

Chairman's Pen



My dear fellow exporters,

The Council will be making a presentation to the Union Finance Ministry this week on its broad suggestions for the budgetary proposals for the fiscal year 2008-09. The main focus of the presentation would deal with a few core areas such as Rupee appreciation, direct tax related issues, continuation of the DEPB scheme till 2020, service tax exemption related issues, customs related issues, issues relating to VAT refund and export credit related issues.

The Council has also carried out a quick survey last week to gauge the impact of Rupee appreciation on volume growth of exports. Preliminary estimates of this survey show that for 30 companies with 39 product lines, the volume growth of exports has been negative for 23 product lines and positive for 16 product lines. In fact in case of one company, which has two product lines of exports, when one of the product lines which has shown an abnormal volume growth of 1500% is dropped, the unweighted average growth in volume of exports for the period April-October 2007 becomes negative. Our pre-budget presentation to the Finance Ministry will stress on the deleterious impact of Rupee appreciation on engineering exports; the fact that the engineering exports accounts for 8% of total employment on account of exports activity in the country and that the scale down in the rate of growth will have a direct bearing on employment growth.

The Council would also impress upon the Finance Ministry officials the need for a Raw Materials Policy for the SME sector, the need for a tax exemption scheme for state level taxes for exporters as well as a neutralization scheme to guard against the problem of Rupee appreciation faced by the exporting community. The Council would also stress the need for a technology upgradation scheme so that the SME sector can modernize its technology in order to face the increasing competition from countries like China, Turkey, Czech Republic and Vietnam. The Council will also discuss the need for incentivising the direct tax payment system in the country in order to broaden the tax base to ensure greater tax buoyancy so that it is possible for the Government to moderate the rate of taxation further.

Yours sincerely,



(RAKESH SHAH)