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FM: Role of IT Sector is Crucial in Order to Promote E-Governance for Empowering Citizens; to Promote the Inclusive and Sustainable Growth of the Electronics, IT and ITeS Industries and Enhancing India's Role in Internet Governance

The Union Finance Minister Shri Arun Jaitley said that the role of IT sector, be it hardware or software, is crucial in order to promote e-governance for empowering citizens. He said that the role of this sector is also important in promoting the inclusive and sustainable growth of the electronics, IT and ITeS industries and enhancing India's role in internet governance. The Finance Minister said that at a larger scale, the role of IT sector is crucial for boosting manufacturing sector in the country. He said that reviving manufacturing, diversifying its base and equipping it for robust long run expansion is one of the major challenges of our economic management in the next five years. The Finance Minister, Shri Jaitley was making his Opening Remarks during the Pre Budget Consultative Meeting with the IT (Hardware & Software) Groups here today. The Finance Minister further said that the government introduced 'Make in India' initiative in this context which refers to the production in India at a competitive price with global quality standards. The Finance Minister Shri Jaitley said that the idea is that large scale production at competitive price in India for the global market will create gainful employment and will help India reap demographic dividend, increase their purchasing power faster, and finally, with rising incomes will generate a huge market within India.

The Finance Minister, Shri Jaitley said that the overall rapid growth of the section in recent years, including exports earnings of about US\$86 billion demonstrate sustained competitiveness and an ability of the sector to overcome structural deficiencies related to business and policy environment. He further said that the portfolio and capabilities of Indian IT/ITeS industry have significantly expanded, and is perhaps the only country other than the USA, with the capability of providing end to end services in IT, BPM, Software Products and Engineering, Research and Development and more recently in Internet and e-Commerce.

The Finance Minister Shri Jaitley said that the success of 'Digital India' initiative will necessarily rely on the IT/BPM sector for design, deployment and its continued success. Realization of 'Make in India' is inseparable from ICT sector. He said that modern manufacturing relies on IT for efficiencies and innovation leading to 'know-why' of products and processes. He further said that similar contribution from the IT sector can be made in healthcare, education and defence etc. He said that the Government's focus on financial inclusion will require enabling financial transactions on the mobile and internet for greater access.

The Finance Minister Shri Jaitley said that the Government is, therefore, keen to leverage the inherent strength of the IT sector as it charges the growth map for the country and would certainly take further policy and regulatory initiatives based on the inputs from the participants in today's meeting.

The meeting was attended among others by Shri Jayant Sinha, Minister of State for Finance, Shri Rajiv Mehrishi, Finance Secretary, Shri Shaktikanta Dass, Revenue Secretary, Shri Ratan P. Watal, Secretary (Expenditure), Secretary, Electronics, Dr. Arvind Subramanian, Chief Economic Adviser, and Ms. Snehlata Shrivastava, Additional Secretary (DFS). The representatives of the IT (Hardware & Software) Groups present during the meeting included Shri Vishal Sikka, CEO, Infosys, Shri Suresh Senapathy, CFO, Wipro, Shri Anil Chanana, CFO, HCL Technologies, Shri Phiroz Vandrevala, Executive Vice President, TCS, Shri R. Chandrasekaran, Chairman, NASSCOM, Shri R. Chandrashekhar, President, NASSCOM, Shri Sachin Bansal, CEO, Flipkart, Shri Kunal Bahl, CEO, Snapdeal, Shri Rostow Ravan, ED, Mindtree, Shri Naveen Tewari, CEO, InMobi, Shri Vinod Nayyar, Tech Mahendra, , Shri Nitin Kunkolienker, Vice President, Manufacturer's Association for Information Technology, Shri Sandeep Girotra, Head of Indian Region, Nokia, Shri N.K. Goyal, President, Telecom Equipment Manufacturers Association of India, Shri Pankaj Mahendra, Cellular Ltd. and Shri Subhash Goyal, President, ELCINA Electronic Industries Association of India among others.

This was for the first time that the Finance Minister held an exclusive Pre-budget meeting with the representatives of IT industry.

Various suggestions were made by representatives of IT industry during the meeting. Major suggestions include incentives for setting-up of data centers within the country. It was said there is a need to give tax incentives for building infrastructure for large data centers and cloud services within the country to ensure data security as well as to have a big network of large software products companies within the country. Besides it, other suggestions include more budgetary allocation for digital literacy programme in order to make Digital India a success, to promote innovations by allowing angel funding, stable tax regime, direct tax benefits for the sector, tax benefits for cashless transactions, resolving issues relating to double taxation on software products, transfer pricing and duty drawback. There is need for clarity on royalty payment on software products (whether goods or services)

Other suggestions include initiatives to improve overall business environment including ease of doing business and setting-up of a

High Level Committee for industry interactions. In order to make 'Make in India' success, extend investment allowance for efficiency enhancing tools like IT products, remove exclusion for expenses towards software tools for R&D deduction, incentives for digitization of SMEs, tailor incentives for skill development and employment generation for SMEs and large companies, revision/clarifications on export related issues like foreign tax credit policy, drawback scheme for services, carry backward of business losses etc. among other. Suggestions were made for clarity in service tax between domestic and overseas vendors for e-commerce and export proceed realization (SEZ). There is need for MAT rate to be rationalized, applicability on transfer pricing on companies eligible under section 10A and 10 AA and introduce duty drawback scheme for software services like goods among others.

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