



TAX PROPOSALS IN BUDGET

- ✚ Clarity in tax laws, a stable tax regime, a non-adversarial tax administration, a fair mechanism for dispute resolution and independent judiciary for greater assurance is underlying theme of tax proposals.
- ✚ Tax Administration Reforms Commission to be set up.
- ✚ In short term need to reclaim peak of 11.9 per cent of tax GDP ratio achieved in 2007-08.

DIRECT TAXES

- ✚ Little room to give away tax revenues or raise tax rates in a constrained economy.
- ✚ No case to revise either the slabs or the rates of Personal Income Tax. Even a moderate increase in the threshold exemption will put hundreds of thousands of Tax Payers outside Tax Net.
- ✚ However, relief for Tax Payers in the first bracket of Rs. 2 lakhs to Rs. 5 lakhs. A tax credit of Rs. 2000 to every person with total income upto Rs. 5 lakhs.
- ✚ Home Loan up to 2500000/- taken after 01.04.2013 -2014 Additional Deduction of Rs.100000/- in account of Interest will be allowable.
- ✚ Surcharge of 10 percent on persons (other than companies) whose taxable income exceed Rs. 1 crore to augment revenues.
- ✚ Increase surcharge from 5 to 10 percent on domestic companies whose taxable income exceed Rs. 10 crore.
- ✚ In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2 to 5 percent, if the taxable income exceeds Rs.10 crore.
- ✚ In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent.
- ✚ Additional surcharges to be in force for only one year.
- ✚ Education cess to continue at 3 percent.
- ✚ Permissible premium rate increased from 10 percent to 15 percent of the sum assured by relaxing eligibility conditions of life insurance policies for persons suffering from disability and certain ailments.
- ✚ Contributions made to schemes of Central and State Governments similar to Central Government Health Scheme, eligible for section 80D of the Income tax Act.
- ✚ Donations made to National Children Fund eligible for 100 percent deduction.
- ✚ Investment allowance at the rate of 15 percent to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
- ✚ 'Eligible date' for projects in the power sector to avail benefit under Section 80-IA extended from 31.3.2013 to 31.3.2014.
- ✚ Concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary proposed to continue for one more year.
- ✚ Securitisation Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income for companies, individual or HUF etc. No further tax on income received by investors from the Trust.
- ✚ Investor Protection Fund of depositories exempt from Income-tax in some cases.
- ✚ Parity in taxation between IDF-Mutual Fund and IDF-NBFC.



- ✚ A Category I AIF set up as Venture capital fund allowed pass through status under Income-tax Act.
- ✚ TDS at the rate of 1 percent on the value of the transfer of immovable properties where consideration exceeds Rs. 50 lakhs. Agricultural land to be exempted.
- ✚ A final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.
- ✚ Proposal to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent.
- ✚ Reductions made in rates of Securities Transaction Tax in respect of certain transaction.
- ✚ Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
- ✚ Modified provisions of GAAR will come into effect from 1.4.2016.
- ✚ Rules on Safe Harbour will be issued after examining the reports of the Rangachary Committee appointed to look into tax matters relating to Development Centres & IT Sector and Safe Harbour rules for a number of sectors.
- ✚ Fifth large tax payer unit to open at Kolkata shortly.
- ✚ A number of administrative measures such as extension of refund banker system to refund more than Rs. 50,000, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.



Indirect Taxes

- ✚ No change in the normal rates of 12 percent for excise duty and service tax.
- ✚ No change in the peak rate of basic customs duty of 10 percent for non-agricultural products.

Customs

- ✚ Period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.
- ✚ Duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 to 5 percent.
- ✚ Duty on pre-forms precious and semi-precious stones reduced from 10 to 2 percent.
- ✚ Export duty on de-oiled rice bran oil cake withdrawn.
- ✚ Duty of 10 percent on export of unprocessed ilmenite and 5 percent on export on ungraded ilmenite.
- ✚ Concessions to air craft maintenance, repair and overhaul (MRO) industry.
- ✚ Duty on Set Top Boxes increased from 5 to 10 percent.
- ✚ Duty on raw silk increased from 5 to 15 percent.
- ✚ Duties on Steam Coal and Bituminous Coal equalised and 2 percent custom duty and 2 percent CVD levied on both kinds coal.
- ✚ Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.
- ✚ Duty free gold limit increased to Rs. 50,000 in case of male passenger and Rs.1,00,000 in case of a female passenger subject to conditions.

Excise duty

- ✚ Relief to readymade garment industry. In case of cotton, zero excise duty at fibre stage also. In case of spun yarn made of manmade fibre, duty of 12 percent at the fibre stage.
- ✚ Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.
- ✚ To provide relief to ship building industry, ships and vessels exempted from excise duty. No CVD on imported ships and vessels.
- ✚ Specific excise duty on cigarettes increased by about 18 percent. Similar increase on cigars, cheroots and cigarillos.
- ✚ Excise duty on SUVs increased from 27 to 30 percent. Not applicable for SUVs registered as taxies.
- ✚ Excise duty on marble increased from Rs. 30 per square meter to Rs. 60 per square meter.
- ✚ Proposals to levy 4 percent excise duty on silver manufactured from smelting zinc or lead.
- ✚ Duty on mobile phones priced at more than Rs. 2000 raised to 6 percent.
- ✚ MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.



Service Tax

- ✚ Maintain stability in tax regime.
- ✚ Vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agricultural produce also included in the negative list for service tax.
- ✚ Exemption of Service Tax on copyright on cinematography limited to films exhibited in cinema halls.
- ✚ Proposals to levy Service Tax on all air conditioned restaurant.
- ✚ For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of Rs. 1 crore or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from from 75 to 70 percent.
- ✚ Out of nearly 17 lakh registered assesses under Service Tax only 7 lakhs file returns regularly. Need to motivate them to file returns and pay tax dues. A onetime scheme called 'Voluntary Compliance Encouragement Scheme' proposed to be introduced. Defaulter may avail of the scheme on condition that he files truthful declaration of Service Tax dues since 1st October 2007.
- ✚ Tax proposals on Direct Taxes side estimated to yield to Rs. 13,300 crore and on the Indirect Tax side Rs. 4,700 crore.

Good and Services Tax

- ✚ A sum of Rs. 9,000 crore towards the first instalment of the balance of CST compensation provided in the budget.
- ✚ Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.