HIGHLIGHTS OF THE UNION BUDGET IN RELATION TO DIRECT TAXES:

<table>
<tr><th>SECTION /SCHEDULE</th><th>HEAD</th><th>AMENDMENT/NEW PROVISION</th><th>EFFECTIVE DATE</th></tr>
<tr><td>PART II TO SCHEDULE I</td><td>TDS</td><td>No surcharge shall be levied while deducting tax at source under chapter XVII-B except where:
• the payee is a non domestic company; and
• income or aggregate of incomes <u>paid</u> or likely to be paid exceeds Rs. one crore.
• Surcharge shall be @ 2.5% of the tax amount.</td><td>FY 2009-10</td></tr>
<tr><td>PART II TO SCHEDULE I & CHAPTER XVII B</td><td>TDS</td><td>Education cess @ 2% and SHEC @ 1% shall not be considered for the purposes of deduction of tax at source except:
• Where the payee is non resident; or
• Where the payee is company other than domestic company; or
• Where the TDS is to be made from salary.</td><td>FY 2009-10</td></tr>
<tr><td>PART III TO SCHEDULE I</td><td>Advance taxes & TDS u/s 192</td><td>Advance taxes for the FY 2009-10 and TDS u/s 192 from salary shall be made at the following rates:

• <u>IN CASE OF INDIVIDUALS, HUF, AOP/BOI & ARTIFICIAL JURIDICAL PERSON:</u>

<table>
<tr><th>SLAB OF INCOME</th><th>RATE OF INCOME TAX</th></tr>
<tr><td>Upto Rs. 160,000#</td><td>Nil</td></tr>
<tr><td>Rs. 160,001 to Rs. 300,000</td><td>10%</td></tr>
<tr><td>RS. 300,001 to Rs. 500,000</td><td>20%</td></tr>
<tr><td>Rs. 500,001 & above</td><td>30%</td></tr>
<tr><td>Surcharge irrespective of the total income</td><td>Nil</td></tr>
</table>
In case of individual being woman resident in India and below the age of 65 years at any time during the PY, the basis exemption limit is Rs. 190,000.

#In case of individual, being resident in India, who is age of 65 years or more at any time during the PY, the basic exemption limit is Rs. 2,40,000.

• In case of Partnership firms [Including LLP], the rate of tax shall be 30%. Surcharge shall be NIL.

• In case of companies, the rate of taxes shall be same as specified in the Finance Act 2008. Further, Surcharge @ 10% [2.5% in case of non domestic companies] shall be levied if total income of the company exceeds Rs. One crore.</td><td>FY 2009-10</td></tr>
</table>

		Education cess and SHEC shall be continued to be levied in all cases.	
80E	Deductions	The scope of term "Higher education" has been extended to include all fields of studies (including vocational studies) pursued after passing PUC or its equivalent from any Government recognized school, Board or University or by any authority so authorized.	1-4-2010
80DD	Deductions	The limit of deduction in case of persons suffering from ***severe*** disability has been increased from Rs. 75,000 to Rs. 100,000. Limit for ordinary disability shall continue to be at Rs. 50,000	1-4-2010
208	Advance Tax	Threshold limit for payment of Advance tax has been increased from Rs. 5,000 to Rs. 10,000.	1-4-2009
WEALTH TAX	Basic Exemption	The basic exemption limit has been increased from Rs. 15,00,000 to Rs. 30,00,000	AY 2010-11 VALAUATION DATE: 31-3-2010
PROVISO TO 40A(3)	Cash payments	Payment made by ***transport operators*** otherwise than by A/c payee cheque or bank draft is allowed provided the payment or aggregate of payments made to one person during a day do not exceed Rs. 35,000.	1-10-2009
10(23C)	Exemption	Any trust or Institution eligible for exemption u/s 10(23C) and whose gross receipts exceeds one crore during a FY can make application for exemption before 30th September immediately following the FY.	2008-2009
2(15)	Definition of Charitable purpose	The term 'Charitable Purpose" has been amended to include the following: "preservation of environment(including watersheds, forests and wild life) and preservation of monuments and places or objects of artistic or historic interest". Such an activity shall be treated as charitable even if it involves carrying on any activity in the nature of trade, commerce or business or any service relating thereto for consideration.	1-4-2009

