

UNION BUDGET 2013

feed forage fuels based meals pizzas
loaders housing products related Intermodal French
steel by-products desserts York/Global high multi-product
wastewater Case Swift wagons factory-built appetizers buildings Chief
pre-engineered post recreational green ethanol juices storage building
windrowers metal protein handling entrees vehicles
Company doors boxed manufacture systems treatment
security Milk harvesters oven
conditioning custom car vegetables fabricated leaf farm equipment utility
fabrication windows plus commercial built McCain produces Grand Island
combines furniture Holland fries Foods railroad beverages bins construction box
bale Holland fries built McCain produces Grand inner-related Ind construction box
frame display Neh



Peeled by

**AGARWAL &
DHANDHANIA**

CHARTERED ACCOUNTANTS

KNOWLEDGE CELL



CA Sanjay Agarwal



CA Alok Dhandhanania



CA J L Patel



CA Rajjat Jain



CA Jehan Kasad



CA Vishal Lodhka



CA Anand Sharma



CA Punit Godawat



CA Isha Gupta



CA Monika Gupta

All The Above Analysts are associated with
Agarwal & Dhandhanania, Chartered Accountants



This book is printed on Eco-Friendly
Recyclable non wood paper
AVOID DEFORESTATION - THINK GREEN



Contents

2 Foreword

Economic Performance 2012-13

4 Snapshot of Economy

5 Policy Prescriptions & Sector wise analysis

Union Budget 2013

9 Budget Highlights

11 Sector Wise Proposals

Tax Proposals

18 Direct tax

(Section wise comparison with existing provisions)

62 Service Tax

71 Excise Duty

74 Customs

Only for Private Circulation & Disclaimer

This material is intended only for the use of the clients and for the firm's personnel only and the entity/person to whom it is addressed and the others authorized to receive it on their behalf. The recipient is strictly prohibited from further circulation of this material. If you have received this communication in error, please notify us immediately and then delete it from your system.

This booklet is not an offer, invitation, advertisement or solicitation of any kind. It is purely intended for our clients and for private circulation only.

While due care has been taken to ensure the accuracy of the information contained herein, no warranty, expressed or implied, is being made, by Agarwal & Dhandhanias as regards the accuracy and adequacy of the information contained herein. The information in this material is not intended to constitute accounting, tax, legal, investment, consulting or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. None of Agarwal & Dhandhanias, its partners, analysts or staff shall be responsible for any loss whatsoever sustained by any person who relies on this material.

Foreword

Dear Reader,

The Union Budget 2013-14 was presented by the Finance Minister in the wake of a challenging business environment, against the backdrop of the slowest economic expansion in a decade, strong inflation pressures and high interest rates. Large fiscal and current account deficits have pushed India to the brink of sovereign ratings downgrade. RBI officials have warned that curtailing capital investment on projects with strong multiplier effects like building roads and bridges would hurt growth. They also worry that maintaining populist spending on subsidies for food, fuel, fertilizer and cooking gas will push up prices.

Walking a tight rope ahead of next year's General Elections, Finance Minister P Chidambaram on Thursday did not tinker with the Income Tax slabs or rates. Chidambaram, whose reformist zeal has made him a darling of financial markets since his appointment last August, focused on revenue-raising measures rather than spending cuts, a sign of his difficult balancing act ahead of a general election that must be held before the middle of next year. Many expressed scepticism at Chidambaram's rosy revenue assumptions and were dismayed by the sizeable increase in public spending in a country facing its sharpest economic downturn in a decade. The budget did achieve FM's immediate goal of staving off a credit rating downgrade, for now. Global agencies Standard & Poor's (S&P) and Fitch said the budget would not affect their assessment of India's creditworthiness. Both have threatened to downgrade India's sovereign rating to "junk" unless it gets its finances under control.

FM said during Budget that India must make tough spending choices, even as he unveiled a bigger-than-expected outlay for the coming fiscal year in one of the most highly anticipated Indian budgets of recent years. He unveiled higher-than-expected spending for fiscal 2013/14 aiming to fund it with higher revenues - including new taxes on the rich and large companies - in a budget aimed at reviving growth amid the country's worst slowdown in a decade.

The broad picture is simple. This is an election year. If not, this is perceived to be the last budget before elections, since 2014-15 will be a vote on account. Therefore, there were so-called "populist" pressures to increase expenditure. On the flip side, there were pressures to contain the deficit. The budget speech, as is its wont, announces several schemes and ostensible increases in expenditure.

As the budget speech says, it is important to get back to growth and stimulate both consumption expenditure and private investments. But it is unreasonable to expect the budget to do this. It is only one instrument. Growth and investment stimuli come from elsewhere. Therefore, while the budget should be praised for controlling the urge to splurge, there should be legitimate skepticism about the numbers.

While on numbers, there is an implicit (not explicit) assumption about crude oil prices and exchange rates. But one can't grudge the FM for that. In sum, the 2013-14 should be lauded because it has contained the temptation to increase expenditure. But the projections for 2013-14 deserve to be treated with caution.

Mr. Chidambram mentioned in his speech three vital faces of the country i.e **Woman, Yuth** and **Poor**. Number of proposals of this budget addresses these three faces. Interestingly these three faces constitute the major vote bank of the country and this can not be mere coincidence.

28 February 2013

Publication Team

Agarwal & Dhandhania

Economic Performance 2012-13

Snapshot of the Economy

The Economic Survey 2012-13, tabled in Parliament by the Finance Minister on 27 Feb 2013 is a review of the performance of the economy, giving indications of prospects for the coming year.

While India's recent slowdown is partly rooted in external causes, domestic causes are also important. The strong post-financial-crisis stimulus led to stronger growth in 2009-10 and 2010-11. However, the boost to consumption, coupled with supply side constraints, led to higher inflation. Monetary policy was tightened, even as external headwinds to growth increased. The consequent slowdown, especially in 2012-13, has been across the board, with no sector of the economy unaffected. Falling savings without a commensurate fall in aggregate investment have led to a widening current account deficit (CAD). Wholesale price index (WPI) inflation has been coming down in recent months. However, food inflation, after a brief slowdown, continues to be higher than overall inflation. Given the higher weightage to food in consumer price indices (CPI), CPI inflation has remained close to double digits. Another consequence of the slowdown has been lower-than-targeted tax and non-tax revenues. With the subsidies bill, particularly that of petroleum products, increasing and the danger that fiscal targets would be breached substantially became very real in the current year. The situation warranted urgent steps to reduce government spending so as to contain inflation. Also required were steps to facilitate corporate and infrastructure investment so as to ease supply. Several measures announced in recent months are aimed at restoring the fiscal health of the government and shrinking the CAD as also improving the growth rate. With the global economy also likely to recover somewhat in 2013, these measures should help in improving the Indian economy's outlook for 2013-14.

The pre-Budget Economic Survey tells a story of self-inflicted economic pain, while being optimistic on growth reviving in the next fiscal. It calls for curbing the fiscal deficit and cutting down on wasteful subsidies to that end. But it clearly argues for protecting developmental expenditure so as to preserve growth, which means raising tax collections to reduce the deficit. The Survey also explicitly calls for augmenting tax revenues by broadening the tax base rather than by increasing marginal rates of tax. That should spell good riddance to all that talk of a new super-rich tax. The Survey makes a lot of sense when it stresses the need to boost

savings as the right way to rein in the burgeoning current account deficit. The Survey makes it clear that gold imports can be curbed primarily by making financial investment avenues more lucrative. This could translate into additional incentives for household financial savings. Growth has been tardy because of a steep fall in investment, particularly by the private corporate sector. This, in turn, has two drivers. Inflation-constrained RBI has raised interest rates and policy paralysis has kept projects dangling for want of clearances.

Unlike last year, the key component of inflation this year is food grains: 17% in the third quarter. This, at a time when the government is sitting on stocks of 70 million tonnes of grain. The minister and top babus in the food ministry should be sacked forthwith, for creating food inflation and stalling investment and economic growth in general. The Survey is silent on the need to scrap state monopoly over coal, which is one factor in distorted coal linkage allocation and the principal factor in fuel shortage that is making 50,000 MW of power capacity lie idle. So is the Survey silent on the judicial curse that has laid the country's mining sector barren and stunted telecom. The Survey is gung-ho on the role of the small and medium industry in creating new organized sector jobs. The RBI should heed the finding that a variegated banking system that allows for small, localized banks supports the small and medium sector. On the whole, the Survey captures the large picture rather well.

Policy prescriptions

The Survey prescribes some key action points to address areas of concern in the economy:

Financial Intermediation

Efficient intermediation by financial markets leads to higher economic growth by increasing savings and their optimal allocation for productive uses. A shift of our growth trajectory to the pre-crisis level of over 8 per cent and above critically depends on efficient financial intermediation between savers and borrowers. Historically, banks have played this role. However, with the start of the reform process beginning 1990s, the importance and nature of financial intermediation has undergone a transformation with other intermediaries including non-banking financial companies (NBFCs), insurance and pension funds, and mutual funds(MF) emerging as the new mechanisms for channeling savings to investments. These developments have also been accompanied by the emergence of equity and debt markets, financial products like forwards, futures and other derivatives instruments

which have the capacity of reallocating risks and putting capital to more efficient use. However, keeping in view India's growing integration with global financial markets, external-sector vulnerabilities have an increasingly large impact on India through the trade and capital account channels. It is therefore important that the development of an efficient and healthy financial market should also be accompanied by an effective regulatory mechanism that keeps track of external vulnerabilities. This chapter summarizes the recent developments in the financial sector in India and the challenges and opportunities it faces in the context of developments in the global financial market.

International Trade

After moderating in the two years following the global economic crisis, world trade in both goods and services reached and surpassed pre-crisis levels in 2011. However, the deceleration in world growth and trade in 2012 and forecast of only a gradual upturn in global growth by international institutions portend a weak and slow recovery for world trade. India's exports, which had surpassed pre-crisis levels within a year in 2010-11 with a record 40.5 per cent growth, continued growing even in 2011-12, but were finally affected by the global slowdown in 2012-13 with exports declining even more at - 4.9 per cent in the first ten months than the -3.5 per cent recorded during the crisis-ridden year of 2009-10 (full year).

Agriculture and Food Management

Indian agriculture is broadly a story of success. It has done remarkably well in terms of output growth, despite weather and price shocks in the past few years. India is the first in the world in the production of milk, pulses, jute and jute-like fibres, second in rice, wheat, sugarcane, groundnut, vegetables, fruits and cotton production, and is a leading producer of spices and plantation crops as well as livestock, fisheries and poultry. The Eleventh Five Year Plan (2007-12) witnessed an average annual growth of 3.6 per cent in the gross domestic product (GDP) from agriculture and allied sector against a target of 4.0 per cent. While it may appear that the performance of the agriculture and allied sector has fallen short of the target, production has improved remarkably, growing twice as fast as population. India's agricultural exports are booming at a time when many other leading producers are experiencing difficulties. The better agricultural performance is a result of:

- a) farmers' response to better prices;
- b) continued technology gains; and

c) appropriate and timely policies coming together.

Yet India is at a juncture where further reforms are urgently required to achieve greater efficiency and productivity in agriculture for sustaining growth. There is need to have stable and consistent policies where markets play a deserving role and private investment in infrastructure is stepped up. An efficient supply chain that firmly establishes the linkage between retail demand and the farmer will be important. Rationalization of agricultural incentives and strengthening of food price management will also help, together with a predictable trade policy for agriculture. These initiatives need to be coupled with skill development and better research and development in this sector along with improved delivery of credit, seeds, risk management tools, and other inputs ensuring sustainable and climate-resilient agricultural practices. Finally, while the sharp increase in prices of food articles, especially proteins, fruits and vegetables, and the growing food-grains stocks in public sector continue to be subjects of debate, these may be the pointers towards the need for both relative price shifts responding to shifts in demand and reconsidering traditional instruments of food management.

Industrial Performance

After recovering to a growth of 9.2 per cent in 2009-10 and 2010-11, growth of value added in industrial sector, comprising manufacturing, mining, electricity and construction sectors, slowed to 3.5 per cent in 2011-12 and to 3.1 percent in the current year. The manufacturing sector, the most dominant sector within industry, also witnessed a decline in growth to 2.7 per cent in 2011-12 and 1.9 per cent in 2012-13 compared to 11.3 per cent and 9.7 per cent in 2009-10 and 2010-11, respectively. The growth in electricity sector in 2012-13 has also moderated. The growth of the mining sector in 2012-13 is estimated at 0.4 per cent, though it showed an improvement over a negative growth of 0.63 per cent recorded in 2011-12. With improved business sentiments and investor perception and a partial rebound in industrial activity in other developing countries, industrial growth is expected to improve in the next financial year.

Services Sector

India's services sector expanded quickly with double-digit growth in the second half of the 2000s. As the Euro-zone crisis has worsened, growth has slowed, though the

sector is still growing at a much higher rate than the other two sectors of the economy.

Energy, Infrastructure and Communications

The Twelfth Five Year Plan lays special emphasis on development of the infrastructure sector including energy, as the availability of quality infrastructure is important not only for sustaining high growth but also ensuring that the growth is inclusive. The total investment in the infrastructure sector during the Twelfth Five Year Plan, estimated at ` 56.3 lakh crore (approx. US\$1trillion), will be nearly double that made during the Eleventh Five Year Plan. This step up in investment will be feasible primarily because of enlarged private-sector participation that is envisaged. Unbundling of infrastructure projects, public private partnerships (PPP), and more transparent regulatory mechanisms have induced private investors to increase their participation in infrastructure sectors. Their share in infrastructure investment increased from 22 per cent in the Tenth Five Year Plan to 38 per cent in the Eleventh Plan and is expected to be about 48 per cent during the Twelfth Five Year Plan. Yet, more than half of the resources required for infrastructure would need to come from the public sector, from the government, and the parastatals.

This would require not only the creation of the fiscal space but also use of a rational pricing policy. Further, scaling up private-sector participation on a sustainable basis will require redefining the contours of their participation for the development of infrastructure sector in a transparent and objective manner with a comprehensive regulatory mechanism in place. This chapter summarizes recent developments in the infrastructure sector, particularly the energy scenario in India, and the challenges and opportunities in the context of the targets and milestones envisaged in the Twelfth Five Year Plan.

