

Proceedings of the 1st Open House of STP/EHTP units with the Members of the IMSC Sub Group held on 30th November, 2012 at Bengaluru for Review of STP and EHTP Schemes

Photogallery

The 1st Open House for Review of STP and EHTP Schemes was held on 30th of November 2012 at Bengaluru where the members of IMSC Sub Group, Dr. Omkar Rai, DG, STPI, Dr. L.B. Singhal, Addl. DG, DGFT, Shri Manoj Kumar Arora, Addl. DG, DGEP were present. Shri I.S.N Prasad, Principal Secretary, Department of IT& BT, Govt. of Karanataka was kind enough to share the dais with member of the Sub Group. More than hundred senior level members of STP/EHTP units participated in the interaction. The details list of participants from Industry is given as [annexure](#).

1. Initiating the proceedings, Dr. Sanjay Tyagi, Addl. Director, STPI-Bengaluru introduced the Sub Group Members and welcomed them to the Open House.
2. Shri J. Parthasarathy, Director, STPI-Bangalore in his address lauded the performance of the IT Industry from Karnataka State which is contributing more than 30% of total IT exports from the country. He stated that earlier 90% of IT exports were made through STP Scheme only and the recent initiatives for review of STP/EHTP scheme would fillip the growth of IT exports from STP scheme which was declined due to reason like withdrawal of IT benefits etc.
3. Shri P.K. Das, Director, STPI-Guwahati & Bhubaneswar briefed the audience about the background of the constitution of the Sub Group and it's mandate as well as the reason for conducting the Open House. He also described the entire exercise being carried out by the Sub Group like studying of international scenario, obtaining of suggestions from STP/EHTP units and other stakeholders through questionnaire, emails and discussions etc. He further stated that the Sub Group members in their effort to have better understanding of the industry requirements beyond their responses to questionnaire etc. wanted to have a direct interaction with Industry and therefore are present in the Open House at Bangalore.
4. Dr. Omkar Rai, Director General, STPI in his brief remarks emphasized on out-of-box suggestions from IT Industry to enable revolutionary changes in the Policy and bring it to the present context. He also revealed about some of the recent initiatives of Department of Electronics & IT, Govt. of India and STPI regarding proposed incentive scheme for dispersal of IT Industries to Tier II/Tire III cities, incentivizing the MSME units as well as strengthening the Incubation for development of products & IPR. He briefed about the recently announced National Policy on Electronics & IT which is very ambitious and emphasized that these recent initiatives by DeitY & STPI would foster the growth of IT/ITES and electronics exports.
5. Dr. L.B Singhal, Addl. DG, DGFT briefing the audience recalled the visionary approach of Software Policy announced during 1986 and therefore requested Industry to give their feedback not only confining to FTP & HBoP but also with a vision for next 10 years. He also stated the objective of the Sub Group.

6. Shri Manoj Kumar Arora, Addl. DG, DGEP acknowledged the important role played by the IT Industry in terms of earning Foreign Exchanges and generating employment. In his remark he requested for innovative and out of box suggestions which would be helpful for the Sub Group to recommend for formulation of suitable policy.
7. The representatives of IT Industries were invited to place their suggestions one by one. The representative of Accenture requested the Sub Group members for specific policy guidelines for Disaster Recovery Services and Business Continuity Services. Since the Foreign Customers are not signing the contracts without these provisions. He drew the attention of the Sub Group for a clear cut guidelines and clarity on DR services for multiple units. He further requested for permitting the employees to work from home, which is very prevalent in USA and catching up in Europe, Australia and some Asian countries. In his view, this would also help to cut the infrastructure cost and optimum utilization of resources which is a challenge faced by the Industry now a days. He also raised the issue of depreciation of other IT items like Switches, Server & Router etc. and requested to bring those items under the same norms of depreciation at par with Computers & Laptops. Addl. DG, DGFT advised the Industry representative to send a write-up regarding their proposal for depreciation norms.

Responding to Industry, Addl. DG, DGEP & Addl. DG, DGFT clarified that para 6.7.4 of Hand Book of Procedure (Vol. I) 2009-2014 actually includes the provision of working from home and therefore there is no need for separate provision.

