, I propose to fully exempt from excise duty biscuits whose retail sale price does not exceed Rs.50 per kilogram.

'I also propose to fully exempt from excise duty all kinds of food mixes including instant mixes,' he said, adding: 'I can no longer be accused of being partial to idli and dosa mixes.'

Excise duty on umbrellas, parts of footwear and plywood is proposed to be brought down from 16 percent to 8 percent.

Saying that biodiesel will greatly reduce the country's dependence on fossil fuels, the finance minister fully exempted it from excise duty.

Water purification devices operating on specified membrane based technologies as well as domestic water filters not using electricity will be fully exempt from excise duty.

While pipes used for carrying water from a water supply plant to a storage facility are exempt from excise duty, this exemption will be extended to all pipes of diameter exceeding 200 mm used in water supply systems.

Taking note of a 'significant increase' in the retail price of cement, Chidambaram said: 'Last year, at this time, a bag of 50 kg was sold at a maximum retail price (MRP) of Rs.190 or less which, I understand, is a remunerative price.

'I propose to reward cement manufacturers who hold the price line and tax those who do not. Accordingly, I propose to reduce the present rate of excise duty of Rs.400 per metric tonne to Rs.350 per metric tonne on cement which is sold in retail at not more than Rs.190 per bag. On cement that has a higher MRP, the excise duty will be Rs.600 per metric tonne.'

Saying that he strongly support the campaign 'say no to tobacco', he proposed to increase the specific rates of excise duty on cigarettes by about 5 percent.

Similarly, excise duty (excluding cess) on bidis, or handmade cigarettes, which was last fixed in 2001, will be raised from Rs.7 to Rs.11 per thousand for non-machine made biris and from Rs.17 to Rs.24 per thousand for machine made biris.

Pan masala containing tobacco will continue to bear an excise duty of 66 percent. However, for pan masala not containing tobacco, the duty will be reduced to 45 percent.

The budget has left the general CENVAT rate or in the service tax rate untouched.

The ad valorem component of excise duty on petrol and diesel is cut from 8 percent to 6 percent after the government reduced the price of petrol and diesel by Rs.2 per litre and Re.1 per litre, respectively on Feb 15.

The exemption limit on excise duty for small scale industry (SSI) has been raised from Rs.10 million to Rs.15 million.

Similarly, the exemption limit on service tax for small service providers has been raised from Rs.400,000 to Rs.800,000, taking 200,000 assesseees of a total of 400,000 out of the service tax net with a revenue loss of Rs.8 billion.

On the other hand, service tax is now being extended to services outsourced for mining of mineral, oil or gas.

Also, renting of immovable property for use in commerce or business will attract service tax, though, residential properties, vacant land used for agriculture and similar purposes, land for sports, entertainment and parking purposes, and immovable property for educational or religious purposes will be excluded.

Development and supply of content for use in telecom and advertising purposes; asset management services provided by individuals; and design services will also come under the ambit of service tax.

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