Human Development

Economic growth though important cannot be an end in itself. Higher standards of living as well as of development opportunities for all, stemming from the greater resources generated by economic growth, are the ultimate aim of development policy. This implies the need to bridge regional, social and economic disparities, as well as the empowerment of the poor and marginalized, especially women, to make the entire development process more inclusive. The draft Twelfth Five Year Plan's subtitle 'Faster, More Inclusive and Sustainable Growth', puts the growth debate in the right perspective. The government's targeted policies for the poor, with the prospect of fewer leakages, can help better translate outlays into outcomes.

Budget Highlights

Personal Tax

- No revision in either tax slabs or rates
- Tax Credit of Rs. 2000 to tax payers in the bracket Rs 2 lakh to Rs 5 lakh
- Surcharge of 10% on people with income over 1 Cr. for one year.
- FM said there are only 42,800 tax payers with income over 1 Cr.
- Education cess to continue at 3%
- Additional home loan interest benefit for Rs. 1.00 lac over existing Rs. 1.50 lacs for your first home with a loan up to Rs. 25 lacs.
- Donation to national children fund to get 100% tax relief Corporate Tax
- 10% surcharge on companies with income over Rs. 10 Cr.
- Dividend distribution surcharge raised from existing 5% to 10%.
- GAAR modified provisions seen effective Apr 1, 2016
- 20% withholding tax on profits distributed by unlisted companies.
- Tax holiday for power plants extended to Mar 2014
- Sops for power projects to continue for 1 year
- 15% tax on dividend from overseas arms to continue
- Financial institutions securitization trust exempted from tax

Direct Taxes

- Direct tax proposals to yield additional 13300 Cr. for FY 13-14
- To introduce DTC Bill before end of Budget Session
- Direct Taxes Code work in progress
- Tax on MF redemption, purchase on exchanges cut to 0.001%
- 1% TDS on Immovable property transactions above Rs. 50 lacs. Agricultural land exempt from TDS.
- Royalty to overseas parents now to attract 25% tax than existing 10%
- No income tax on investor protection fund of depositories

Indirect Taxes

- Indirect tax proposals to yield additional 4700 Cr. for FY 13-14
- No change in standard rate of excise duty, remain same @ 12%
- No change in peak basic custom duty rate, remain same @ 10%
- No change in standard rate of service tax, remain same @ 12%
- Customs duty on leather making machine cut to 5.0% vs 7.5%
- Transaction tax of 0.01% on non-farm commodities future
- 2 additions to service tax negative list
- Commodity Transaction tax on non-farm derivatives trade

- Transaction tax on equity futures cut to 0.01% vs 0.017%
- To impose service tax on all air-conditioned restaurants
- Sops for low-cost housing to continue
- Films exhibited in cinema halls to have no service tax
- Moots voluntary compliance encouragement plan for service tax
- Vocational courses exempt from service tax
- To raise excise duty on non-taxi SUVs to 30%
- Female passengers can get Rs. 100,000 duty-free gold and male up to Rs. 50000.
- Ships, vessels exempted from excise duty
- No change in mobile phone excise duty up to 2,000 rupees, above it @6%
- Excise duty on marble hiked to 60 rupee/sq mtr from existing Rs. 30 rupee/sq mtr

Tax Reforms

- To set up tax administration reform commission
- Little room to raise taxes in constrained economy
- Need for state and central govts to pass a GST law
- Draft bill on GST in Parliament in next few months
- 2 additions to service tax negative list. Vocational courses in negative list
- To encourage voluntary compliance to boost service tax collection, One-time amnesty scheme for service tax due from 2007
- Allocates 9000 Cr rupee as CST compensation to states

Sector wise Proposals

Corporate Sector and markets

- To issue inflation-indexed bonds
- Proposed capital allowance of 15 % to companies on investments of more than 100 Cr rupees in Plant & Machinery
- Foreign institutional investors (FIIs) can use investments in corporate, government bonds as collateral to meet margin requirements
- Insurance, provident funds can trade directly in debt segments of stock exchanges
- FIIs can hedge forex exposure through exchange-traded derivatives
- Investor with less than 10 % stake in a company will be regarded as FII, more than 10 % stake as FDI (foreign direct investor)
- Stock exchange regulator will simplify know-your-customer (KYC) norms for foreign portfolio investors
- To implement quickly recommendations of financial sector legislative reforms commission
- To cut factory gate duty on trucks to 13 % from 14 %

Power and Energy Sector

- Zero customs duty for electrical plants and machinery
- Move to revenue-sharing from profit-sharing policy in oil and gas sector
- To equalize duties on steam and bituminous coal to 2 % customs duty and 2 % CVD (countervailing duty)
- Wind energy sector deserves incentives
- Generation-based incentives for wind energy projects

Foreign Trade

- To cut duty on exports of precious and semi-precious stones to 2 % from 10 %

Finance and Banking

- To provide Rs 14,000 crore capital infusion in state-run banks in 2013/14
- To introduce 15% investment allowance for high value invest
- Rajiv equity plan to be eased; to cover MF investments, invest cap up by Rs. 200,000
- Expect to raise Rs. 25000 Cr via tax-free bonds FY13

- Pvt sector infra investment seen 47% in 12th plan
- To allow some institutions to issue tax-free bonds FY14
- Will ensure PSU banks always meet Basel III norms
- PSU banks assured all branches to have ATMs by Mar 2014



- Plan to set up exclusive bank for women with Rs. 1000 Cr initial capital, License by Oct 2013
- To provide Rs. 6000 Cr for rural housing fund and Rs. 2000 cr for urban housing fund
- KYC of banks sufficient for insurance policies
- Exchanges can introduce dedicated debt segment
- Post offices to move to core banking solutions
-

Defence

- To allocate Rs 2.03 lac Cr. to defence in 2013/14

Agriculture and Rural

- Rs 80,194 crore to rural development in 2013/14
- Rs 27,049 crore for agriculture in 2013/14
 - To allot Rs. 3415 Cr for agri research
 - Farm credit will top FY13 target
 - Interest subvention for short-term farm loans to continue
 - Farmers who repay loan on time will get loan at 4%
 - To spend 10 bln rupee on green revolution in east India
 - Plant Protection Institute to be set up in Chhattisgarh
 - Indian Institute of Bio-Technology to be set up at Ranchi
 - To launch national livestock mission in FY14

- Credit guarantee fund to be created for small farmers
- Food security bill a promise of UPA govt

Health and Education

- Health for all and education to all remains priority
- Rs 37,330 crore allocated to the Ministry of Health & Family Welfare
- New National Health Mission will get an allocation of Rs 21,239 crore
- Rs 4,727 crore for medical education, training and research
- Rs 150 crore provided for National Programme for the Health Care of Elderly
- Ayurveda, Unani, Siddha and Homoeopathy are being mainstreamed. Allocation of Rs 1,069 crore to Department of AYUSH.
- Rs 1,650 crore allocated for six AIIMS-like institutions
- Allocation of Rs 65,867 crore to the Ministry of Human Resource Development, an increase of 17 %
- Rs 27,258 crore provided for Sarva Shiksha Abhiyaan (SSA)
- An increase of 25.6 % over RE of the current year for investments in Rashtriya Madhyamik Shiksha Abhiyan (RMSA)
- Rs 5,284 crore allocated to Ministries/Departments in 2013-14 for scholarships to students belonging to SC, ST, OBC, Minorities and girl children.
- Mid Day Meal Scheme (MDM) to be provided Rs 13,215 crore.
- Government committed to the creation of Nalanda University as a centre of educational excellence.

Infrastructure

- A regulatory authority for road sector
- 3000 kms of road projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of 2013-14.
- IIFCL, ADB to offer credit enhancement for infra cos
- To allot 148.73 bln rupees for JNNURM
- Infra debt funds to be encouraged
- Allocates 500 mln rupees to set up apparel parks
- Assure support to commerce ministry to boost exports
- Initial work on Chennai-Bengaluru corridor started
- To give Delhi-Mumbai corridor more funds if needed
- To set up 2 new ports at Andhra Pradesh, West Bengal
- 2 ports at Andhra, W Bengal to add 100 mln tn capacity
- To have Bengaluru-Mumbai Industrial corridor
- Non-tax sop to MSME to stay 3 yr post move to higher class

- Non-tax benefits to MSME for 3 yrs after moving higher
- MSME benefits to stay 3 yrs post move to higher category

Industrial Corridors

- Plans for seven new cities have been finalised and work on two new smart industrial cities at Dholera, Gujarat and Shendra Bidkin, Maharashtra will start during 2013-14
- Delhi Mumbai Industrial Corridor (DMIC) to be provided additional funds during 2013-14 within the share of the Government of India in the overall outlay, if required.
- Chennai Bengaluru Industrial Corridor to be developed
- Preparatory work has started for Bengaluru Mumbai Industrial Corridor

Oil and Gas

- A policy to encourage exploration and production of shale gas will be announced
- The 5 MMTPA LNG terminal in Dabhol, Maharashtra will be fully operational in 2013-14

Coal

- In the medium to long term need to reduce our dependence on imported coal. One way forward is to devise a PPP policy framework with Coal India Limited as one of the partners.

Micro, Small and Medium Enterprises

- Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.
- Refinancing capacity of SIDBI raised to Rs 10,000 crore.
- Another sum of Rs 100 crore provided to India Microfinance Equity Fund.
- A corpus of Rs 500 crore to SIDBI to set up a Credit Guarantee Fund for factoring.
- A sum of Rs 2,200 crore during the 12th Plan period to set up 15 additional Tool
- Rooms and Technology Development Centres with World Bank assistance.

- Ministry of Corporate Affairs to notify that funds provided to technology incubators located within academic Institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.

Textiles

- Technology Upgradation Fund Scheme (TUFS) to continue in 12th Plan with an investment target of Rs 1,51,000 crore.
- Allocation of Rs 50 crore to Ministry of Textile to incentivise setting up Apparel Parks within the SITPs to house apparel manufacturing units.
- A new scheme called the Integrated Processing Development Scheme will be implemented in the 12th Plan to address the environmental concerns of the textile industry.
- Working capital and term loans at a concessional interest of 6 per cent to handloom sector.
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI) extended to 800 clusters during the 12th Plan.
- Rs. 600 Cr for interest subvention in textile FY14
- Loans at 6% rate for women textile entrepreneurs
- Textile technology up-gradation Fund (TUFS) scheme to get Rs. 2400in FY14

Foreign Trade

- Support to measures to be taken to boost exports of goods and services.

Insurance

- A multi-pronged approach to increase the penetration of insurance, both life and general, in the country.
- Number of proposals finalised, in consultation with IRDA such as empowering insurance companies to open branches in Tier-II cities and below without prior approval of IRDA, KYC of banks to be sufficient to acquire insurance policies, banks to be permitted to act as insurance brokers, banking correspondent allowed to sell micro-insurance products and achieving the goal of having an office of LIC and an office of at least one public sector general insurance company in towns with population of 10,000 or more.

- Rashtriya Swasthya Bima Yojana to be extended to other categories such as rickshaw, auto-rickshaw and taxi drivers, sanitation workers, rag pickers and mine workers.
- A comprehensive social security package to be evolved for unorganised sector by facilitating convergence among different schemes.

Capital Market

- Proposal to amend the SEBI Act, to strengthen the regulator, under consideration.
- Number of proposal finalised in consultation with SEBI.
- Designated depository participants, authorised by SEBI, may register different classes of portfolio investors, subject to compliance with KYC guidelines.
- SEBI will simplify the procedures and prescribe uniform registration and other norms for entry for foreign portfolio investors.
- Rule that, where an investor has a stake of 10 per cent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 per cent, it will be treated as FDI will be laid.
- FIIs will be permitted to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.
- FIIs will also be permitted to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements.
- SEBI to prescribed requirement for angel investor pools by which they can be recognised as Category I AIF venture capital funds.
- Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).
- Stock exchanges to be allowed to introduce a dedicated debt segment on the exchange.

Sports

- National Institute of Sports Coaching to be set up at Patiala at a cost of Rs 250 crore over a period of three years.

Broadcasting

- All cities having a population of more than 1,00,000 will be covered by private FM radio services.
- To expand pvt FM stations to 294 more cities
- 294 more cities to be connected by FM radio
- To auction 839 more radio channels in FY14

Miscellaneous

- Initiatives underway to ensure women security
- Allot Rs. 1000 Cr for 'Nirbhaya' women safety fund
- To set up national institute of sports coaching
- To provide Rs. 250 cr for sports university at Patiala

Direct Tax Proposals

Tax Rates

(A) Individual/ HUFs/ AOPs/ BOI/ Artificial Juridical person

(I) The Tax Slabs for Individuals/ HUFs/ AOPs/ BOI, whether incorporated or not, or every artificial juridical person will be continued to be the same as those specified for Assessment year 2013-14.

Slab Rates	
Income	Tax Rate
Upto Rs. 2,00,000	Nil
Rs. 2,00,001 to Rs. 5,00,000	10%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(II) In case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year:

Slab Rates	
Income	Tax Rate
Upto Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	10%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(III) In case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year:

Slab Rates	
Income	Tax Rate
Upto Rs. 5,00,000	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%

Above Rs. 10,00,000	30%
---------------------	-----

(B) Co-operative Societies:

In case of Co-operative Societies, the rates of income-tax are as given below. The rates will be continued to be the same as those specified for Assessment year 2013-14.

Slab Rates	
Income	Tax Rate
Upto Rs. 10,000	10%
Above Rs. 10,000-Rs. 20,000	20%
Above 20,000	30%

(C) Firms:

The rate of income-tax in case of firm is @ 30% which will further be increased by Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

(D) Local Authorities:

The rate of income-tax in case of local authority is @ 30% which will further be increased by Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

The amount of income-tax computed in accordance with the preceding provisions shall be increased by a surcharge at the rate of ten percent of such income-tax in case of above assesses having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

(E) Companies:

Corporate Tax rates remain unchanged.

Type of Company	Existing Surcharge Rate		Proposed Sur Charge Rate	
	Total Income	Rate	Total Income	Rate
Domestic Company	Above 1 Crore	5%	Above 1 crore but not exceed 10 crores	5%
			Above 10 crores	10%

Other than Domestic Company	Above 1 Crore	2%	Above 1 crore but not exceed 10 crores	2%
			Above 10 crores	5%

In other cases (including sections 115-O, 115QA, 115R or 115TA) the surcharge shall be levied at the rate of ten percent.