8. The Representative from Broadcom acknowledged the role of STP Scheme which is instrumental for their growth. He raised the issue of 10 A benefits and stated that the Service Tax reimbursement is very litigative and the provision does not get translated to ground level. In his suggestion, he requested for making provision of exemption instead of reimbursement. Responding to that, DG, STPI stated that the incentive policy of Govt. is moving towards direction of reimbursements instead of exemptions. He cited the example of CST reimbursement is being carried out by STPI.
9. The representative of Infosys welcomed the initiatives for revamping the STP scheme and emphasized on suitable policy formulation for bridging the gap between talent produced and Industry demand by involving Industry, University/Academia and Financial Institutions. DG, STPI enlightened that in 12th Five Year Plan lots of activities are being planned in this direction. He also revealed that setting up of ICT Academy is an initiative by the Govt. for imparting training of teachers and professionals to bridge the gap. Addl. DG, DGEP suggested that IT major like Infosys should come up with innovative proposals and suggestions which are relevant in the changing scenario.
10. The representative of APC drew the attention of the Sub Group members on following issues.

- Difficulties in De-bonding/Re-export of items procured through Self certification basis as per Para 6.2 (b) of FTP.
- Problem in disposal of obsolete goods of Indigenous goods.
- Problem in bringing back of defective items for repair and returnable basis which are exported.
- Disposal of old/obsolete goods procured domestically in DTA.
- Currently there is no provision for Storage of finished goods in Pvt. Bonded Warehouse which is objected by the Customs.
- There is no provision of supplying components in DTA like present provision of 5% for exports of components for service.
- Raising the limit for export of sample for finished goods

DG, STPI and other members noted the above issues and advised that the specific suggestion on the above and other issues should be forwarded to them for taking appropriate action.

11. The representative of BOSCH requested the Sub Group members for making provision for permitting import of Car which is being used for R & D and simulation purposes. The BOSCH representative also raised the issue of import of consumables and difficulties faced by them which is also raised by WIPRO. Perhaps Addl. DG, DGFT informed that they can apply for permission of import for which DGFT can consider on the case to case basis.
12. The representative of Intel wanted to know any changes in Policy in the wake of implementation of GST and requested for Hand Carry Policy like other countries. The Addl. DG, DGEP clarified there is no effect on Import guidelines for GST and stated that the Hand Carry Provision may not be feasible at present.
13. The representative of WIPRO suggested for making provision of centralized STP registration for various units across the country and clubbing of exports for NFE purposes through cross subsidization to attract IT Industries in Tier-II/Tier-III Cities. Addl. DG, DGFT responded that since the provision is of meeting NFE within 5 years from date of operation, different locations starting operation at different times may not allow clubbing of NFE. However, the members welcomed suggestion from Industry regarding any concept of computation of clubbed NFE for consideration of the same.
14. The Representative from Alcatel Lucent requested for e-Waste provision and depreciation guidelines of the same. He also drew attention regarding delay in clearance of certain equipments for WPC issue which was addressed by Addl. DG, DGEP & Director, STPI-Bangalore.
15. The Representative of Tech Mahindra requested for exemption of local taxes for STP units and possibility of extending 10 A benefits for incremental exports.
16. The Representative of Goldman Sach suggested for making provision of Incentives for Investment, free transfer of CG among the group companies/units and requested the Sub Group members to bring down the current depreciation period. Addl. DG, DGFT suggested that an analogous list of items similar to

computer & peripherals may be sent to them for consideration of bringing down the depreciation period.

