

Weekly Economic Bulletin

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News Feature

S Asia creates 28% of global net jobs; India leads the way

Finally, there is some evidence that the benefits of economic growth may be trickling down to India's poor. The ILO 2008 Global Employment Trends report shows an "impressive" poverty reduction in South Asia (largely dominated by India).

Extreme working poverty (income of less than \$1 per day) fell by 20% in a decade (from 53% in 1997 to 33% in 2007), the greatest decrease of any region of the world. However, the proportion of working poor (income of less than US\$2 per day) remains high, with eight out of 10 workers, 478 million people, in this category. Only sub-Saharan Africa has a higher proportion.

South Asia, led by India, also created the maximum number of global net jobs (28%) in 2007. East Asia—led by China, Japan, Korea—generated much fewer (16%) of the global net jobs during the same period. Developed economies and EU created only 4% of the jobs in 2007.

http://economictimes.indiatimes.com/News/News_By_Industry/Jobs/S_Asia_creates_28_of_global_net_jobs_India_leads_the_way/articleshow/2729675.cms

India remains most bullish market in Asia-Pacific: ING

Investors in India continue to remain the most optimistic across the Asia-Pacific, according to the ING Investor Sentiment Index.

An overwhelming 93 per cent of investors in India expect the overall investment sentiment will be better in 2008 compared to 2007, the report states.

Despite a drop in confidence level among Asian investors in the fourth quarter of 2007 due mainly to subprime concerns, and political and governmental policy changes in some markets, investor sentiment remained the highest in India with a score of 167.

The overall sentiment going into 2008 was robust with investors in India, Hong Kong, Philippines among the most optimistic, while those in Japan, Australia, New Zealand and Taiwan least optimistic. Enthusiasm of Chinese investors has dampened compared to the previous quarter.

"Although the ING Investor Sentiment Index reveals that the subprime-led credit crunch and political uncertainties have made investors more cautious, core sentiment remained positive in the region as 2007 came to a close," Eddy Belmans, regional general manager, North Asia, ING Investment Management Asia/Pacific, is quoted as saying in a release.

The ING Investor Sentiment Index is based on the analysis of a quarterly survey commissioned by ING and carried out by independent research firm, TNS. The study surveys changes in investment sentiment and behaviour across 13 Asian markets. For

wave two of the survey, conducted in late November 2007, total of 1,311 investors were interviewed. The survey does not capture more recent events that have seen some markets drop on growing concern about the global economy.

http://economictimes.indiatimes.com/India_remains_most_bullish_market_in_Asia-Pacific_ING/articleshow/2724749.cms

Despite global crisis, India will sustain growth: PM

The Prime Minister, Dr Manmohan Singh, said that India was not immune to the ongoing turmoil in international financial markets, but asserted that the country would sustain the growth momentum of 9-9.5 per cent despite the international situation.

“We are living in an increasingly inter-dependent world and the crisis in international markets can have an impact on growth of emerging economies, including India. As of now, I am convinced that we can sustain the growth momentum of 9-9.5 per cent, despite the international situation,” Dr Singh said, at a joint press conference with the visiting French President, Mr Nicolas Sarkozy.

Dr Singh felt that the Indian economy would not be much affected by the international market turmoil, as the fundamentals of the economy are strong. He expressed hope that the US government would take “appropriate and credible measures” to contain the damage caused by the sub-prime crisis that has threatened the stability of international financial system.

The Prime Minister also noted that the Indian banks are unlikely to face the problem being faced by the French Bank Societe General, where fraud by a single trader caused a loss of €4.9 billion.

<http://www.blonnet.com/2008/01/26/stories/2008012651161000.htm>

Overseas Investment

Skoda to make India its regional manufacturing hub

SkodaAuto plans to make India its regional manufacturing hub. It will start producing cars in India by 2010 with a manufacturing target of 50,000 units. Besides the domestic market, these will also be exported to neighbouring countries like Nepal, Sri Lanka, Burma and Bangladesh.

Skoda currently assembles cars at its Aurangabad facility in Maharashtra and is looking for sufficient volumes to start a local production base.