For financial year 2013-14, additional surcharge called the "Education Cess on income-tax" and "Secondary and Higher Education Cess on income-tax" shall continue to be levied at the rate of two percent and one per cent respectively, on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such Cess.

Section wise direct tax proposals

Definition of Capital Asset

Section 2(14):

Existing Provision:

The existing provisions contained in clause (14) of section 2 of the Income-tax Act define the term "capital asset" as property of any kind held by an assessee, whether or not connected with his business or profession.

Certain categories of properties including agricultural land have been excluded from this definition. Sub-clause (iii) of clause (14) of section 2 provides that

- (a) agricultural land situated in any area within the jurisdiction of a municipality or cantonment board having population of not less than ten thousand according to last preceding census, or
- (b) agricultural land situated in any area within such distance not exceeding eight kilometers from the local limits of any municipality or cantonment board, as notified by the Central Government having regard to the extent and scope of urbanization and other relevant factors, forms part of capital asset.

Proposed Amendment:

It is proposed to amend item (b) of sub-clause (iii) of clause (14) of section 2 so as to provide that the land situated in any area within the distance, measured aerially (shortest aerial distance),

- (I) not being more than two kilometers, from the local limits of any municipality or cantonment board referred to in item (a) and which has a population of more than ten thousand but not exceeding one lakh; or
- (II) not being more than six kilometers, from the local limits of any municipality or cantonment board referred to in item (a) and which has a population of more than one lakh but not exceeding ten lakh; or
- (III) not being more than eight kilometers, from the local limits of any municipality or cantonment board referred to in item (a) and which has a population of more than ten lakh, shall form part of capital asset.

It is also proposed to define the expression "population" to mean population according to the last preceding census of which the relevant figures have been published before the first day of the previous year.

Similar amendments are also proposed in clause (1A) of section 2 of the Income-tax Act, 1961 relating to the definition of "agricultural income" and in respect of the definition of "urban land" in the Wealth-tax Act, 1957.

☹Implication:

This amendment will not have any favourable or unfavourable implications on the assessee.

W.E.F. : 1st April, 2014

Exemptions on Sum received under life insurance policy for Disabled.

Section 10(10D)

Existing Provisions: Under the existing provisions, exemption is granted on any amount received under Life Insurance Policy, subject to the condition that the premium paid does not exceed 10% of the actual capital sum assured.

Proposed provisions: For policies issued on or after 1st April 2013 to a person who is-

i) a person suffering with disability or a person with severe disability as referred to in Sec 80U

ii) suffering from disease or ailment as specified in the rules made under section 80DDB,

exemption shall be available only if the premium payable is not more than 15% of the Sum Insured instead of 10%.

Implication: The proposed amendment increases the ceiling of permissible premium for Insurance. Thus assessee could go for big insurance cover along with tax benefit.

W.E.F. 1st April, 2013

**Sum received under life insurance policy for Key Man Insurance Policy
Section 10(10D)**

Existing Provisions:

Any sum received under Key Man Insurance Policy is not exempt.

It has been noticed that the policies taken as keyman insurance policy are being assigned to the keyman before its maturity. The keyman then pays the remaining premium on the policy and claims the sum received under the policy as exempt on the ground that the policy is no longer a keyman insurance policy. Thus, the exemption under section 10(10D) is being claimed for policies which were originally keyman insurance policies but during the term these were assigned to some other person.

Proposed provision:

With a view to plug the loophole it is proposed to amend the provisions of clause (10D) of section 10 to provide that a keyman insurance policy which has been assigned to any person during its term, with or without consideration, shall continue to be treated as a keyman insurance policy.

Implications:

The loophole in the provision will be plugged with introduction of proposed provision.

**Income of National Financial Holdings Company Limited
Sec 10(49)**

Existing : Newly Introduced

Proposed: It has been proposed to exempt any income of the National Financial Holdings Company Limited, being a company set up by the Central Government, earned prior to 31 March 2014.

Implication: To boost the non-financial banking sector's activities in the year 2013-14.

W.E.F. 1st April 2013.

**Exemptions on Sum received under life insurance policy for Disabled.
Section 10(10D)**

Existing Provisions: Exemption on any amount received under Life Insurance Policy, subject to the condition that the premium paid does not exceed 10% of the actual capital sum assured.

Proposed provisions: For policies issued on or after 1st April 2013 to a person who is-

i) a person suffering with disability or a person with severe disability as referred to in Sec 80U

ii) suffering from disease or ailment as specified in the rules made under section 80DDB,

exemption shall be available only if the premium payable is not more than 15% of the Sum Insured instead of 10%.

W.E.F. 1st April, 2013

Implication: Benefit of 15% has been provided to certain disabled persons.

**Sum received under life insurance policy for Key Man Insurance Policy
Section 10(10D)**

Existing Provisions:

Any sum received under Key Man Insurance Policy is not exempt.

It has been noticed that the policies taken as keyman insurance policy are being assigned to the keyman before its maturity. The keyman then pays the remaining premium on the policy and claims the sum received under the policy as exempt on the ground that the policy is no longer a keyman insurance policy. Thus, the exemption under section 10(10D) is being claimed for policies which were originally keyman insurance policies but during the term these were assigned to some other person.

Proposed provision:

With a view to plug the loophole it is proposed to amend the provisions of clause (10D) of section 10 to provide that a keyman insurance policy which has been assigned to any person during its term, with or without consideration, shall continue to be treated as a keyman insurance policy

Implications:

The said loophole will be plugged.

Income of Securitization trust**Section 10(23DA)**

Existing: Newly Introduced

Proposed: Income of Securitization trust from the activity of securization is proposed to be exempted.

Income of VENTURE CAPITAL FUND /VENTURE CAPITAL COMPANY**Section 10(23FB)**

Existing: *Exemption of any* any income of a venture capital company or venture capital fund in a venture capital undertaking.

Explanation.—For the purposes of this clause,—

(a) “venture capital company” means such company—

(i) which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992), and regulations made thereunder;

(ii) which fulfils the conditions as may be specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf;

(b) “venture capital fund” means such fund—

¹⁷ [(i) operating under a trust deed registered under the provisions of the Registration Act, 1908 (16 of 1908) or operating as a venture capital scheme made

by the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);]

(ii) which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992), and regulations made thereunder;

(iii) which fulfils the conditions as may be specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf; and

(c) "venture capital undertaking" means such domestic company whose shares are not listed in a recognised stock exchange in India and which is engaged in the—

(i) business of—

(A) nanotechnology;

(B) information technology relating to hardware and software development;

(C) seed research and development;

(D) bio-technology;

(E) research and development of new chemical entities in the pharmaceutical sector;

(F) production of bio-fuels;

(G) building and operating composite hotel-cum-convention centre with seating capacity of more than three thousand; or

(H) developing or operating and maintaining or developing, operating and maintaining any infrastructure facility

(ii) dairy or poultry industry

Proposed: *New definitions have been proposed to explain the section 10(23FB)*

(a) "venture capital company" means a company which—

(A) has been granted a certificate of registration, before the 21st day of May, 2012, as a Venture Capital Fund and is regulated under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (hereinafter referred to as the Venture Capital Funds Regulations) made under the Securities and Exchange Board of India Act, 1992; or

(B) has been granted a certificate of registration as Venture Capital Fund as a sub-category of Category I Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations,

2012 (hereinafter referred to as the Alternative Investment Funds Regulations) made under the Securities and Exchange Board of India Act, 1992, and which fulfils the following conditions, namely:—

(i) it is not listed on a recognised stock exchange;

(ii) it has invested not less than two-thirds of its investible funds in unlisted equity shares or equity linked instruments of venture capital undertaking; and

(iii) it has not invested in any venture capital undertaking in which its director or a substantial shareholder (being a beneficial owner of equity shares exceeding ten per cent. of its equity share capital) holds, either individually or collectively, equity shares in excess of fifteen per cent. of the paid-up equity share capital of such venture capital undertaking;

(b) "venture capital fund" means a fund—

(A) operating under a trust deed registered under the provisions of the Registration Act, 1908, which—

(I) has been granted a certificate of registration, before the 21st day of May, 2012, as a Venture Capital Fund and is regulated under the Venture Capital Funds Regulations;

or

(II) has been granted a certificate of registration as Venture Capital Fund as a sub-category of Category I Alternative Investment Fund under the Alternative Investment Funds Regulations and which fulfils the following conditions, namely:—

(i) it has invested not less than two-thirds of its investible funds in unlisted equity shares or equity linked instruments of venture capital undertaking;

(ii) it has not invested in any venture capital undertaking in which its trustee or the settler holds, either individually or collectively, equity shares in excess of fifteen per cent. of the paid-up equity share capital of such venture capital undertaking; and

(iii) the units, if any, issued by it are not listed in any recognised stock exchange;

or

(B) operating as a venture capital scheme made by the Unit Trust of India established under the Unit Trust of India Act, 1963;

(c) "venture capital undertaking" means—

(i) a venture capital undertaking as defined in clause (n) of regulation 2 of the Venture Capital Funds Regulations; or

(ii) a venture capital undertaking as defined in clause (aa) of sub-regulation (1) of regulation 2 of the Alternative Investment Funds Regulations;'

Implications: *The scope of companies to become a Venture Capital Companies has increased thus Venture Capital funding will be easily available. Capital will be available in cheaper rates now, thus growth in industries will takes place. But the*

negative impact of this can be that it will increase the inflation since money supply will increase.

Income received from securitization trust

Sec10(35A)

Existing: Newly introduced.

Proposed: Exemption of any income by way of distributed income referred to in section 115TA received from a securitization trust by any person being an investor of the said trust.

Contribution received from a depository

SECTION 10(23ED)

Existing: Newly introduced.

Proposed: Exemption of any income, by way of contributions received from a depository, of such Investor Protection Fund set up in accordance with the regulations by a depository as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part with a depository, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall, accordingly, be chargeable to income-tax.

Implication: The tax burden on assessee will increase, but it will be beneficial to the government since revenue will increase,

Incentive for acquisition and installation of new plant and machinery by Manufacturing Company

Sec.32 AC

Existing Provision: Provision Newly proposed

Proposed Provision: In Addition to benefits of enhance depreciation provided in section 32, a new section 32 AC proposed to be inserted.

It is proposed to insert a new provision to provide deduction of 15% of aggregate cost of new assets acquired and installed by company assessee with an additional condition to invest more than Rs.100 Cr in P&M in F.Y. of 2013-14 and 2014-15.

For assessment year 2014-15 deduction is allowed on investment made in P&M in F.Y.2013-14 moreover If assessee fail to get deduction in A.Y.2014-15, an assessee can get deduction for investment made in F.Y.2013-14 and 2014-15 combined in A.Y.2015-16.

It is further proposed to provide suitable safeguards so as to restrict the transfer of P&M for the period of 5 Years. However this restriction shall not applied in case of Amalgamation or Demerger but shall continue to apply to the amalgamated company or resulting company as the case may.

Implication: This provision provides additional deduction of 15 % on P&M purchased by manufacturing company after complying the condition mentioned therein. This deduction motivate the manufacturing industry to purchase new plant and machinery and indirectly it will boost production of articles and things.

W.E.F. 1st April, 2014.i.e A.Y. 2014-15

Levy of Commodities Transaction Tax

Section: 36

A new tax called Commodities Transaction Tax (CTT) is proposed to be levied on taxable commodities transactions entered into in a recognized association. It is proposed to define 'taxable commodities transaction' to mean a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognized associations.

The tax is proposed to be levied at the rate, given in the Table below, on taxable commodities transactions undertaken by the seller as indicated hereunder:-

Sr. No.	Taxable commodities transaction	Rate	Payable by
1	Sale of commodity derivative	0.01 per cent	Seller

The provisions with regard to collection and recovery of CTT, furnishing of returns, assessment procedure, power of assessing officer, chargeability of interest, levy of penalty, institution of prosecution, filing of appeal, power to the Central Government, etc. have also been provided.

This tax is proposed to be levied from the date on which Chapter VII of the Finance Bill, 2013 comes into force by way of notification in the Official Gazette by the Central Government.

Further, it is proposed to amend section 36 of the Income-tax Act to provide that an amount equal to the commodities transaction tax paid by the assessee in respect of the taxable commodities transactions entered into in the course of his business during the previous year shall be allowable as deduction, if the income arising from such taxable commodities transactions is included in the income computed under the head "Profits and gains of business or profession".

It is also proposed to insert an Explanation to provide that for the purposes of this clause, the expressions "commodities transaction tax" and "taxable commodities transaction" shall have the meanings respectively assigned to them under Chapter VII of the Finance Act, 2013.

This amendment in section 36 of the Income-tax Act will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Amount to be eligible for deduction as bad debts in case of banks

Sec.36(1) (viiia)

Existing Provision: The following banks and financial institution can claim deduction for provision for bad and doubtful debts to the extent prescribed here below.

Banks	% of Bad debts allowed
Banks incorporated within India:	Rural Branches-10 % of aggregate average advances and Other branches-7.5% of Gross Total Income
-Schedule/Non schedule Banks	
-Co-op. Banks	
Banks Incorporated outside India	5% of gross total Income.
PFI or SFC or SIIC	5% Gross Total Income.

Proposed Provision: In order to clarify the scope and applicability of provision of clause (vii), (viii) of sub-section (1) and sub-section (2), it is proposed to insert an Explanation in clause (vii) of section 36(1) stating that for the purposes of the proviso to section 36(1)(vii) and section 36(2)(v), only one account as referred to therein is made in respect of provision for bad and doubtful debts under section 36(1)(viii) and such account relates to all types of advances, including advances made by rural branches. Therefore, for an assessee to which clause (viii) of section 36(1) applies, the amount of deduction in respect of the bad debts actually written off under section 36(1)(vii) shall be limited to the amount by which such bad debts exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viii) without any distinction between rural advances and other advances.

Implication: As such there are no positive or negative effects in existing provision. However, proposed provision has come to bring more clarity to existing provision.
W.E.F. 1st April, 2014 I.e. A.Y. 2014-15.