17. The representative of TCS requested for permitting 100% depreciation of UPS & Battery within 3 years since the life period of Battery expires by that time and it is difficult for storage of hazardous materials for 10 years. The members suggested for a complete list of items for which the Industry propose to relax the duration for depreciation.
18. The representative of Mercedes Benz requested for permitting more items for import under STP Scheme and suggested that it would be rather beneficial for Industry having a negative list of import. She drew attention regarding difficulties in import of second hand CG for want of environmental clearance and raised the issue of permitting import of CG for training purposes which is currently not permitted. She also requested for reducing the depreciation norms for computer & peripherals from 5 years to 3 years in line with Company Law and permitting import of vehicles for R & D purposes. Addl. DG, DGFT clarified that as per the Para 2.3.2 of FTP, there is a Policy relaxation committee which considers any application regarding policy relaxation for R & D purposes. DG, STPI advised any such case seeking policy clarification by the STP unit may be routed through STPI/IMSC.
19. The representative of Philips requested for bringing the product development activities under STP Scheme without different licenses.
20. The Representative of RBS raised issue of sharing of network links among the group companies and possibility of leasing the asset among group companies/STP units in case of idle capacity.
21. The representative of Oracle requested for a clarification for sharing of non bonded networking equipments among group companies. He also raised the issue of requirement of letter from supplier for de-bonding of imported goods.
22. The representative of SAP Labs requested for reducing depreciation norms for Laptops/Computers/Tablets within 3 years.
23. The representative of VXL Instruments suggested for permitting supply of spares in DTA and reducing the depreciation norms.
24. The representative of Aerospace requested for provision of incentivizing for export of Aerospace Engineering and also suggested to amend the Para 6.17 (C) of FTP to include "And/ Or" for return/replacement/destroy of defective goods.
25. One of Industry representative raised the issue of Customs Circular 74/2001 and interpretation by the Customs insisting on declaration by supplier for not availing the deemed export benefits for debonding.

26. The representative of Cognizant appreciated recent provision of simplification and online submission of Softex and congratulated DG STPI for taking these initiatives with RBI. DG, STPI revealed that the process of automation/computerization of entire STP process is underway which is applauded by the Industry. The Industry representative also emphasized on provision of Tax incentives for Research, Patent & Training as well as expansion purposes in line with countries like Philippines & Malaysia. She also requested for clear policy provision for running DR/BCP services and inclusion cloud computing under STP Scheme for Tier-II/Tier-III operation.
27. The representative of Talima Salem wanted to know about the competent authority for granting the Star Status for EHTP units.
28. The representative of TNK Chennai raised the issue of denial of Income Tax exemption for them under section 10B. DG STPI clarified that the assessing authority should assess under relevant law and STPI has already taken up the matter with revenue department and also taking the matter in the next IMSC meeting.
29. The representative of L & T Infotech appreciated STPI-Bangalore for the online system of Softex and various reports. He requested for making online provision of Import approvals with digital signature. DG, STPI revealed that STPI is in process of automating the entire process of STPI for which the RFP is ready. Once the computerization is over there will be uniformity of all records, permission etc. across the center.
30. The representative of Satyam Electronics requested for permitting DTA of any goods & service instead of similar goods as specified in FTP. The Addl. DG, DGFT clarified that the same is permitted under Para 6.8 (A) of FTP without concessional duty.

In the concluding remarks Shri ISN Prasad, Principal Secretary, Department of IT & BT, Govt. of Karnataka appreciated the effort of STPI and other Sr. representatives of Ministry of Commerce & Department of Revenue for the Open House. He also advised the Industry to let him know about State related issues faced by the IT Industry in Karnataka. He also suggested for organizing similar kind of Open House if required to resolve the State related issues.

Shri Manoj Kumar Arora, Addl. DG, DGEP in his concluding remark thanked the Industry for valuable inputs. He requested to send any more suggestions/wish lists so that the Sub Group could go back to the Govt. to tell what the Industry wants.

Dr. Omkar Rai, DG, STPI in his concluding remark, stated that inputs in the open house have been different from the responses to questionnaires and all the inputs will be given due weightage while recommending review of the STP/EHTP policy so that the problems of the industry can be minimised. He also requested for more suggestions from Industry for making radical changes in Policy for dispersal of Industry to Tier-II/Tier-III cities, strengthening of the SME sector and creating environment for Innovation.

Dr. L.B. Singhal, Addl. DG, DGFT, thanked the Industry for extremely interactive session and he assured to look in to each and every suggestion made by the Industry.

Concluding the proceeding, Shri P.K. Das, Director, STPI-Guwahati & Bhubaneswar extended Vote of Thanks expressing gratitude to members of Sub Group and Principal Secretary, IT & BT for participating in the Open House in spite of their various pre-occupations. He thanked the Members for patient hearing and clarifying the queries of the Industry. He also thanked the Industry representative for their overwhelming response and immense co-operation for making the Open House a great success.