Speaking to ET, SkodaAuto India member board, sales and marketing, Thomas Kuehl said: "India will be the key manufacturing facility with high local content. We have already doubled our sales targets to 25,000 units this year from 12,000 units in 2007, which will subsequently pave the way for local production. We expect the Aurangabad facility to form our local production base by 2010. We will be tapping the neighbouring markets to sell our excess production."

<http://economictimes.indiatimes.com/News by Industry/Skoda to make India its regional manufacturing hub/articleshow/2726023.cms>

ETA Star to invest \$1billion in India

The Dubai-based company will enter port, aviation sectors to cash in on the boom.

ETA Star, one of Dubai's household names, will invest more than \$1 billion in India to cash in on booming sectors such as ports and aviation. This will be in addition to other combined investments committed by the company in the power and real estate sectors, which total more than Rs 9,000 crore.

The diversified group is likely to invest Rs 4,000-4,500 crore in the development of a port in Tamil Nadu. The company is already believed to be in final stages of selecting the required site. A study is underway for the same.

The project will be executed through a special purpose vehicle (SPV) that may be formed in the next 7-8 months. The proposal of naming the SPV as ETA Star Ports is currently thought about.

However, it will form a part of the ETA Star umbrella in India, which also has business interest in areas such as real estate, power, engineering and shipping lines.

Hameed Salahuddin, director, ETA Star, said, "We will finalise our plans for the ports venture after the bathymetry study is drafted, which is underway. We will convey our intentions to the Tamil Nadu government shortly."

The port will look to handle shipments of coal so as to serve a number of power projects which are coming up within the state. It will also handle a sizeable number of automobile export and import as auto facilities of Hyundai, Ford and Ashok Leyland, among others, are based in the vicinity.

Star Aviation, the Chennai-based private airline firm of the ETA group, is looking to start commercial flight operations in June-July this year, after it received the civil aviation ministry's permission in December.

http://www.businessstandard.com/common/news_article.php?leftnm=10&autono=311564

Piaggio to up production in India, launch scooters

Piaggio will step up production in India and launch scooters in a market that is set to play a greater role in the Italian firm's global operations, its chief executive said.

Faced with a stagnant market in Europe, Piaggio is investing in China, India and Vietnam, and expects Asia's contribution to total sales at 30-35 per cent by 2010 from about 20 per cent now.

"The Asia-Pacific region offers immense opportunity," Roberto Colaninno said at a news conference. "We are very positive about our growth in these markets, they will play a major role in the group's worldwide vision.

" Piaggio is looking at setting up research and development centres in Asia, including India, forging new agreements with key partners and tap more sourcing opportunities, he said.

A strategic cooperation agreement with Daihatsu Motor for example, is being extended to supply components, engines and powertrains for Piaggio's light transport vehicles.

It has also entered a new agreement with India's Greaves Cotton for diesel engines for three-wheelers. The maker of the famous Vespa scooter sells motorised three-wheelers in India and has launched a mini truck to take on leader Tata Motors in the fast-growing segment.

<http://economictimes.indiatimes.com/News/News By Industry/Auto/Piaggio to up production in India launch scooters /articleshow/2721078.cms>

Rreef enters Indian real estate sector with \$70-m investment

Rreef, the global alternative investment management business of Deutsche Bank, has made its entry into the Indian real-estate sector with an investment of \$70 million (Rs 273.5 crore). Rreef would be taking an undisclosed stake in the Bangalore-and Hyderabad-based Golden Gate Properties Ltd.

Though Rreef has no India dedicated fund, it has invested out of its global fund and was looking at a long-term perspective to partake in the booming real-estate market. It currently has €68.2 billion (\$97.3 billion) in assets under management worldwide.

Mr Kishore Gotety, who heads Deutsche Asset Management's real-estate advisory services arm of in India, said, "Rreef has not taken a majority stake in Golden Gate".

Mr Kurt Roeloffs, CEO of Asia Pacific, Rreef said, "India is a particularly attractive emerging real-estate market for our high return-oriented clients and in time will mature into an important investment destination for Rreef's broader base of institutional and retail clients.

Golden Gate Properties can provide us with an important cornerstone for further investment in India.”

Golden Gate is primarily involved in residential apartment projects in India. It has a portfolio of 10 completed projects — eight residential apartment developments and two commercial projects within Bangalore and Hyderabad.