Disallowance of certain fee, charge, etc. in the case of State Government Undertakings

Sec.40 (a) (iib)

Existing Provision: Provision Newly proposed

Proposed Provision: In section 40(a), after sub-clause (iia), the following sub-clause shall be inserted namely (iib) any amount paid by way of royalty, license fee, service fee, privilege fee, service charge or any other fee or charge, by whatever name called, which is levied only on or which is appropriated, directly or indirectly, from a State Government undertaking by the State Government will not be allowed as

deduction in computing the income chargeable under the head "Profits and gains of business or profession.

Implication: Increase revenue of Central Government as a result of disallowance of above expense.

W.E.F. 1st April, 2014 I.e. A.Y. 2014-15.

Inclusion of income under PGBP on transfer of immovable property in certain cases.

Section: 43CA

After section 43C of the Income-tax Act, the following section shall be inserted with effect from the 1st of April, 2014.

Existing Provision:

Currently, Capital asset being immovable property is transferred for consideration which is less than the Stamp Value then this value (Stamp Value) is taken as full value of consideration. It is not apply to transfer of immovable property held by the transferor as stock in trade.

Proposed provision:

Where the consideration of transfer of asset (other than Capital asset i.e. Stock in Trade) being land or Building or both is less than stamp value, than the stamp duty value shall be deemed to be full value of consideration for the purpose of computing income under "PGBP".

But one additional condition provided that date of agreement and date of registration should be same but if these two dates are not same than the stamp duty value may be taken as on the date of the agreement for transfer and not as on the date of registration for such transfer. However, this exception shall apply only in those cases where amount of consideration or a part thereof for the transfer has been received by any mode other than cash on or before the date of the agreement.

Implication: The option available to make reference to the valuation officer is not available in this type of cases and the proposed provision gives the clarity on the transfer of immovable property held by the transferor as stock in trade as to include this income as PGBP income.

W.E.F: 1st April, 2014, A.Y.2014-15.

Taxability of immovable property received for inadequate consideration

Section: 56(2)(vii)

Existing provision:

Where any immovable property is received by an individual or HUF without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property would be charged to tax in the hands of the individual or HUF as income from other sources.

Proposed provision:

In addition to above provision, if any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration, shall also be chargeable to tax in the hands of the individual or HUF as income from other sources.

Where the date of the agreement fixing the amount of consideration for the transfer of the immovable property and the date of registration are not the same, the stamp duty value may be taken as on the date of the agreement, instead of that on the date of registration. This exception shall, however, apply only in a case where the amount of consideration, or a part thereof, has been paid by any mode other than cash on or before the date of the agreement fixing the amount of consideration for the transfer of such immovable property.

Implication: Now cases of inadequate consideration against purchase of immovable property will also be covered under this section.

W.E.F: 1st April 2014 i.e. AY 2014-15.

Increase in Insurance premium ceiling rate from 10% to 15% for certain class of people

Section: 80C

Existing provision: Life Insurance premium on life of (a) self, spouse and any child in case of individual and (b) any member, in case of HUF. Insurance premium should not exceed 10% of the actual capital sum assured to be eligible for deduction under this section.

Proposed Provision: The above rate of 10% has been proposed to be **increased to 15%** for -

a. A person with disability or a person with severe disability as referred to in section 80U or

b. a person suffering from disease or ailment as specified in the rules made under section 80DDB,

'Provided the policy is issued on or after the 1st day of April, 2013, and is for insurance on life of above mentioned class of people.

Implication: Special benefits to disabled & person suffering from disease or ailment towards payment of life insurance premium.

W.E.F: 1st April 2014 i.e. AY 2014-15.

Increase in scope of investment options in Rajiv Gandhi Equity Saving Scheme.

Section: 80CCG

Existing provision:

50% deduction will be available for investments upto Rs. 50,000 in equity shares, if

a) The assessee is a resident individual.

(b) His gross total income does not exceed Rs. 10 lakhs;

(c) The assessee is a new retail investor and has "acquired listed equity shares" in accordance with a notified scheme;

(d) The investor is locked-in for a period of 3 years from the date of acquisition in accordance with the above scheme;

(e) The tax benefit is available only for one year. If an investor has claimed a deduction once, he will not be allowed any deduction under the scheme in subsequent years.

Proposed Provision:

➤ The scheme will now cover the investor having gross total income not more than Rs 12 Lakhs.

➤ The investment can be made in "listed units of equity oriented funds" in addition to "listed equity share" as notified in the scheme.

➤ The scheme will benefit the investor for 3 consecutive assessment year beginning with the assessment year relevant to the previous year in which

the listed equity shares or listed units of equity oriented fund were first acquired.

Implication: Benefit to investor will be available for 3 consecutive years.

W.E.F: 1st April 2014 i.e. AY 2014-15.

Deduction for contribution to Health Schemes similar to Central Government Health Scheme (CGHS)

Section: 80D

Existing Provision:

Deductions are allowed for:

- 1) Mediclaim Insurance paid by the individual or HUF and
- 2) Payment made by an individual to CGHS and/or on account of preventive health check.

Proposed Provision:

Deductions will also be allowed for payment made by individual to other schemes as may be notified by the Central & State government. There are no changes in the existing limits of deduction.

Implication: Deductions will be available for payments made to schemes similar to CGHS.

W.E.F: 1st April 2014 i.e. AY 2014-15.

Deduction in respect of Home Loan sanctioned during F.Y.2013-14 for acquiring First Home by Individual

Sec.80EE

Existing Provision: U/s. 24 of the Income-tax Act, Income from House Property is computed after making the deductions specified therein.

The deductions specified under the aforesaid section are as under:-

- i. A sum equal to thirty per cent of the annual value;
- ii. Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital.

It has also been provided that where the property consists of a house or part of a house which is in the occupation of the owner for the purposes of his own

residence or cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him, then the amount of deduction as mentioned above shall not exceed one lakh fifty thousand rupees subject to the conditions provided in the said section.

Proposed Provision: In order to provide additional benefit Sec. 80EE has inserted. The deduction of Rs.1 Lacs is provided on Interest on loan taken by Individual from financial Institutions in F.Y.2013-14. Moreover if assessee can not utilized full benefit of 1 Lac than he may carry forward balance to next A.Y. It is also provided that the deduction shall be subject to the following conditions:-

- (i) the loan is sanctioned by the financial institution during the period beginning on 1st April, 2013 and ending on 31st March, 2014;
- (ii) The amount of loan sanctioned for acquisition of the residential house property does not exceed twenty-five lakh rupees;
- (iii) The value of the residential house property does not exceed forty lakh rupees;
- (iv) The assessee does not own any residential house property on the date of sanction of the loan.

It is also provided that where a deduction under this section is allowed for any assessment year, in respect of interest referred to in sub-section (1), deduction shall not be allowed in respect of such interest under any other provisions of the Income-tax Act for the same or any other assessment year.

Implication: It will promote to purchase a new residential property on Loan by individual and reduce tax burden when interest is more than 1.5 lacs and it will push upward Banking sector and Real Estate Industry.

W.e.f.1st April,2013.

One hundred per cent deduction for donation to National Children's Fund

Section: 80G

Existing provision:

In the case of donations made to the National Children's Fund, deduction is allowed at the rate of fifty per cent of the amount so donated.

Proposed Provision:

It is proposed to allow 100% deduction in respect of any sum paid to the National Children's Fund in computing the total income of an assessee.

Implication: It will encourage donations to National Children's Fund

W.E.F: 1st April 2014 i.e. AY 2014-15.

No deduction for contribution in cash to Political party

Section: 80GGB & 80GGC

Existing Provision:

80GGB: In computing the total income of an Indian company, any sum contributed by it to any political party or an electoral trust in the previous year, is allowed as deduction.

80GGC: In computing the total income of an assessee, being any person other than local authority and artificial juridical person under section, any sum contributed by him, to any political party or an electoral trust in the previous year, is allowed as deduction.

Proposed Provision:

No deduction shall be allowed under section 80GGB and 80GGC in respect of any sum contributed by way of cash.

Implication: It will discourage cash payments by the contributors.

W.E.F: 1st April 2014 i.e. AY 2014-15.

Extension of the sunset date for tax holiday for the power sector by another one year

Section 80-IA(4)(iv)

Existing Provision:

Under the existing provisions contained in the clause (iv) of subsection (4) of section 80IA, a deduction of profits and gains is allowed to an undertaking which, –

(a) is set up in any part of India for the generation or generation and distribution of power if it begins to generate power at any time during the period beginning on 1st April, 1993 and ending on 31st March, 2013;

(b) Starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1st April, 1999 and ending on 31st March, 2013;

(c) Undertakes substantial renovation and modernization of the existing network of transmission or distribution lines at any time during the period beginning on 1st April, 2004 and ending on 31st March, 2013.

Proposed Provision:

It is proposed to amend the above provision to extend the terminal date for a further period of 1 year i.e. up to 31st March, 2014.

Implication: The eligible assessee can avail the benefit for one more year.

W.E.F: 1st day of April 2014 i.e. AY 2014-15.

Deduction for additional wages in certain cases

Section: 80JJAA

Existing Provision:

Deduction of an amount equal to thirty per cent of additional wages paid to the new regular workmen employed by the assessee in the previous year will be available for three assessment year, if

- 1) The tax payer is an Indian Company.
- 2) Income of Tax payer includes any profits and gains derived from any industrial undertaking engaged in the manufacture or production of article or thing.
- 3) The industrial undertaking is not formed by splitting up or reconstruction of an existing undertaking or amalgamation with another industrial undertaking.

Proposed Provision:

It is proposed to provide that the deduction under this section shall not be available if the factory is hived off or transferred from another existing entity or acquired by the assessee company as a result of amalgamation with another company.

W.E.F: 1st day of April 2014 i.e. AY 2014-15.

Implication: It will result increase in employment.

Rebate of income-tax in case of certain individuals**Section 87A**

Existing Provision: Newly Inserted

Proposed Provision: An individual who is a resident in India, with total income not exceeding of Rs. 5,00,000 shall be eligible for the deduction from the amount of Income Tax (before allowing deduction chapter VIII) on his total income with which he is chargeable for any A.Y. of

A) An amount equal to hundred percent of such income tax

OR

B) An amount of two thousand rupees

Whichever is less.

Implications: Individual will get benefit of rebate on tax hence more individuals will be motivated to file returns, which will resulting in reduction of tax evasion.

Tax Residency Certificate**Section 90:**

Existing Provision:

Sec. 90 of the Income tax Act, empowers the Central Government to enter into an agreement with the Government of any foreign country or specified territory outside India for the purpose of

1. Granting relief in respect of avoidance of double tax
2. Exchange of information
3. Recovery of taxes.

Sub section (4) of section 90 & 90(A) of the act makes submission of Tax Residency Certificate containing prescribed particulars, as a condition for availing benefits of the agreement referred to these sections

Proposed provision:

The following provision has been inserted:

“(5) The certificate of being a resident in a country outside India or specified territory outside

India, as the case may be, referred to in sub-section (4), shall be necessary but not a sufficient

Condition for claiming any relief under the agreement referred to therein.”

Implications:

From now onwards, additional documents will be required along with tax Residency Certificate for claiming relief under DTAA (Double taxation Avoidance agreement) and provisions are getting stringent. The current budget says that TRC necessary but not enough and Assessing Officer can investigate the legitimacy of transactions before granting benefit under DTAA.

Chapter X-A**General Anti-Avoidance Rule (GAAR)****Introduction**

In a nutshell, the whole scheme of GAAR revolves around the question of whether an arrangement qualifies as what is termed an ‘impermissible avoidance arrangement’. This term in turn comprises of two distinct components - the main purpose test and the specified conditions test. If upon application of the above tests, an arrangement qualifies as an ‘impermissible avoidance arrangement’, the Finance Bill proposes to empower the tax authorities with wide ranging powers to determine its consequences. The main purpose or one of the main purposes of the arrangement is to obtain a tax benefit. Therefore, the General Anti-Avoidance Rule (GAAR) was introduced in The Income Tax Act by The Finance Act 2012. The Substanting provision relating to GAAR are contained in Chapter X-A (consisting of Section 95 to 102) of The Income Tax Act.

The Provision of Chapter X-A and Section 144BA will come into force W.E.F. 1-Apr-2016 as against the current date of 1-Apr-2014.

In order to give effect to the recommendations the following amendments have been made in GAAR provisions currently provided in the Act:-

- (A) The provisions of Chapter X-A and section 144BA will come into force with effect from April 1, 2016 as against the current date of April 1, 2014. The provisions shall apply from the assessment year 2016-17 instead of assessment year 2014-15.

- (B) An arrangement, the main purpose of which is to obtain a tax benefit, would be considered as an impermissible avoidance arrangement. The current provision of section 96 providing that it should be “the main purpose or one of the main purposes” has been proposed to be amended accordingly.
- (C) The factors like, period or time for which the arrangement had existed; the fact of payment of taxes by the assessee; and the fact that an exit route was provided by the arrangement, would be relevant but not sufficient to determine whether the arrangement is an impermissible avoidance arrangement. The current provisions of section 97 which provided that these factors would not be relevant has been proposed to be amended accordingly.
- (D) An arrangement shall also be deemed to be lacking commercial substance, if it does not have a significant effect upon the business risks, or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained but for the application of Chapter X-A. The current provisions as contained in section 97 are proposed to be amended to provide that an arrangement shall also be deemed to lack commercial substance if the condition provided above is satisfied.
- (E) The Approving Panel shall consist of a Chairperson who is or has been a Judge of a High Court; one Member of the Indian Revenue Service not below the rank of Chief Commissioner of Income-tax; and one Member who shall be an academic or scholar having special knowledge of matters such as direct taxes, business accounts and international trade practices. The current provision of section 144BA, that the Approving Panel shall consist of not less than three members being income-tax authorities and an officer of the Indian Legal Service has been proposed to be amended accordingly.
- (F) The directions issued by the Approving Panel shall be binding on the assessee as well as the income-tax authorities and no appeal against such directions can be made under the provisions of the Act. The current provisions of section 144BA providing that the direction of the Approving Panel will be binding only on the Assessing Officer have been proposed to be amended accordingly.
- (G) The Central Government may constitute one or more Approving Panels as may be necessary and the term of the Approving Panel shall be ordinarily for one year and may be extended from time to time up to a period of three years. The provisions of section 144BA have been proposed to be amended accordingly.
- (H) The two separate definitions in the current provisions of section 102, namely, “associated person” and “connected person” will be combined and there will be only one inclusive provision defining a ‘connected person’. The provisions of section 102 have been proposed to be amended accordingly.
- Consequential amendments in other sections relating to procedural matters are also proposed.

