

## Chairman's Pen



*My dear fellow exporters,*

*A close reading of the Union Budget Proposals indicates that there are a couple of amendments proposed in the Budget that would have serious consequence for the exporters.*

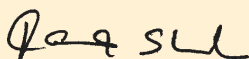
*Clause 85 of the Finance Bill 2008-09 seeks to amend the definition of banking and financial services for the purpose of service tax. Section 65(12) is proposed to be amended so as to levy service tax on purchase or sale of foreign currency, including money changing, provided by an authorized dealer in foreign currency or an authorized money changer, in addition to a foreign exchange broker. Thus, exporters may have to pay service tax calculated at the rate of 0.25% of the gross amount of currency exchanged. This proposal contains ominous possibility of affecting the conversion of export proceeds into Indian Rupees.*

*Further, Clause 64 of the Finance Bill proposes to amend Section 108 of the Customs Act, 1962 empowering any gazetted officer of the Customs to summon any person whose attendance he considers necessary to either give evidence or to produce a document or any other thing in any inquiry which such officer is making under this Act.*

*Also, Clause 65 of the Finance Bill amends Section 117 of the Customs Act, 1962 affecting an increase in penalty from Rs. 10,000 to Rs. One Lakh for contravention of any provisions of the Customs Act, for which no specific penalty is provided. Clearly, these amendments are likely to add to the woes of the exporters given the fact that such powers are likely to be misused. The Council has received innumerable verbal complaints against the Customs personnel that smack of harassment and there is, therefore, no grounds for further arming the Customs authorities with provisions that are one sided and liable to be misused.*

*The Council has taken up these issues with the Hon'ble Finance Minister in its Post-Budget Memorandum as well as with the Hon'ble Commerce Minister seeking his intervention so that the necessary modifications can be made to the above amendments to ensure that the problems being faced by the exporters are not aggravated further on account of these proposals.*

*Yours sincerely,*



(RAKESH SHAH)