



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

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Date :25-02-2010

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Make export tax incentives easier: Tiwari

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In our special series on budget expectations of different sectors of Indian industries from Union Finance Minister, Pranab Mukherjee, we bring to you the pharma sector in India. The industry has been facing a tough time on account of rising input costs due to double-digit inflation in recent times. Below are the excerpts of Prashant Tewari's budget expectations.

The Indian economy has been challenged by inflation (which had peaked to over 15 percent) as well as rising input costs. This has led to the fact that industries are evaluating shift of business to more cost effective regions to maintain business competitiveness. This is coupled with high liquidity in the market but more demanding investors, who are continuously seeking higher returns.

The pharma sector, to a large extent, has grown to rely on exports to developed economies around the globe. However, over a period of time the developed economies have become extremely competitive and business margins in these countries are continuously under pressure. The markets are looking for more innovations and less me too products.

The obvious fallouts of these facts are :

- Export Value Protection and Benefits :
- The export tax incentives should be made easier.
- Extension of tax holiday under section 10(B) to units engaged in export of healthcare related products and services beyond 2012.
- Encourage consolidations and arrest value erosions for Exports.
- Encourage exchange benefit dispute resolution techniques through new schemes.
- Quick acting panels / benches and courts for speedy dispute resolution.

R & D Incentives :

The R & D incentive rate for weighted deduction for pharmaceutical industry to be raised from 150 to 200 percent.

The current provisions for deduction u/s.35 (2AB) cover only expenditure on basic research carried on at in-house R&D facilities. It is suggested to widen its scope to cover research carried on at any outside R&D facility, including Clinical Trials, Bio-equivalence studies etc. in India or abroad.

The weighted deduction u/s 35(2AB) should be allowed to be deducted while computing the 'Book Profit'

under Section 115JB in cases of companies required to pay MAT. It may be recalled that similar adjustment in respect of export profit under Section 80HHC was earlier permitted for purposes of computation of 'Book Profit' under Section 115JB.

Clarity on new developments :

GST implementation – Details of GST implementation.

Direct Tax Code – Tax benefits as well as Tax saving eligibilities, applicability and cutoff.

IFRS implementation – Program and applicable timelines.

(Inputs by- Mr. Prashant Tewari- MD, USV Limited)