These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

Reduction in Securities Transaction Tax (STT)

Section: 98

It is proposed to amend section 98 of the Finance (No.2) Act, 2004 to reduce STT rates in the taxable securities transactions as indicated hereunder:-

Sr. No.	Nature of taxable securities transaction	Payable by	Existing Rates (in per cent)	Proposed Rates (in per cent)
1	Delivery based purchase of units of an equity oriented fund entered into in a recognized stock exchange	Purchaser	0.1	Nil
2	Delivery based sale of units of an equity oriented fund entered into in a recognized stock exchange	Seller	0.1	0.001
3	Sale of a futures in securities	Seller	0.017	0.01
4	Sale of a unit of an equity oriented fund to the mutual fund	Seller	0.25	0.001

Implication: Reduction in STT Rate beneficial to the traders and investors.

W.E.F: 1st day of June, 2013.

Taxation of Income by way of Royalty or Fees for Technical Services from 10% to 25%

Section 115A:

Existing Provision:

It provides for determination of tax in case of a non-resident taxpayer where the total income includes any income by way of Royalty and Fees for technical services (FTS) received under an agreement entered after 31.03.1976 and which are not effectively connected with permanent establishment, if any, of the non-resident in India. The tax is payable on the gross amount of income at the rate of

- (i) 30% if income by way of royalty or Fees for Technical Services is received in pursuance of an agreement entered on or before 31.05.1997;
- (ii) 20% if income by way of royalty or Fees for Technical Services is received in pursuance of an agreement entered after 31.05.1997 but before 01.06.2005; and
- (iii) 10% if income by way of royalty or Fees for Technical Services is received in pursuance of an agreement entered on or after 01.06.2005.

India has tax treaties with 84 countries, majority of tax treaties allow India to levy tax on gross amount of royalty at rates ranging from 10% to 25%, whereas the tax rate as per section 115A is 10%. In some cases, this has resulted in taxation at a lower rate of 10% even if the treaty allows the income to be taxed at a higher rate.

Proposed Amendment:

In order to correct this anomaly, the tax rate is proposed to be increased from 10% to 25%. This rate of 25% shall be applicable to any income by way of royalty and fees for technical services received by a non-resident, under an agreement entered after 31.03.1976, which is taxable under section 115A.

☺Implication:

This amendment will result into increase in revenue generation by Direct Tax of Indian Government

W.E.F.: 1st April, 2014

Lower rate of tax on dividends received from foreign companies

Section 115BBD:

Existing provision:

Section 115BBD of Income-tax Act provides for taxation of gross dividends received by an Indian company from a specified foreign company (in which it has shareholding of 26% or more) at the rate of 15% if such dividend is included in the total income for the Financial Year 2012-13 i.e. Assessment Year 2013-14.

Proposed amendment:

To extend the applicability of this section in respect of income by way of dividends received from a specified foreign company in Financial Year 2013-14 also, subject to the same conditions.

☺ Implication:

The amendment is proposed as an incentive for attracting repatriation of income earned by residents from investments made abroad subject to certain conditions.

W.E.F.:1st April, 2014

Removal of the cascading effect of Dividend Distribution Tax (DDT)

Section 115-O:

Existing Provision:

Section 115-O of the Income-tax Act provides for taxation of distributed profits of a domestic company. It provides that any amount declared, distributed or paid by way of dividends, whether out of current or accumulated profits, shall be liable to be taxed at the rate of 15%. The tax is known as Dividend Distribution Tax (DDT). Such distributed dividend is exempt in the hands of recipients.

Section 115BBD of Income Tax Act provides for taxation of gross dividends received by an Indian company from a specified foreign company (in which it has shareholding of 26% or more) at the rate of 15%.

Proposed Amendment:

In section 115-O of the Income-tax Act, in sub-section (1A), for clause (i), the following clause shall be substituted with effect from the 1st day of June, 2013, namely:—

“(i) the amount of dividend, if any, received by the domestic company during the financial year, if such dividend is received from its subsidiary and,—

(a) where such subsidiary is a domestic company, the subsidiary has paid the tax which is payable under this section on such dividend; or

(b) where such subsidiary is a foreign company, the tax is payable by the domestic company under section 115BBD on such dividend:

Provided that the same amount of dividend shall not be taken into account for reduction more than once;”

Section 115-O provides that the tax base for DDT (i.e. the dividend payable in case of a company) is to be reduced by an amount of dividend received from its subsidiary if such subsidiary has paid the DDT which is payable on such dividend & hereby ensuring removal of cascading effect of DDT in a multi-tier structure where dividend received by a domestic company from its subsidiary (which is also a domestic company) is distributed to its shareholders.

☺**Implication:**

This amendment removes the cascading effect of Dividend distribution tax (DDT) paid u/s 115O & u/s115 BBD.

W.E.F.: 1st June, 2013

Rationalization of tax on distributed income by the Mutual Funds

Section 115R:

Existing provision:

Under the existing provisions of section 115R any amount of income distributed by the specified company or a Mutual Fund to its unit holders is chargeable to additional income-tax.

In case of any distribution made by a fund other than equity oriented fund to a person who is not an individual and HUF, the rate of tax is 30% whereas in case of

distribution to an individual or an HUF it is 12.5% or 25% depending on the nature of the fund.

Further in case of an Infrastructure debt fund (IDF) set up as a Non-Banking Finance Company (NBFC) the interest payment made by the fund to a non-resident investor is taxable at a concessional rate of 5%.

However in case of distribution of income by an IDF set up as a Mutual Fund the distribution tax is levied at the rates described above in the case of a Mutual Fund.

Proposed amendment:

It is proposed to increase the rate of tax on distributed income from 12.5% to 25% in all cases where distribution is made to an individual or a HUF.

It is proposed to amend section 115R to provide that tax @ 5% on income distributed shall be payable in respect of income distributed by a Mutual Fund under an IDF scheme to a non-resident Investor.

☺ Implication:

Due to the amendment there will be a uniform taxation for all types of funds, other than equity oriented fund, in addition there will be parity in taxation of income from investment made by a non-resident Investor in an IDF whether set up as a IDF-NBFC or IDF-MF.

W.E.F.:1st June, 2013.

Additional Income-tax on distributed income by company for buy-back of unlisted shares

Section: 115QA

New Provision:

It is proposed to insert a new Chapter XII-DA, to provide that the consideration paid by the company for purchase of its own unlisted shares which is in excess of the sum received by the company at the time of issue of such shares (distributed income) will be charged to tax and the company would be liable to pay additional income-tax @ 20% of the distributed income paid to the shareholder.

The additional income-tax payable by the company shall be the final tax on similar lines as dividend distribution tax.

The income arising to the shareholders in respect of such buy back by the company would be exempt where the company is liable to pay the additional income-tax on the buy-back of shares.

⊗Implication:

Now the unlisted companies will not be able to avoid tax they used to avoid by buying back the shares instead of payment of dividends in order to avoid payment of tax by way of DDT particularly where the capital gains arising to the shareholders are either not chargeable to tax or are taxable at a lower rate.

W.E.F.:1st June, 2013.

**Interest payable for the non payment of tax by companies u/s 115QA
Section 115QB**

New Provision:

Where the principal officer of the domestic company and the company fails to pay the whole or any part of the tax on the distributed income referred to in section 115QA, within fourteen days from the date of payment of any consideration to the shareholder on buy-back of shares, he or it shall be liable to pay simple interest at the rate of 1% for every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

⊗Implication:

To avoid interest levied on non payment, the principal officer of the domestic company and the company will deposit tax within the due dates.

W.E.F.:1st June, 2013.

Deemed to be an assessee in default

Section 115QC:

New Provision:

If any principal officer of a domestic company and the company does not pay tax on distributed income in accordance with the provisions of section 115QA, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

⊗Implication:

As the assessee is deemed to be an assessee in default all the penal provisions of the act will apply to him, but there is no such implication to genuine assessee.

W.E.F.:1st June, 2013.

Special provisions relating to tax on distributed income by Securitisation Trusts (Insertion of New chapter XII-EA)

Section 115TA:

New Provision:

As per the new section,

(1) Notwithstanding anything contained in any other provisions of the Act, any amount of income distributed by the securitization trust to its investors shall be chargeable to tax and such securitization trust shall be liable to pay additional income-tax on such distributed income at the rate of

(i) twenty-five per cent. on income distributed to any person being an individual or a Hindu undivided family;

(ii) thirty per cent. on income distributed to any other person:

Provided that nothing contained in this sub-section shall apply in respect of any income distributed by the securitization trust to any person in whose case income, irrespective of its nature and source, is not chargeable to tax under the Act.

(2) The person responsible for making payment of the income distributed by the securitization trust shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

(3) The person responsible for making payment of the income distributed by the securitization trust shall, on or before the 15th day of September in each year, furnish to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving the details of the amount of income distributed to investors during the previous year, the tax paid thereon and such other relevant details, as may be prescribed.

(4) No deduction under any other provisions of this Act shall be allowed to the securitisation trust in respect of the income which has been charged to tax under sub-section (1).

⊗Implication:

In order to facilitate the securitisation process, it is proposed to provide a special taxation regime in respect of taxation of income of securitisation entities, set up as a trust, from the activity of securitization and this will lead to increase in generation of revenue to the Indian Government.

W.E.F.: 1st June, 2013

Interest payable for the non payment of tax by the securitisation trust u/s 15TA

Section 115TB:

New provision:

Where the person responsible for making payment of the income distributed by the securitisation trust and the securitisation trust fails to pay the whole or any part of the tax referred to in section 115TA, within the time allowed, he or it shall be liable to pay simple interest at the rate of 1% every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

⊗Implication:

To avoid interest levied on non payment, the person responsible for making payment of the income distributed by the securitisation trust will deposit tax within the due dates.

W.E.F.: 1st June, 2013.

Deemed to be an assessee in default

Section 115TC:

New provision:

If any person responsible for making payment of the income distributed by the securitisation trust and the securitisation trust does not pay tax, as referred to in

section 115TA, then he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

⊗Implication:

As the assessee is deemed to be an assessee in default all the penal provisions of the act will apply to him, but there is no such implication to genuine assessee.

W.E.F.: 1st June, 2013.

Application of seized assets under section 132B

Sec 132B:

Existing Provision:

The assets seized under section 132 or requisitioned under section 132A for existing liability under the following acts , namely:—the Income Tax Act, 1961 the Wealth-tax Act, 1957 , the Expenditure-tax Act, 1987 , the Gift-tax Act, 1958) and the Interest-tax Act, 1974 are to be dealt u/s 132B.

Under this, courts have taken a view that “Existing Liability” includes all the advance tax liabilities of the assesses for the calculation of the total amount of existing liabilities.

Proposed provision:

Under the proposed provision, Advance tax payable in accordance with provision Part C of Chap VII of the Income Tax Act, 1961 is not to be included as the intent of the legislature was to recover all the outstanding tax/interest/penalty, but not the Advance tax.

Implications:

The tax structure will get simplified.

W.E.F.: 1st day of June, 2013

Return of Income filed without payment of self- assessment tax to be treated as defective return.

Sec 139

Existing Provision:

Under the section 139(9) Assessing Officer has power to call upon the assessee to rectify a defective return within a period of fifteen days from the date of intimation. If the defect is not rectified within the period of fifteen days, then it will be counted as an invalid return. The conditions, non fulfillment of which renders the return defective have been provided in the "Explanations" of the aforesaid subsection.

Sec 140A includes all the tax (payable on return) which is to be paid by the assessee along with the interest according to the provisions of this Act for any delay in furnishing the return or default or delay of payment of Advance tax considering the prepaid taxes.

It has been noticed that a large number of assessee are filing their return of Income without payment of Self Assessment Tax.

Proposed Provision

It is therefore proposed to amend the aforesaid explanation to include self assessment tax along with interest, if any, payable in accordance with the provision of Sec. 140A has been paid or on before the date of furnishing the return. If the above payments are not made, the return will be treated as a defective return.

Implication:

From now onwards, if the self assessment tax is not paid by assessee till date of filing return, then the return of such assessee will be treated as defective return u/s 139(9).

W.E.F.: 1st June, 2013.

Direction for special audit under sub-section (2A) of section 142

Section 142(2A):

Existing provision:

It provides that if at any stage of the proceeding, the Assessing Officer having regard to the nature and complexity of the accounts of the assessee and the interests of the revenue, is of the opinion that it is necessary so to do, he may, with the

approval of the Chief Commissioner or Commissioner, direct the assessee to get his accounts audited by an accountant and to furnish a report of such audit.

Proposed Provision:

The expression “nature and complexity of the accounts” now has been interpreted as nature and complexity of the accounts volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee, and the interests of the revenue, and get the accounts audited with the previous approval of the Chief Commissioner or the Commissioner.

Implications:

Now the scope of Special Audit has been widened and indirectly injecting transparency and clarity in the books of accounts of assesses.

Reference to Commissioner in certain cases

Section 144(BA)

Section 144BA of the Income-tax Act (as inserted by section 62 of the Finance Act, 2012) shall

be omitted with effect from the 1st day of April, 2014

“144BA. (1) If, the Assessing Officer, at any stage of the assessment or reassessment proceedings before him having regard to the material and evidence available, considers that it is necessary to declare an arrangement as an impermissible avoidance arrangement and to determine the consequence of such an arrangement within the meaning of Chapter X-A, then, he may make a reference to the Commissioner in this regard.

(2) The Commissioner shall, on receipt of a reference under sub-section (1), if he is of the opinion that the provisions of Chapter X-A are required to be invoked, issue a notice to the assessee, setting out the reasons and basis of such opinion, for submitting objections, if any, and providing an opportunity of being heard to the assessee within such period, not exceeding sixty days, as may be specified in the notice.

