

## CONFEDERATION OF INDIAN PHARMACEUTICAL INDUSTRY (SS)

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**ACTIVITIES OF THE ASSOCIATIONS:** The activities of CIPI so far have been confined to its role to the policy level support to its Federating Members. The Association across the world on the other hand has played a significant role in the development of the Industry. In India also this trend is catching up with Associations of manufacturers formulating policies for the growth of the industry with joint efforts of the participants in the form of clusters. Jullandhar Toys Manufacturers Association, Aligarh Lock Manufacturers Association and Foundry Manufacturers Association Howrah and Coimbatore has done wonders for their participant units through their collective modernization and improved marketing efforts.

CIPI can also play a significant role in development of SME in the field of drugs and pharmaceutical manufacturing. This can be achieved by establishing technology centers and helping the units in marketing their products by collective efforts. A step in this direction was considered at Indore meeting but not much progress has been made so far.

In the next two years a large number of molecules are going off patent, therefore, export and contract manufacturing of generics appears to be a growth engine for the pharma sector in India. The need of the hour is to develop a technology program so that small and medium enterprises become a potential supplier of generics in the International market. At present only a few small or medium scale manufacturers can meet the requirements set by MNC for out sourcing. A linkage is gradually developing between SME and MNCs in the field of out sourcing and the value chain management. With the competition catching up rapidly, MNCs to be competitive need suppliers for them from where they can outsource their requirement at a competitive price.

In nut shell, the prime focus of the small scale units should be for technology up gradation. The Federating members in this field may take advantage of the Technology up Gradations Funding Scheme and cluster Development Scheme of the Ministry of Small Scale Industries.

**Tax Benefits to SEZs:** Special Economics Zones are in lime light these days. Some of the special attractions which have resulted in huge investment in this sector are as under:-

1. A developer of SEZ can import or procure goods without payment of duty for development, operation and maintenance of the Zone.
2. Income tax exemption for a block of 10 years in 15 years as per section 80IA of the Income - Tax Act.
3. Exemption from Income-Tax to investors in SEZs under section 10(23) G of Income - Tax Act.
4. Exemption from Service Tax.

5. Exemption under section 88 of the Income - Tax Act to individuals for investment made in SEZs.
6. Exemption from customs duty on import of capital goods, raw materials, consumables, Spare parts etc.
7. Exemption from central Excise duty on procurement of capital goods, raw materials, consumables, spare etc. from DTA.
8. Re-imburement of Central Sales Tax paid on domestic purchases.
9. 100% income-tax exemption for units in SEZ for 5 years, 50% tax exemption for 2 years and upto 50% of the profit ploughed back for the next three years under section 10A of the Income -Tax Act.
10. Re-imburement of the duty paid on F.O. procured from domestic companies, as per draw back rates.
11. Supplies from domestic Tariff area to SEZ units to be treated as deemed exports under section 88 HHC of the Income - Tax Act.
12. The objective of a SEZ would be to create infrastructure to facilitate setting up of units. At least 25% of the allotted area shall be used for developing industrial area for setting up units. SEZs will be treated as a foreign territory for trade operations and duties.
13. Units in SEZs are positive net foreign exchange earners within 3 years. All imports - exports on self certification basis.
14. 100% income-tax exemption for 3 years and 50% for 2 years to off-shore banking units in SEZs under section 80-LA of Income - Tax Act.
15. Unrestricted foreign borrowings by OBUs with an overall ceiling of \$500 million for such units in SEZs.
16. No routine examination of import or export cargos.

**Preference to PSE in procurement Policy:** In this matter a representation has been sent to the Ministry of C&F and Ministry of Small Scale Industries for extending the said scheme to units in small scale sector at the same terms and conditions as approved by the Union Cabinet. CIPI is considering a model plan under which the orders by the Government may be placed on CIPI for their requirement of 102 medicines identified for supply by the PSE. CIPI will allocate the orders region wise to the eligible units nearest to the point of consumption. This will ensure timely execution of supplies and logistical convenience for The State procurement and central procurement agencies located in different parts of the country. If the members approve of this proposal, a detailed presentation can be drafted for approval by the Constituent members before submission to the Government.

**Central Excise Duty on drugs- Government's statement in Rajya Sabha:** While referring to the reference received from the Chief Minister of Gujarat requesting the center Government to increase the abatement on drugs from 40% to 50% and to reduce excise duty from 16 % to 8 % and while replying to a question, the Minister of State in

the Ministry of Finance had stated that the representation was examined and a decision was taken not to make any change in the excise structure on drugs.

**Promomycine:** CIPI in its circular no.12 has made a reference about the research projects of Indian pharmaceutical companies. Promomycin I.M. injection a research product of Gland Pharma has been approved by DCG for treatment of Kala Azar on the basis of clinical trials jointly conducted by WHO, ICMR and OWH a NGO. This a cost effective treatment as compared to the available therapy which are not so effective.

**VAT Tussle:** The industry will have to wait for a while before CST is gradually reduced and eventually abolished because of a tussle between in the State Governments and Center on the compensation package. The State Governments want 50 % share of service tax collected by Central Government as the compensation which is not acceptable to the Center.