<http://www.thehindubusinessline.com/2008/01/23/stories/2008012352721100.htm>

Trade News

Russia wants to boost trade ties with India

The ambassador of the Russian Federation in India, Vyacheslav I Trubnikov, said the Russian government was very keen to have the Indian trading community to run their business in Russia. At the same time, he felt it would take time for the Russian trading community to intensify trade with India.

Taking part in an interactive session with members of the Bharat Chamber Of Commerce in Kolkata, Mr Trubnikov said: “Our business community does not know much about today’s India. Similarly, Indian traders are not much aware of the changed scenario in Russia.

But our government is ready to encourage Indian traders, students and the business community to come to Russia and set up establishments.”

He said after the collapse of the erstwhile Soviet Republic, Russia had passed through a transition and would take some time to concentrate on running business establishments in India.

Replying to a question, Mr Trubnikov said currently, there had not been any alliance between Russia, China and India which could counterbalance any superpower in the world. “However, such an alliance among the three countries is always welcome and strategically required. Such an alliance in the future is not unlikely,” he added.

Mr Trubnikov also hoped that possibilities of developing business relations with India in sectors like space science, IT, biotechnology and metallurgy were very bright and that they must try to convince our government in this regard.

Russian Federation, Kolkata consul general Vladimir Lazarev also attended the interactive session. Bharat Chamber of Commerce president PR Agarwala, in his welcome address, said: “Iron & steel is one of the traditional areas of strength of the Russian Federation. In recent years, West Bengal is growing from strength to strength in this sector.”

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Russia_wants_to_boost_trade_ties_with_India/articleshow/2736202.cms

Pakistan & Indian petroleum ministers discuss gas pipeline project

Petroleum Ministers of India and Pakistan held discussions here on a multi-billion-dollar gas pipeline project involving the two countries and Iran, with both sides expressing their keenness to put it on stream.

Petroleum and Natural Gas Minister Murli Deora was invited by his Pakistani counterpart Ahsan Ullah Khan to visit Islamabad to sort out various issues outstanding because of which the pipeline is pending, during their meeting held at the Crowne Plaza Hotel.

Deora assured the Pakistani minister that "India is keen" on the 2,775-km pipeline and issues like the transit fees and strategic investment should be sorted out.

Khan, who is accompanying President Pervez Musharraf during his current visit to Britain, insisted that "Pakistan is equally keen that the project is put on stream," said, official sources.

Though New Delhi and Islamabad have reached an understanding on the transportation tariff payable to Pakistan, the two nations have not yet arrived at any agreement on payment of a separate transit fee to Pakistan for using its territory.

Three-fourth of the pipeline will be passing through Pakistan which will also use the pipeline for providing gas to its consumers.

The pipeline is to be laid in the three nations separately. Iran would lay a 1,100-km pipeline from the Persian Gulf to the Iran-Pakistan border, while Pakistan would lay a 1,035 km from its border with Iran to the Indian border. India would then pipe the gas to consumption centres.

The total cost of the project was estimated to be over seven billion dollars in 2006.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Pakistan_India_petroleum_ministers_discuss_gas_pipeline_project /articleshow/2734948.cms

India-Arab states explore areas of cooperation

To boost cooperation with Arab states, India is likely to finalise a memorandum of understanding with the League of Arab States, said Mr N. Ravi, Secretary (East), Ministry of External Affairs, while releasing FICCI-IAEF (Indo-Arab Economic Forum) publication.

Mr Ravi said the cooperation approach set out by the MoU laid down the path between India and Arab states to take their economic, political and cultural relations to a new trajectory.

<http://www.blonnet.com/2008/01/23/stories/2008012351951000.htm>

Brown hopeful that agreements worth £10 b will be signed soon

The British Prime Minister, Mr Gordon Brown expressed the hope that deals worth £10 billion, currently being negotiated between India and the UK, would be signed in the coming months.

Addressing a joint press conference with Dr Manmohan Singh, the British Prime Minister pointed out that trade relations between India and the UK had grown a 100 per cent in the past 15 years while in the past five years there had been a 20 per cent increase almost every year. The visiting dignitary not only called on Indian companies to invest in the UK but also asked British companies to look at opportunities in India.

Addressing the conference after having discussions with Mr Brown, the Indian Prime Minister said the two countries have identified science and technology, education and trade and investment as priority areas for building relations between them.