(3) If the assessee does not furnish any objection to the notice within the time specified in the notice issued under sub-section (2), the Commissioner shall issue such directions as he deems fit in respect of declaration of the arrangement to be an impermissible avoidance arrangement.

(4) In case the assessee objects to the proposed action, and the Commissioner after hearing the assessee in the matter is not satisfied by the explanation of the assessee, then, he shall make a reference in the matter to the Approving Panel for the purpose of declaration of the arrangement as an impermissible avoidance arrangement.

(5) If the Commissioner is satisfied, after having heard the assessee that the provisions of Chapter X-A are not to be invoked, he shall by an order in writing, communicate the same to the Assessing Officer with a copy to the assessee.

(6) The Approving Panel, on receipt of a reference from the Commissioner under sub-section (4), shall issue such directions, as it deems fit, in respect of the declaration of the arrangement as an impermissible avoidance arrangement in accordance with the provisions of Chapter X-A including specifying of the previous year or years to which such declaration of an arrangement as an impermissible avoidance arrangement shall apply.

(7) No direction under sub-section (6) shall be issued unless an opportunity of being heard is given to the assessee and the Assessing Officer on such directions which are prejudicial to the interest of the assessee or the interests of the revenue, as the case may be.

(8) The Approving Panel may, before issuing any direction under sub-section (6),—
(i) if it is of the opinion that any further inquiry in the matter is necessary, direct the Commissioner to make such inquiry or cause the inquiry to be made by any other income-tax authority and furnish a report containing the result of such inquiry to it; or
(ii) call for and examine such records relating to the matter as it deems fit; or
(iii) require the assessee to furnish such documents and evidence as it may direct.

(9) If the members of the Approving Panel differ in opinion on any point, such point shall be decided according to the opinion of the majority of the members.

(10) The Assessing Officer, on receipt of directions of the Commissioner under sub-section (3) or A of the Approving Panel under sub-section (6), shall proceed to complete the proceedings referred to in sub-section (1) in accordance with such directions and the provisions of Chapter X-A.

(11) If any direction issued under sub-section (6) specifies that declaration of the arrangement as impermissible avoidance arrangement is applicable for any previous year other than the previous year to which the proceeding referred to in sub-section (1) pertains, then, the Assessing Officer while completing any assessment or reassessment proceedings of the assessment year relevant to such other previous year shall do so in accordance with such directions and the provisions of Chapter X-A and it shall not be necessary for him to seek fresh direction on the issue for the relevant assessment year.

(12) No order of assessment or reassessment shall be passed by the Assessing Officer without the prior approval of the Commissioner, if any tax consequences have been determined in the order under the provisions of Chapter X-A.

(13) The Approving Panel shall issue directions under sub-section (6) within a period of six months from the end of the month in which the reference under sub-section (4) was received.

(14) The directions issued by the Approving Panel under sub-section (6) shall be binding on—

(i) the assessee; and
(ii) the Commissioner and the income-tax authorities subordinate to him, and notwithstanding anything contained in any other provision of the Act, no appeal under the Act shall lie against such directions.

(15) The Central Government shall, for the purposes of this section, constitute one or more Approving Panels as may be necessary and each panel shall consist of three members including a Chairperson.

(16) The Chairperson of the Approving Panel shall be a person who is or has been a judge of a High Court, and—

(i) one member shall be a member of Indian Revenue Service not below the rank of Chief Commissioner of Income-tax; and
(ii) one member shall be an academic or scholar having special knowledge of matters, such as direct taxes, business accounts and international trade practices.

(17) The term of the Approving Panel shall ordinarily be for one year and may be extended from time to time up to a period of three years.

(18) The Chairperson and members of the Approving Panel shall meet, as and when required, to consider the references made to the panel and shall be paid such remuneration as may be prescribed.

(19) In addition to the powers conferred on the Approving Panel under this section, it shall have the powers which are vested in the Authority for Advance Rulings under section 245U.

(20) The Board shall provide to the Approving Panel such officials as may be necessary for the efficient exercise of powers and discharge of functions of the Approving Panel under the Act.

(21) The Board may make rules for the purposes of the constitution and efficient functioning of the Approving Panel and expeditious disposal of the references received under sub-section (4).

Explanation.—In computing the period referred to in sub-section (13), the following shall be excluded—

(i) the period commencing from the date on which the first direction is issued by the Approving Panel to the Commissioner for getting the inquiries conducted through the authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information so requested is last received by the Approving Panel or one year, whichever is less;

(ii) the period during which the proceeding of the Approving Panel is stayed by an order or injunction of any court:

Provided that where immediately after the exclusion of the aforesaid time or period, the period available to the Approving Panel for issue of directions is less than sixty days, such remaining period shall be extended to sixty days and the aforesaid period of six months shall be deemed to have been extended accordingly.”

W.E F 1st April, 2016

Exclusion of time in computing the period of limitation for completion of assessments and reassessments

Sec 153:

Existing Provisions:

Under the existing provisions of clause (iii) of *Explanation 1* to section 153, the period commencing from the date on which the Assessing Officer directs the assessee to get his accounts audited under sub-section (2A) of section 142 and ending with the last date on which the assessee is required to furnish a report of such audit, is excluded in computing the period of limitation.

But it does not provide for exclusion of time in case the direction of the Assessing Officer is set aside by the court.

Also, in clause (viii) of *Explanation 1* to section 153 provide for exclusion of the period commencing from the date on which a reference for exchange of information is made by an authority competent under an agreement referred to in **section 90 or section 90A** and ending with the date on which the information so requested is received by the Commissioner or a period of one year, whichever is less, in computing the period of limitation. And more than one foreign authorities may be involved in the same.

Proposed Provisions:

Now onwards, where such direction is challenged before a court, it will end with the date on which the order setting aside such direction is received by the Commissioner, and the same shall be excluded in computing the period of limitation.

Also, it is proposed to amend clause (viii) to provide that the period commencing from the date on which first of the references for exchange of information is made ending with the date on which the information requested is last received or a period of one year, whichever is less, shall be excluded in computing the period of limitation.

Similar amendments are also proposed in the explanation to section 153B of the Income Tax Act relating to the time limit for completion of search assessment.

W.E.F.: 1st June, 2013.

Taxation on Securitization Trusts

Section : 161

Existing Provision: Newly inserted

Proposed Provision:

In order to facilitate the securitization process, it is proposed to provide a special taxation regime in respect of taxation of income of securitization entities, set up as a trust, from the activity of securitization. It is proposed to amend section 10 and also insert a new Chapter XII EA for providing a special tax regime. The salient features of the special regime are:-

(i) In case of securitization vehicles which are set up as a trust and the activities of which are regulated by either SEBI or RBI, the income from the activity of securitization of such trusts will be exempt from taxation.

(ii) The securitization trust will be liable to pay additional income-tax on income distributed to its investors on the line of distribution tax levied in the case of mutual funds. The additional income-tax shall be levied @ 25% in case of distribution being made to investors who are individual and HUF and @ 30% in other cases. No additional income tax shall be payable if the income distributed by the securitization trust is received by a person who is exempt from tax under the Act.

(iii) Consequent to the levy of distribution tax, the distributed income received by the investor will be exempt from tax.

(iv) The securitization trust will be liable to pay interest at the rate of one percent. for every month or part of the month on the amount of additional income-tax not paid within the specified time.

(v) The person responsible for payment of income or the securitization trust will be deemed to be an assessee in default in respect of amount of tax payable by him or it in case the additional income-tax is not paid to the credit of Central Government.

W.E.F: 1st day of June, 2013.

Liability of partners of limited liability partnership in liquidation

Section 167C :

Existing Provision:

As per section 167C of Income Tax Act, in case of limited liability partnership where the “**tax dues**” of any previous year were not recovered, than every person who was a partner of the limited liability partnership at any time during the relevant previous year, shall be jointly and severally liable for the payment of such tax unless

he proves that such non-recovery have not resulted due to any mischief or breach of duty on his part in relation to such partnership.

Proposed Provision:

It is to be proposed that the term “**tax due**” shall include penalty, interest or any other sum payable under the act collectively.

Implication: The tax burden on the assessee will be increased.

Recovery of Company’s arrears of Income Tax

Section 179 :

Existing Provision: As per section 179 “tax dues” from any income of any Private Company for any P.Y during which such other company was a private company cannot be recovered, then, every person who was a director of the private company at any time during the relevant previous year, shall be jointly and severally liable for the payment of such tax, unless he proves that the non-recovery cannot be resulted due to any mischief or breach of duty on his part in relation to such partnership.

Further added where such private company is converted into a public company then, nothing contained in above section shall apply to any person who was a director of such private company in relation to any tax due in respect of any income of such private company.

Proposed Provision: It is to be proposed that the term “**tax due**” shall include penalty, interest or any other sum payable under the act collectively.

Implication: The tax burden on the assessee will be increased.

Payment on transfer of certain immovable property other than agricultural land

Section: 194-IA

Existing provision: Newly inserted

Proposed Provision:

After section 194-I of the Income-tax Act, the following section shall be inserted viz. 194-IA.

(1) Any person, being a transferee, responsible for paying (other than the person referred to in section 194LA) to a resident transferor any sum by way of

consideration for transfer of any immovable property (other than agricultural land), shall, at the time of credit of such sum to the account of the transferor or at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to 1% of such sum as income-tax thereon.

(2) No deduction under sub-section (1) shall be made where the consideration for the transfer of an immovable property is less than Rs. 50 Lakhs.

Implication: It will help to regulate and curb the illegal transaction of properties.

W.E.F: 1st day of June, 2013.

Concessional rate of withholding tax on interest for long-term infrastructure bonds.

Section: 194LC

Existing provision

As per the provision of section 194LC, if an Indian company borrows money in foreign currency from a source outside India either under a loan agreement or by way of issue of long-term infrastructure bonds, as approved by the Central Government, then the interest payment to a non-resident person would be made after deduction of TDS at the rate of 5%.

Proposed Provision

Provided that where a non-resident (not being a company) or a foreign company has deposited any sum of money in foreign currency in a designated account (person's bank account opened only for the purpose of depositing money in foreign currency & utilization of such money for payment to the specified company for subscription in the long-term infrastructure bonds issued by it) through which such sum, as converted in rupees, is utilized by the non-resident or the foreign company, as the case may be, to subscribe to any long-term infrastructure bonds issued by the specified company in India, then such borrowing, for the purposes of this section, shall be deemed to have been made by the specified company in foreign currency.

Implication:

☺ Foreign investment can be boosted through such efforts.

W.E.F: 1st day of June, 2013.

Appeals to the Appellate Tribunal

Section : 253

Existing provision :-

An order passed by an Assessing Officer u/s 143(3) or section 147 or sec 153A or section 153C in pursuance of the directions of the dispute resolution panel or an order passed u/s 154 in respect of such order.

Proposed amendment:

The following provision proposed to be inserted in section 253 of the Income-tax Act, that an order passed by an Assessing Officer under sub-section (3) of section 143 or section 147 or section 153A or section 153C with the approval of the Commissioner as referred to in subsection of section 144BA or an order passed under section 154 or section 155 in respect of such order shall be allowed to appeals to the Appellate Tribunal”

W.E.F.:- 1st April, 2016

Enhancement of Penalty u/s 271FA for non-filing of Annual Information Return

Section 271FA

Existing Provision:

As per section 271FA of Income Tax Act, if a person who is required to furnish an annual information return, as required under sub-section (1) of section 285BA, fails to furnish such return within the time prescribed under that sub-section, the income-tax authority may direct that such person **shall be liable to pay penalty of Rs 100 per day** for every day during which the failure continues till the receipt of notice.

Proposed Provision:

Further addition to the existing provision, the burden of penalty will be increased on the taxpayer by **Rs 500 per day for every day** during which the failure continues, begging from the day immediately following the day on which such notice was received.

Implications: The burden on the assessee will be increased. It will increase the revenue of Government.

Penalty for failure to furnish annual information return

Section 271FA:-

Existing provision:

If a person who is required to furnish an annual information return, as required under sub-section (1) of section 285BA, fails to furnish such return within the time prescribed under that sub-section, the income-tax authority prescribed under the said sub-section may direct that such person shall pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Proposed amendment:

If a person who is required to furnish an annual information return, as required under sub-section (1) of section 285BA, fails to furnish such return within the time prescribed under that sub-section, the income-tax authority prescribed under the said sub-section may direct that such person shall pay, by way of penalty, a sum of one Five Hundred rupees for every day during which the failure continues, beginning from the day immediately following day on which the time specified in such notice for furnishing the return expires.

Implication:-

- a) For Assesse:-It will increase the amount of penalty by Rs. 400, which will increase the burden of penalties on Assesse.
- b) For Government:-Revenue from penalty will increase.

W.e.f.:- 1st April, 2014

Power to make Rules

Section:- 295 (eed)

Existing provision: - Newly inserted

Proposed amendment:

Remuneration of Chairperson and members of the Approving Panel under sub-section (18) and procedure and manner for constitution of, functioning and disposal of references by, the Approving Panel under sub-section (21) of section 144BA.

Implication:-

New clause (eed) clarifies the procedure and manner of constitution and remuneration of Chairperson and members of the Approving Panel.

W.E.F:-1st April, 2016

Indirect tax proposals

Service Tax :

Service Tax Voluntary Compliance Encouragement Scheme 2013.

In this Budget, Honorable Finance Minister P. Chidambaram have proposed to take up a noble step to encourage Voluntary Compliance of Service Tax Laws from various assesses and to broaden the tax base.

Vide this proposal, an encouragement is sought to be provided to the ones who have stopped filing returns or the ones who had to take up the Service Tax Registration but haven't applied so far or service providers (who have not disclosed true liability in the returns filed by them during the period from October 2007 to December 2012) who pay the "tax dues".

Vide provisions detailed in Chapter VI of the Finance Bill 2013, It has been provided that –

Any person may declare his TAX DUES in respect of which no notice or an order of determination under Section 72 or Section 73 or Section 73A of the Chapter has been issued or made before the 1st day of March 2013.

For the purpose of this scheme, TAX DUES will cover: Service tax due or payable under the Chapter or any other amount due or payable under section 73A thereof, for the period beginning from the 1st day of October 2007 and ending on the 31st day of December 2012 including a cess leviable thereon under any other Act for the time being in force, but not paid as on the 1st day of March 2013.

