

## Before, After and Still to Come: The Union Budget 2010 lives up to Expectations

### BEFORE...

#### The IT-BPO industry Budget wish list

Prior to the announcement of the Budget for 2010, NASSCOM and the Ministry of IT and Communications had presented its list of recommendations to the government, regarding what they wanted to see in the next financial bill.

And here's what the industry wished for:

- An extension of the Software Technology Parks of India (STPI) scheme for smaller software companies
- Benefits to mirror image those being offered under SEZ Act, including 100 per cent income tax exemption for five years under section 10A of the act
- Extension of the STP tax holiday for companies with group revenues below INR 100 crore
- An improvement in infrastructure in terms of land and manpower
- Education reforms
- Change in the tax regime. Exemption of software exporters from paying service tax
- Broad basing industry growth across Tier 2 and Tier 3 locations

- Creation of a fast track court to settle all land issues to enable faster execution of projects
- Greater focus on job creation
- Clearer direction on the implementation of the direct tax code, the implementation of GST and the status on the new companies bill

We are delighted that the Finance Minister has recognised the key role our industry can play in driving technology-led inclusive growth across the country, apart from directly contributing as an employment generator and foreign exchange earner. The announcement of the Technology Advisory Group under Nandan Nilekani, automation of central excise, GST and commercial taxes will enable the vision of citizen-centric governance. Our industry will partner with the government to drive inclusive growth within India, while continuing to be the leader around the world in IT and business process solutions.”

**Pramod Bhasin**  
Chairman, NASSCOM

## AFTER...

### The Union Budget 2010-11 meets aspirations of IT-BPO sector

By all accounts, the Budget for this year seems to reflect the needs of the IT-BPO industry, particularly SMEs. NASSCOM and its member companies termed it progressive, long-term and providing the right thrust on the social sector development. Here's what it focuses on:

- The importance of technology in realising the national agenda of the country
- Inclusive growth with balancing fiscal deficit
- SEZs, service tax refunds and thrust on R&D
- Education
- Infrastructure
- Simplification of policies, led by a clarification on duty applicability for pre-packaged software as well as service tax refunds
- Convergence towards the GST and direct tax code
- Reduction in personal income tax that will greatly benefit the employees of the IT-BPO industry, who will help to drive both enhanced savings and consumption within India

## AND STILL TO COME...

### What still needs to be done

While the IT-BPO industry was overall content with Budget 2010, there were some issues which it felt could become a cause of concern for the sector, particularly the smaller players. Here they are:

There are numerous positives for our industry in this Budget, particularly on simplification. The removal of anomaly in Section 10AA of the SEZ Act and the Finance Minister's reaffirmation on the importance of SEZs will help the industry to take forward its SEZ plans across the country. The enhanced deduction on R&D investment will propel greater thrust on innovation and IP creation helping India to realise its vision of being the global R&D services hub."

**Som Mittal**  
President, NASSCOM

- Increase in MAT which would become a burden on small and medium businesses still struggling to cope with the global recession
- Absence of incentive parity between the STPI and the SEZ schemes, once again needed to boost the growth of small companies and the development of Tier 2 and Tier 3 cities. The STPIs are yet to be brought at par with the SEZs
- The tax benefits under the STPI scheme, which are available till March 31, 2011 but do not bring an equitable benefit to the SME segment