A joint statement issued at the conclusion Mr Brown's two-day visit, points out that the UK is the third largest cumulative investor in India while India has emerged as one of the largest investors in the UK, including several major acquisitions, reflecting the maturing nature of the bilateral economic partnership. The joint statement adds that UK acknowledged the potential for greater collaboration especially in hi-tech , research, advanced manufacturing, infrastructure, energy, healthcare, agriculture products and processed food and other services.

<http://www.blonnet.com/2008/01/22/stories/2008012251191000.htm>

Foreign Trade Policy to focus on simplified procedures

The final year annual supplement to the Foreign Trade Policy (FTP) would have a simplified policy regime cutting out clutter of procedures for ensuring reduction in transaction cost to trade and industry. The policy, to be unveiled on March 31, would focus on laggard export segments and labour-intensive exports.

The Commerce Secretary, Mr Gopal K. Pillai, told Business Line that after the 2004-09 FTP, a lot of paper work for exporters in the form of complying with filing returns/vouchers/drawback duty/services tax has increased, even when the whole attempt was to decrease the drudgery of paperwork.

He said that over the years because a few exporters did some hanky-panky, the authorities had to bring in additional amendments/rules as a precaution to prevent others from misusing the schemes. He further contended that the main foreign trade policy had become complicated over the years because of clarification/modification/amendments periodically undertaken so much so that the wheel has come full circle now to render the policy simple and procedures easier.

Mr Pillai cited the case of exporters importing machinery where before they claim anything out of it through the various export-incentive schemes, they must get installation certificate from the Excise Officer. While the excise officials have multiple tasks on hand, it is not fair to deny the exporters the benefit of using the machinery for export production till the visit of the excise officials. In such cases, self-certification would suffice since the exporters have imported the machinery and got the shipping bills etc. and is not going to run away. A lot of such avoidable hassles in other existing export-incentive schemes would be targeted in the forthcoming policy, he added.

<http://www.blonnet.com/2008/01/27/stories/2008012750970300.htm>

Sensitive items import up 12% in Apr-Nov 2007

Even as rupee appreciation against the dollar has helped importers, this is reflected in the import of sensitive items too, being monitored by the Commerce Ministry as such imports rose by 12 per cent during the first seven months of the current fiscal.

Total import of sensitive items for the period April to November 2007 has been Rs 18,702 crore, as against Rs 16,726 crore during the corresponding period of last year, showing an increase of 11.8 per cent.

The gross import of all commodities during the same period of the current fiscal was Rs 6,12,357 crore, as compared to Rs 5,44,674 crore during the same period of 2006. Import of sensitive items, however, constitute 3.07 per cent and 3.05 per cent of the gross imports during last year and current year respectively.

The items whose imports showed increase include edible oil, fruits and vegetable (including nuts), cotton and silk, foodgrains, automobile, products of small scale industries and rubber.

Automobiles imports grew by 90.4 per cent to Rs 744.67 crore from Rs 391.14 crore in April-November 2006, while fruits and vegetables imports shot up from Rs 5,257.14 crore to Rs 5,790.31 crore during this period. Alcoholic beverages and tea and coffee have also shown increase during the period under review.

Imports of spices, marble and granite and milk and milk products have, however, registered a decline at broad group level during the period.

<http://www.blonnet.com/2008/01/24/stories/2008012451331000.htm>

Sectoral News

Air traffic likely to be more than double by 2010

Domestic air traffic is likely to more than double and touch 86.1 million passengers by 2010, up from 32.2 million passengers in 2007, market research firm PhoCus said.

According to the firm, growing internet penetration and an increasing air connectivity through low-cost carriers would push domestic air traffic by 2010 to 84.1 million passengers. As many as 32.2 million passengers traveled by air on domestic routes during 2006.

The research firm has also predicted a major boost in online travel reservations (including hotels, air and rail tickets) by 2010, a majority of which is expected to be for air ticket bookings.

“Travel and tourism sector in India is likely to grow to 26.1 billion dollars by 2010 nearly a quarter of which, 6.02 billion dollars, are likely to come from online booking of hotels, air and rail tickets,” PhoCus Wright senior director research Ram Badrinathan said. He said online travel reservations last year contributed 11% to India’s total travel revenues of 15.95 billion dollars at 1.75 billion dollars.