On declaration of Tax Dues for the period referred above and on payment of Service Tax attributable thereon, the assessee shall get immunity from Penalty, Interest, or any other proceeding under this Chapter.

In detailed provisions as listed in Chapter VI of Finance Bill 2013, few exceptions for the application in this scheme is provided which are to be reviewed thoroughly before applying.

The proposed scheme shall come into force from the date on which the Finance Bill 2013 receives the assent of the President.

Amendment in understanding of the term 'Vocational Training' - Covered in Negative List.

Section 65B

Existing Provision: Vide newly inserted Negative List Regime, Services provided by way of imparting 'approved vocational education courses' are exempt from Service Tax net.

Up-till now, following was covered in the term 'approved vocational education course':

- (i) a course run by an industrial training institute or an industrial training centre affiliated to the National Council for Vocational Training (NCVT) offering courses in designated trades notified under the Apprentices Act, 1961; or
- (ii) a Modular Employable Skill Course, approved by the National Council of Vocational Training, run by a person registered with the Directorate General of Employment and Training, Union Ministry of Labour and Employment; or
- (iii) a course run by an institute affiliated to the National Skill Development Corporation (NSDC) set up by the Government of India;

Proposed Provision: It has been proposed to include the courses run by an industrial training institute or an industrial training centre affiliated to the 'State Council of Vocational Training (SCVT)' also along with the courses affiliated to National Council for Vocational Training (NCVT) under the existing provision. Thus, from now onwards, Services provided by way of imparting the courses of industrial training affiliated to SCVT will also be exempt from Service Tax.

Further it has been proposed to omit the Services provided by way of imparting courses run by Institutes affiliated to National Skill Development Corporation (NSDC) out of the negative list. Thus services provided by way of training for courses affiliated to NSDC will now be taxable under Service Tax.

Implication:

☺ The proposed amendment is Positive - for the service provided by way of imparting training to the courses of industrial training affiliated to State Council of Vocational Training (SCVT) will also be exempt from Service Tax along with the ones affiliated to National Council for Vocational Training (NCVT).

⊖ On the same lines it is Negative – for the services provided by way of courses affiliated to National Skill Development Corporation shall be now be taxable in Service Tax.

Amendment in one of the clauses of Negative List for processes amounting to manufacture or production.

Section 66D

Existing Provision: Under Section 66D - Negative List of Service Tax is provided, in which Services not liable to Service Tax are covered.

Under clause (f) – ‘any process amounting to manufacture or production of goods’ is provided.

Thus, those activities which amounts to manufacture or production of goods is exempted form Service Tax.

Proposed Provision: Under this clause along with the words ‘any process amounting to manufacture or production of goods’, the ‘process on which duties of excise are leviable under the Medicinal and Toilet Preparations (Excise Duties) Act 1955’ are added.

Implication:

⊕ Now the ‘processes on which duties of excise are leviable under Medicinal and Toilet Preparations (Excise Duties) Act 1955’ will also from the part of Negative List along with ‘process amounting to manufacture or production of goods’. Thus services rendered by way of processing as detailed above shall not be liable to Service Tax.

Amendment in one of the clauses of Negative List for enhancing the meaning of Agricultural Testing Activities.

Section 66D

Existing Provision: Under Section 66D - Negative List of Service Tax is provided, in which Services not liable to Service Tax are covered.

Under clause (d)(i) – ‘agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or seed testing’ is provided.

Thus the above is not liable to Service Tax.

Proposed Provision: It has been proposed to omit the word ‘seed’ from the above provision. As a result, testing activities directly related to production of any agricultural produce like soil testing, animal feed testing, testing of samples from plants or animals, for pests and disease causing microbes will be covered by the negative list.

Implication:

© As a result of the proposed provision lots of other testing activities such as soil testing, animal feed testing, testing of samples from plants or animals, for pests and disease causing microbes becomes the part of Negative List on which no service tax is not leviable.

Inclusion of new provision under Section 73 for safeguarding the intent of the department in issuing Notice.

Section 73(2A)

Existing Provision: No such existing provision.

Proposed Provision: In section 73, a new sub-section (2A), similar to sub-section (9) of section 11A of Central Excise Act, 1944, is being inserted to harmonize the Central Excise and Service Tax law.

As per Section 73(2A) - Where any appellate authority or tribunal or court concludes that the notice issued under the proviso to sub-section (1) is not sustainable for the reason that the charge of,—

- (a) fraud; or
- (b) collusion; or
- (c) willful misstatement; or

(d) suppression of facts; or

(e) contravention of any of the provisions of this Chapter or the rules made thereunder with intent to evade payment of service tax,

has not been established against the person chargeable with the service tax, to whom the notice was issued, the Central Excise Officer shall determine the service tax payable by such person for the period of eighteen months, as if the notice was issued for the offences for which limitation of eighteen months applies under sub-section (1).

Implication:

⊕ The proposed provision is inserted to safeguard the intent of the department. No window for assesses.

Amendment in Penalty provision in case of failure to take Registration Certificate of Service Tax.

Section 77(1)(a)

Existing Provision: A person who is liable to pay service tax, or required to take registration, fails to take registration in accordance with the provisions of section 69 or rules made under this Chapter shall be liable to pay a penalty which may extend to [ten thousand rupees] or two hundred rupees for every day during which such failure continues, whichever is higher, starting with the first day after the due date, till the date of actual compliance.

Proposed Provision: A person who is liable to pay service tax or required to take registration, fails to take registration in accordance with the provisions of section 69 or rules made under this Chapter shall be liable to a penalty which may extend to ten thousand rupees.

Implication:

⊕ In the earlier provision, penalty was imposed with an option of Rs. 200 per day for everyday of default, however, provision is being amended, in such manner that, maximum penalty imposable for failure to obtain registration will be ten thousand rupees only. As such no major impact for genuine assesses.

Inclusion of New Provision in order to grill the top management of the company in case of specified contraventions.

Section 78A

Existing Provision: No such existing provision.

Proposed Provision: A new provision under Section 78A is proposed which proposes a penalty which may extend to Rs. 1 Lac on top management of the company in case of specific statutory contraventions.

Where a company has committed any of the following contraventions, namely:—

- (a) evasion of service tax; or
- (b) issuance of invoice, bill or, as the case may be, a challan without provision of taxable service in violation of the rules made under the provisions of this Chapter; or
- (c) availment and utilisation of credit of taxes or duty without actual receipt of taxable service or excisable goods either fully or partially in violation of the rules made under the provisions of this Chapter; or
- (d) failure to pay any amount collected as service tax to the credit of the Central Government beyond a period of six months from the date on which such payment becomes due,

then any director, manager, secretary or other officer of such company, who at the time of such contravention was in charge of, and was responsible to, the company for the conduct of business of such company and was knowingly concerned with such contravention, shall be liable to a penalty which may extend to 1 Lac Rupees.

Implication:

⊗ The proposed provision brings in further penalty provisions. Thus, it favors the department.

Relaxation in the provision of filing of memorandum of Cross Objection by Assessee to Appellate Tribunal.

Section 86(5)

Existing Provision: The Appellate Tribunal may admit an appeal or permit the filing of a memorandum of cross-objections after the expiry of the relevant period referred to in sub-section (3) or sub-section (4) if it is satisfied that there was sufficient cause for not presenting it within that period.

Proposed Provision: In section 86, sub-section (5), it is proposed to insert the expression "sub-section (1) or" appropriately. Therefore, in case of assessee appeal also, appellate tribunal can admit an appeal or permit the filing of memorandum of cross objections after the expiry of the relevant period.

Implication:

☺ In effect to this proposed provision, Appellate Tribunal will have to permit the filing of memorandum of cross objections from assessee without demanding justifiable cause of delay.

Amendment in Offence and Penalty clauses of Section 89.

Section 89

Existing Provision: Whoever commits any of the following offences, namely,—

- (a) knowingly evades the payment of service tax under this Chapter; or
- (b) avails and utilises credit of taxes or duty without actual receipt of taxable service or excisable goods either fully or partially in violation of the rules made under the provisions of this Chapter; or
- (c) maintains false books of account or fails to supply any information which he is required to supply under this Chapter or the rules made thereunder or (unless with a reasonable belief, the burden of proving which shall be upon him, that the information supplied by him is true) supplies false information; or

(d) collects any amount as service tax but fails to pay the amount so collected to the credit of the Central Government beyond a period of six months from the date on which such payment becomes due,

shall be punishable,—

(i) in the case of an offence where the amount exceeds fifty lakh rupees, with imprisonment for a term which may extend to three years:

Provided that in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the court, such imprisonment shall not be for a term of less than six months;

(ii) in any other case, with imprisonment for a term, which may extend to one year.

Proposed Provision: It has been proposed to amend the Section 89 as below:

(i) in the case of an offence specified in clauses (a), (b) and (c) of sub-section (1) where the amount exceeds fifty lakh rupees - punishment shall be for a term which may extend to three years, but shall not, in any case, be less than six months;

(ii) in the case of failure to pay service tax collected, to the credit of the Central Government within six months, an offence specified in section 89(1)(d), if such non-payment exceeds fifty lakh rupees – punishment shall be imprisonment for a term which may extend upto seven years but not less than six months;

(iii) in the case of any other offence, the punishment shall be imprisonment for a term which may extend to one year;

Implication:

☹ As presented above, there are amendments proposed for period of imprisonment for specific contraventions of the act. However, as such no major impact for genuine assesses.

Power to Arrest a assessee in case of non payment of collected Service Tax.

Section 91

Existing Provision: No such existing provision.

Proposed Provision: Section 91 is being introduced to provide for power to arrest; Commissioner of Central Excise is empowered to authorize any officer of Central Excise not below the rank of Superintendent of Central Excise, to arrest a person for specified offences particularly nonpayment of collected service tax.

Implication:

☹ Vide this provision, powers to arrest the assessee are conferred to any officer of Central Excise not below the rank of Superintendent of Central Excise. No such adverse implication for genuine assesses.

Central Excise Duty

The finance minister has introduced various changes in excise law. As a step towards changes, various measures have been announced in the Union Budget. A number of tariff changes have been introduced in relation to goods pertaining to specified sectors such as Agriculture/Agro Processing/Plantation Sector, Automobiles, Metals, Aircraft & Ships, Textiles, Health and Electronic/Hardware. On the other side of the law, few changes have been introduced related to various section and clauses.

Full Exemption:

Following goods are fully exempted from the payment of excise duty:

- Tapioca sago (sabudana) & tapioca starch manufactured and consumed captively in the manufacture of tapioca sago.
- Heena powder or paste not mixed with any other ingredient.
- Ships & other vessels. Consequently, no CVD in case of import.
- Handmade carpets.
- Carpets & other textile floor coverings of coir or jute, whether or not handmade.
- Intermediate goods manufactured and consumed captively by exempted units under area based exemption scheme in Himachal Pradesh & Uttrakhand.

Swings in rates of excise duty:

Goods	Existing Duty	Revised duty
Sports utility Vehicle(except solely for use as taxis)	27%	30%
Truck chassis	14%	13%
Silver manufactured from zinc/lead smelting	Nil	4%
Stainless steel "Patta Patti"	Rs. 30000 per machine per	Rs. 40000 per machine per

	month	month
Mobile phone having retail price more than Rs. 2000	1%	6%
Cigarettes, cigars & cigarillos (except of length not exceeding 65 mm.)	10% ad voleram & Rs. 509 per 1000	18%
Marble tiles & slabs	Rs. 30 per sq. mtr	Rs. 60 per sq. mtr

Details of proposal in central excise legislation:

- In case of offence punishable with imprisonment leviable duty limit has been raised from Rs. 30 lakhs to Rs. 50 lakhs.
- Offence involving leviable duty exceeding Rs. 50 lakhs shall be cognizable and non bailable.
- Central Excise Officer has been empowered to recover the money due to Government from any person other than from whom money is due after giving a proper notice, if that other person holds money for or on account of the first person. The person receiving notice is bound to comply otherwise he shall face all consequences.
- Provision has been proposed that service of a statement containing details of duty not paid, short levied or erroneously refunded shall be deemed to be a service of notice under subsection (1) or (3) or (4) or (5).
- Now only in case of non cognizable offence, the officer-in-charge of a police station shall either admit to bail or to appear before the Magistrate having jurisdiction, or in default of bail forward the person in custody to such person.
- Provisions of release of arrested person on bail or personal bond applicable only to non cognizable offence.
- Term "Activity" has been expanded by including new business of production or manufacture proposed to be undertaken by the existing producer or manufacturer.
- Admissibility to take credit has been expanded to include credit of service tax paid or deemed to have been paid on input services.
- In cases where delay in depositing of the appeal is not attributable to the appellant, the Tribunal may extend the period of stay by a period not exceeding 185 days but if appeal is not deposited of within 365 days from the date of order, the stay shall stand vacant.

- It is proposed to enhance the monetary limit of Single Bench of the Tribunal to hear and dispose of appeals from Rs. 10 lakhs to Rs. 50 Lakhs.
- It is proposed to add modes of delivery of specified documents i.e. by speed post with proof of delivery through courier approved by CBEC.
- Third schedule amended to insert S.No. 31A related to few medicaments and substitute S. No. 64 with tariff item "7615 10 11" related to pressure cookers.
- First schedule amended to change description of tariff items 03022400 and 03033400 to "Turbots". Omit tariff item 15179020(peanut butter) and few change in tariff rates as mentioned above.

Other relevant proposed amendments:

- "Trimmed or untrimmed sheets or circles of copper intended for use in the manufacture of handicraft or utensils" include copper and copper alloys including brass.
- Branded Ayurvedic medicaments and and medicaments of Unani, Siddha, Homeopathic or bio-chemic systems are being brought under MRP based assessment with abatement of 35%.
- In case of cotton there will be zero duty at the fibre stage and in case of spun yarn of manmade fibres it is 12%.

Customs

Addition to the list of prohibitions for Importation & Exportation of goods

Section : 11(2)(n)

Existing provision

The protection of patents, trademarks and copyrights

Proposed Provision

In addition to above designs **and geographical indicators** have also been included in the list of prohibition.

W.E.F:- Will come into force on enactment of finance bill.