<http://www.financialexpress.com/news/Air-traffic-likely-to-be-more-than-double-by-2010/265399/>

India adds 8.17 mln mobile users in December

Indian mobile phone firms signed 8.17 million subscribers in December, taking the wireless subscriber base in the world's fastest-growing telecoms market to 233.63 million, data from the telecoms regulator showed. That was slightly below the 8.32 million users added in November, the Telecom Regulatory Authority of India said in its monthly report released.

Wireless subscriber numbers surged 56 percent in 2007 from 149.62 at the end of 2006, the report showed. India's mobile firms have been signing about 8 million users each month since July, lured by call rates as low as 1 U.S. cent a minute and by cheap handsets. Still, only about a quarter of the population has a phone, and the government has a target of 500 million phones by 2010.

Sector leader Bharti Airtel Ltd added 1.67 million new users in December, taking its subscribers to 55.16 million. Second-ranked Reliance Communications Ltd added 1.68 million users, lifting its subscriber numbers to 40.96 million, and Vodafone-controlled Vodafone Essar Ltd signed up 2.39 million users to take its customer base to 39.86 million.

Fixed-line telephone users declined to 39.25 million in the month from 39.31 million in November, extending a trend as subscribers turn to cheaper mobile phones. Including fixed-line phones, India had 272.88 million telephone users by the end of December, or 23.89 percent of the population, compared with 264.77 million in November, the regulator said.

<http://economictimes.indiatimes.com/India adds 817 mln mobile users in December/articleshow/2723521.cms>

Semiconductor policy logs Rs 40,000-cr commitment

The Government has now received cumulative investment commitment worth almost Rs 40,000 crore under the scheme to promote semiconductor fabs and other micro and nano technology units.

While three companies had applied earlier, two more firms – Signet Solar and KSK Surya Photovoltaic Venture Pvt Ltd – have submitted applications to avail themselves of the incentives under the policy. The investment proposals of the two new applicants add up to nearly Rs 19,000 crore.

While Signet Solar's proposal entails Rs 9,000 crore investment blueprint to manufacture solar photovoltaic modules, KSK has outlined about Rs 10,000 crore investment plan, senior Government officials said.

When contacted, Mr M. Madhavan Nambiar, Additional Secretary in the IT Department, said; "All the five applications taken together, entail combined investments to the tune of Rs 40,000 crore. We are examining various proposals and expect other companies to apply soon." However, the two companies could not be reached for comments.

Earlier Moser Baer, Videocon and Titan Energy had submitted formal applications to the Government, with combined investment value touching Rs 20,000 crore. Moser Baer plans to manufacture solar photovoltaic cells/modules, Titan Energy Systems would start with solar cells and modules project and get into wafer and poly-silicon, at a later stage. The proposal by Videocon pertains to an LCD unit.

<http://www.thehindubusinessline.com/2008/01/24/stories/2008012452300100.htm>

Indian IT market to grow to US\$ 10 billion: Gartner

Indian IT services market is pegged to grow to \$10.73 billion by 2011 with anticipation of more contracts from firms, which are grappling with high attrition of IT staff, IT research company Gartner Inc said.

Key factors driving this growth are agility, growth, cost takeout and innovation, it said.

But a prime reason for Companies to consider external service providers (ESPs) is the continuous turnover rates of key IT staff in range of 15-20 per cent, said a Gartner study.

Growth of IT services market is primarily being driven by growth of the Economy, small and midsize businesses, government projects and increased customer focus. Many IT service providers, MNCs and domestic have now recognised this potential and developed strategies exclusively for the domestic market, said Arup Roy, senior research analyst at Gartner.

The market segments that are expected to witness strongest growth are consulting, IT management and business process management (BPM) services with five year CAGRs of 28.1, 23.8 and 27.1 per cent respectively.

<http://www.financialexpress.com/news/Indian-IT-mkt-to-grow-to-10-bn-Gartner/264304/>

Petrochemical sector set for US\$ 37.94 billion funding

The Indian petrochemical industry is expecting a whopping upstream investment of Rs 80,000-1,00,000 crore in the next three to four years, while the downstream segment would get another Rs 50,000 crore, said a senior official of the Union ministry of chemicals and petrochemicals.