No refund claim of duty & interest will be granted for a amount less than Rs. 100/-

Section: 27

Existing provision : New Provision Inserted

Proposed Provision

The new proviso has been inserted to provide that "Where the amount of refund claimed is less than Rs 100 the same shall not be refunded"

W.E.F:- Will come into force on enactment of finance bill.

No need to serve Show cause Notice where amount of duty & Interest involved is less than Rs 100/-

Section :28

Existing provision:

Where any duty has not been levied or has been shortlevied or erroneously refunded, or any interest payable has not been paid, partpaid or erroneously refunded, for any reason other than the reasons of collusion or any willful mis-statement or suppression of facts,—

The proper officer shall, within one year from the relevant date, serve notice to such person requiring him to show cause why he should not pay the amount specified in the notice

Proposed Provision

The new proviso has been inserted providing that "the proper officer shall not serve such show cause notice where the amount involved is less than rupees one hundred".

W.E.F:- Will come into force on enactment of finance bill.

Change in the definition of Activity

Section: 28E(a)

Existing provision:

"Activity" means import or export;

Proposed Provision

" Activity" includes any new business of import or export proposed to be undertaken by the existing importer or exporter."

W.E.F:- Will come into force on enactment of finance bill.

Empower the Board to permit for landing the vessels on places other than customs airport/port.

Section: 29.

Existing provision:

The person-in-charge of a vessel or an aircraft entering India from any place outside India are not permitted to land the vessel or aircraft at any place other than a customs port or a customs airport.

Proposed Provision

The proposal empowers the Board to permit landing of vessels and aircrafts at any place other than customs port or customs airport.

W.E.F:- Will come into force on enactment of finance bill.

Provision for electronic filing of Import Manifest.

Section : 30

Existing provision:

The person in charge of vessel or aircraft has to deliver to the proper officer an import manifest prior to the arrival of the vessel or the aircraft.

Proposed Provision

The proposal provides for electronic filing of import manifest and also that the Commissioner of customs may, in cases where it is not feasible to deliver the import manifest by presenting electronically, allow the same to be delivered in any other manner.

W.E.F:- Will come into force on enactment of finance bill.

Provision for electronic filing of Export Manifest.

Section 41:

Existing provision:

The person in charge of vessel or aircraft has to deliver to the proper officer an export manifest prior to the arrival of the vessel or the aircraft.

Proposed Provision

The proposal provides for electronic filing of export manifest and also that the Commissioner of customs may, in cases where it is not feasible to deliver the import manifest by presenting electronically, allow the same to be delivered in any other manner.

W.E.F:- Will come into force on enactment of finance bill.

Reduction in the Interest free period for delay in payment of import duty from five days to two days:

Section: 47

Existing provision:

Where the importer fails to pay the import duty within five days excluding holidays from the date on which the bill of entry is returned to him for payment of duty, he shall pay interest at such rate, not below ten percent and not exceeding thirty six percent. Per annum, as is for the time being fixed by the Central Government, by notification in the Official Gazette, on such duty till the date of payment of the said duty :

Proposed Provision

Section 47 is being amended to reduce the interest free period for payment of import duty from five days to two days.

W.E.F:- Will come into force on enactment of finance bill.

Restriction on period of storage of imported goods pending clearance up to 30 days

Section 49

Existing provision:

Where in the case of any imported goods, entered for home consumption, cannot be cleared within a reasonable time, the goods may, pending clearance, be permitted to be stored in a public warehouse or in a private warehouse if facilities for deposit in a public warehouse are not available.

Proposed Provision

Section 49 is being amended to restrict the period of storage of imported goods, pending clearance, in a public or private warehouse to thirty days and to provide that the Commissioner of Customs may extend the period of storage for further period not exceeding thirty days at a time.

W.E.F:- Will come into force on enactment of finance bill.

Period of Limitation for passing of order by Tribunal

Section 129B

Proposed Provision

A proviso is being inserted in sub-section (2A) of section 129B to provide that in cases where the delay in disposing of the appeal is not attributable to the appellant, the Tribunal may extend the period of stay by a period not exceeding 185 days subject to the condition that if the appeal is not disposed of within the total period of 365 days from the date of order, the stay order shall stand vacated.

W.E.F:- Will come into force on enactment of finance bill.

Enhancement of monetary limit for submission of case to the Tribunal

Section 129C

Proposed Provision

Section 129C is being amended to enhance the monetary limit of the Single Bench of the Tribunal to hear and dispose of appeals from Rs.10 lakh to Rs.50 lakh.

W.E.F:- Will come into force on enactment of finance bill.

Increase in threshold limit for punishment

Section 135

Proposed Provision

The threshold limit for punishment in an offence relating to evasion or attempted evasion of duty or fraudulently availing of or attempting to avail of drawback or any exemption from duty in connection with export of goods, has been increased from Rs.30 lakh to Rs.50 lakh.

W.E.F:- Will come into force on enactment of finance bill.

Recovery of sums due to Government

Section 142

Existing provision: Newly inserted

Proposed Provision

A new clause (d) is being inserted in section 142 to provide

- (i) for recovery of money due to the Central Government from any other person other than the defaulter after giving such other person a notice in writing,
- (ii) that the person to whom such notice has been issued shall be bound to comply, and
- (iii) that if the person to whom the notice is issued fails to comply, he shall be deemed to be a defaulter in respect of the amount specified in the notice.

W.E.F:- Will come into force on enactment of finance bill.

Section 143A : Relating to Duty deferment has been **Omitted**.

Section 146 & 146A

Proposed Provision

Section 146 and Section 146A is being substituted to change the nomenclature of "customs house agents" to "customs brokers" considering the global practice and internationally accepted nomenclature.

W.E.F:- Will come into force on enactment of finance bill.

CUSTOMS

A. General

Baggage Rules are being amended to,-

(i) raise the duty free allowance in respect of jewellery for an Indian passenger who has been residing abroad for over one year or a person who is transferring his residence to India from Rs.10,000 to Rs.50,000 in case of a gentleman passenger and from Rs.20,000 to Rs.1,00,000 in case of a lady passenger.

(ii) raise the duty free allowance for crew member of vessel/aircraft from Rs.600 to Rs.1500.

W.E.F:- Will come into force on enactment of finance bill.

B. Proposals involving changes in rates of duty

AGRICULTURE/AGRO PROCESSING/PLANTATION SECTOR:

- 1) Basic customs duty on dehulled oat grain is being reduced from 30% to 15%.
- 2) Basic customs duty on hazel nuts is being reduced from 30% to 10%.
- 3) Export duty of 10% on de-oiled rice bran oil cake is being withdrawn.

AUTOMOBILES:

- 1) Basic customs duty on new passenger cars and other motor vehicles (high end cars) with CIF value more than US\$ 40,000 and/or engine capacity exceeding 3000cc for petrol run vehicles and exceeding 2500 cc for diesel run vehicles is being increased from 75% to 100%.
- 2) Basic customs duty on motor cycle with engine capacity of 800cc or more is being increased from 60% to 75%.

METALS:

- 1) Export duty is being levied on ilmenite unprocessed at 10% and on ilmenite, upgraded at 5%.
- 2) Export duty is being levied on bauxite at 10%.
- 3) Basic customs duty is being reduced from 10% to 5% on stainless steel wire cloth stripe and from 7.5% to 5% on wash coat for use in the manufacture of catalytic convertors and their parts.
- 4) Full exemption from export duty is being provided to galvanized steel sheets falling under certain sub-headings, retrospectively W.E.F. 01.03.2011.

PRECIOUS METALS:

- 1) Basic customs duty is being reduced from 10% to 2% on pre-forms of precious and semi-precious stones.

CAPITAL GOODS/INFRASTRUCTURE:

- 1) Basic customs duty on steam coal is being increased from Nil to 2% and CVD from 1% to 2%.
- 2) Basic customs duty on bituminous coal is being reduced from 5% to 2% and CVD from 6% to 2%.
- 3) Basic customs duty is being reduced from 7.5% to 5% on 20 specified machinery for use in leather and footwear industry.

AIRCRAFTS & SHIPS:

- 1) Basic Customs Duty on yachts and motor boats is being increased from 10% to 25%.
- 2) Time limit for consumption of imported goods by ship repair units is being extended from 3 months to 1 year.
- 3) Time period for consumption/installation of parts and testing equipments imported for maintenance, repair and overhaul (MRO) of aircrafts by units engaged in such activities is being extended from 3 months to 1 year.
- 4) Presently, the basic customs duty exemption is available to parts and testing equipments for maintenance, repair and overhaul of aircrafts. This exemption is now being extended to parts and testing equipments for maintenance, repair and overhaul of aircrafts and parts thereof.

ENVIRONMENT PROTECTION:

- 1) Full exemption from basic customs duty is being provided to lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles.

2) Time period of exemption (Nil BCD, CVD of 6% and Nil SAD) for the specified parts of electric and hybrid vehicles is being extended by 2 more years up to 31st March, 2015.

TEXTILES:

- 1) Basic customs duty on raw silk (not thrown), of all grades is being increased from 5% to 15%.
- 2) Basic customs duty is being reduced from 7.5% to 5% on textile machinery & parts.

ELECTRONICS/HARDWARE:

- 1) Basic customs duty on Set Top Boxes for TV is being increased from 5% to 10%.

MISCELLANEOUS:

- 1) Full exemption from basic customs duty and additional customs duty is being provided to trophy imported by National Sports Federation recognized by the Department of Sports and Youth Affairs or any Sports Body registered under Societies Registration Act, in connection with any international tournament held in India.
- 2) Withdrawal of exemption from education cess and secondary & higher education cess on aircraft and aircraft parts, soyabean oil, olive oil etc.

W.E.F:- Will come into force on enactment of finance bill.

C. AMENDMENTS IN THE SCHEDULES TO THE CUSTOMS TARIFF ACT, 1975:

- 1) The First Schedule is being amended to:
 - (a) change the present description of tariff item 03022400 and 03033400 to "Turbot (Psetta maxima)"
 - (b) omit the tariff item 1517 90 20 (Peanut butter).
 - (c) insert Supplementary Note in Chapter 48.
 - (d) enhance the tariff rate against items under heading 8703 from 100% to 125%.
 - (e) enhance the tariff rate against items under heading 8903 from 10% to 25
- 2) The Second Schedule is being amended as follows:
 - (a) to substitute the entry in column (2) against Sl. No. 43, with the entry "7210, 7212", retrospectively with effect from 01.03.2011.

(b) Entry 9A is being inserted to prescribe a tariff rate of export duty of 20% on raw sugar, white or refined sugar under heading 1701. However, no export duty is proposed to be levied presently.

(c) Entries 23A and 23B are being inserted to prescribe a tariff rate of export duty of 30% on Bauxite (natural), not calcined and Bauxite (natural), calcined under heading tariff items 26060010 and 26060020 respectively. Effective rate is being prescribed at 10%

(d) Entries 24A and 24B are being inserted to prescribe a tariff rate of export duty of 30% on Ilmenite, unprocessed and Ilmenite, upgraded (beneficiated Ilmenite including Ilmenite ground) under heading tariff items 26140010 and 26140020 respectively. Effective rate is being prescribed on unprocessed Ilmenite at 10% and on upgraded Ilmenite at 5%.

The changes at para 1) and 2) (b), (c), (d) will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931



OUR OTHER VENTURES

ad Professionals Pvt. Ltd.

204, Empire State Building,
Ring Road, Surat-395 002.
Tel. : 0261-3015296, 3045296, 2345296,
Fax : 0261-2363264.



Offices at

Surat | New Delhi | Mumbai | Vapi | Jaipur | Manglore

Experts in

- Project Finance
- Private Equity
- Debt syndication
- Management consultancy and assurances
- Trade marks, Copy Right, Patents etc.

Power Project Developer Consultants Inc.



501, B Wing, Royal Sands,
Shastri Nagar, New Link Road,
Andheri (W), Mumbai 400 053
Phone : (022) 40166285
Mobile : 99671 26285, 9825045937

Power Scenario

1. Power is critical infrastructural component for multidimensional growth and basic human need.
2. Today demand 2.25 lac MW, availability 1.50 lac MW, Huge Deficit Gap.
3. 10th Plan capacity addition only 21180 MW, about 11000 MW slippages due to causes attributable to equipment suppliers and contractors.
4. 11th plan target 77077 MW, Government is determined to achieve.
5. Thus Power projects are going to be the most viable and advantageous sector in decades to come.



Expertise of PPDC Inc team

1. End to end solutions for development of power projects.
2. Member having experience of 15- 40 year in power sector i.e. Technical, Commercial, Finance etc.
3. Execution of power projects as turn key project.
4. Played leading role in more than 10 reputed power projects of around 13000 MW which is running as on date.
5. Expertise in Technical, Environment, Finance and Operational Management.
6. Taking you on a journey of transformational change using strategic planning principles, benefits, realization management and portfolio.
7. One window to achieve future growth and prosperity in power sector.



Head Office

SURAT

204, Empire State Building, Ring Road, Surat-395 002 (Gujarat)
Tel. : 0261-3015296, 3045296, 2345296, Fax : 0261-2363264
Mobile : 09825045937, E-mail : surat@adcaindia.com

Branch Offices

Mumbai

501, 'B' Wing, Royal Sands, Shashtrinagar, Behind Citimall,
Parallel to Link Road, Andheri (W), Mumbai-400 053 (Maharashtra)
Tel. : 022-40166285, 9967126285.

Delhi

1333, Baidwara, Maliwara, Chandani Chowk,
Delhi-110 006.
Tel. : 011-23261095, 09377661110.

Ahmedabad

A-63 Rajshree Towers, Nr Prerna Tirth Derasar
Jodhpur Gam Road, Sattellite, Ahmedabad-380015.
Tel.: 09898201101

Jaipur

C/42, Harimarg, Malviya Nagar, Jaipur-302017(Rajasthan)
Tel. : 0141-4023510, 09414133818.

Vapi

208, Riddhi Siddhi Complex, Near Vapi Telephone Exchange,
Vapi Char Rasta, Vapi-396191 (Gujarat)
Tel. : 0260-2400226, 09377661110.

Mangalore

703, Concorde Appartment, 1st Falnir Road,
Mangalore-575 001 (Karnataka) Mobile : 09620015816