According to the official, "The industry has already received an investment of Rs 50,000 crore in upstream projects and we are expecting more investment." At present, Companies like ONGC, RIL, IOC, and Essar are the major players who have invested in this segment.

Industry sources said, with the recent introduction of the petrochemical policy, the country is also expecting an investment from global players like Exxon Mobil, SABIC and ELF, among others.

The country's petrochemical industry is poised for a growth of over 10% over the next five years from 2006.

According to industry sources, at current prices, downstream petrochemical production is expected to increase from current levels of \$15-18 billion to \$30-35 billion over the next five years. "The country's major oil Companies are now focused on the development of value added quality petrochemical products at globally competitive prices. The Companies are also trying to use high technologies with innovation of newer applications and products," said a senior official of a state-run oil company.

<http://www.financialexpress.com/news/Petrochem-sector-set-for-Rs-150k-cr-funding/264432/>

News Round – Up

India may turn big producer of GM rice, vegetables by 2010

India has the potential to become a major producer of transgenic rice and several genetically modified (GM) or engineered vegetables by 2010, according to a research report by Rabo India Finance Ltd on the Indian agri-biotech sector. It has emerged as one of the leading destinations for investment in biotechnology in the recent years. It is also emerging as an important destination for both biomarkers and validation services, the report said.

A biomarker is a substance used as an indicator of a biologic state. It is a characteristic that is objectively measured and evaluated as an indicator of normal biologic processes, pathogenic processes, or pharmacologic responses to a therapeutic intervention.

According to the report, there is an increasing use of molecular markers in crop breeding and a growing realisation that some of these new technologies could lead to future growth in the productivity and quality of crops such as rice, wheat, eggplant (brinjal), tomato and okra (lady's finger).

<http://www.thehindubusinessline.com/2008/01/24/stories/2008012450911300.htm>

50 patents granted every day this fiscal

India, which has usually been miserly in granting patents, has suddenly started issuing more of them. In the first three quarters of this fiscal, the country's patent offices issued some 10,130 patents, more than double the annual number they granted just two years ago.

The country, which has one of the most stringent patenting regimes in the world after Japan and Germany, has been granting an average 50 patents a day. This rate is comparable to the patent grants made in advanced intellectual property regimes such as the US and the EU when measured as a proportion of patents granted to the number of applications made.

The four patent offices in India granted 10,132 patents between April and December 2007, a period in which they received about 30,000 applications. In the 12 months ended March, the numbers were 7,500 out of 29,000, and in 2005-06, the offices issued 4,320 patents after receiving 24,415 applications.

<http://www.livemint.com/2008/01/21235843/50-patents-granted-every-day-t.html>

Tax revenue collection likely over Rs 6,00,000 cr

Riding on a buoyant economy and better tax compliance, gross tax revenue collections are likely to surpass the Rs 6,00,000 crore mark in 2007-08. In other words, tax revenue is expected to double compared with Rs 3,04,958 crore in 2004-05.

“We expect tax revenue collection to exceed Rs 6,00,000 crore by end-March,” a senior finance ministry official said.

If the collections surpass Rs 6,00,000 crore, the gross tax to GDP ratio will go up to around 13 per cent in 2007-08, compared with Budget estimate of 11.8 per cent and medium term target of 12.7 per cent by 2009-10.

Budget estimate for tax revenue is Rs 5,48,122 crore in the current fiscal year compared to Rs 4,72,328 crore in 2006-07, an increase of over 16 per cent.

Much of the credit for the higher tax revenue goes to surge in personal income tax, corporation tax and service tax collections in the last three years. Current year’s tax collection trends indicate that except excise duty, all other direct and indirect taxes are likely to meet and exceed Budget estimates.

Direct tax is going to contribute over 50 per cent to the tax revenue in 2007-08 and overtake indirect taxes for the first time. It is expected that direct tax revenue will exceed budget estimate of Rs 2,67,490 crore by Rs 40,000 crore to 50,000 crore in 2007-08.

Indirect tax collections are likely to be around the Budget estimate of Rs 2,78,013 crore, thanks to customs and service tax collections, which are likely to take care of any shortfall in excise duty.

http://www.business-standard.com/common/news_article.php?autono=311855&leftnm=3&subLeft=0&chkFlg=