<table>
<tr><td>115BBC</td><td>Anonymous Donations</td><td>Anonymous donation received by religious and/or charitable entities are treated as follows:
<table>
<tr><th>NATURE OF ENTITY</th><th>QUANTUM OF EXEMPTION</th></tr>
<tr><td>Wholly religious institutions</td><td>100%</td></tr>
<tr><td>Partly religious and partly charitable institutions</td><td>100% except where the donations are directed towards a medical or educational institutions run by such entities, where the exemption shall be higher of the following:
- 5% of total income of such trust or institution; or
- Rs. 100,000.</td></tr>
<tr><td>Wholly charitable institutions</td><td>Higher of the following:
- 5% of total income of such trust or institution; or
- Rs. 100,000</td></tr>
</table></td><td>1-4-2010</td></tr>
<tr><td>40(b)</td><td>Remuneration to partners</td><td>The quantum of remuneration allowable to partners of both professional and non professional firm shall be computed as follows:
<table>
<tr><th>QUANTUM OF BOOK PROFITS</th><th>ELIGIBLE REMUNERATION</th></tr>
<tr><td>In case of loss or first Rs. 300,000 of book profits</td><td>Higher of Rs. 150,000 or 90% of book profits</td></tr>
<tr><td>On the balance of book profits</td><td>60% thereof</td></tr>
</table></td><td>1-4-2010</td></tr>
<tr><td>35(2AB)</td><td>Weighted deduction</td><td>The benefit of 150% deduction is extended to all companies engaged in the business of manufacture or production of any article or thing except those specified in XI schedule</td><td>1-4-2010</td></tr>
<tr><td>80G</td><td>Deductions</td><td>Approvals granted u/s 80G(5) shall be deemed to be for perpetuity unless revoked.</td><td>1-10-2009</td></tr>
<tr><td>293C</td><td>Power to withdraw approval</td><td>The Approval granting authority shall have the authority to withdraw the approval granted under any provision of the Act after affording sufficient opportunity of being heard.</td><td>1-10-2009</td></tr>
<tr><td>80GGB AND 80GGC</td><td>Deductions</td><td>Donation to Electoral trusts shall be allowed as deduction in full.</td><td>1-4-2010</td></tr>
</table>

13B	Exemption	Any donations received by electoral trusts shall be treated as its income and shall be exempt provided specified conditions are satisfied.	1-4-2010
35AD	Investment linked deduction	100% deduction shall be allowed in respect of any ***capital*** expenditure [other than on land, goodwill or financial instrument] incurred for the purposes of following business: • Setting up and operating cold chain facilities for specified products; or • Setting up and operating warehouse facilities for storage of agricultural produce; or • Laying and operating a cross country natural gas or crude or petroleum oil pipeline network for distribution. Such deduction shall be allowed in any year during which expenditure is incurred for the specified business subject to specified conditions.	1-4-2010
80A	Deductions	Deductions in respect of ***Profits & Gains*** u/s 10A/10B/10AA or section 80 [relating to incomes] shall not be allowed if deduction has not been claimed in the return of income.	1-4-2003
80IA	Deductions	Time limit for commencing the activity of generation, transmission and distribution of power by eligible undertaking for availing the benefit of this section is extended to 31.3.2011	
80IB(10)	Deductions	It is clarified that the deduction is not available to a work contractor who executes the developing and building of housing projects as a works contract awarded by any other person. The undertaking which develops and builds housing project shall not be allowed to allot more than one residential unit in the housing project to the same person.	1-4-2010
10A/10B	Exemptions	Tax benefit extended till AY 2011-12	
132	Search & Seizure	It is *clarified* that the Additional director or Additional commissioner has the power to issue authorizations under 132(1)	1-6-1994
EXPLANATION TO 147	Reassessment	It is clarified by way of explanation that assessing officer is empowered to assess or reassess income in respect of any issue which comes to his notice subsequently in the course of proceedings u/s 147 irrespective of the fact that no reasons were recorded in the notice issued u/s 148 in respect of such issue.	1-4-1989

36(1)(VIII)	Deductions	Benefit of deduction is available to National Housing Bank and other corporations engaged in providing long term finance (including refinancing) for development of housing in India.	1-4-2010
43(6)	WDV	In cases where rule 7A, 7B and 8 are applicable, WDV of the block of assets shall be arrived after deducting ***total*** depreciation *deeming* the same as *actually allowed* as if the total composite income [agricultural + non agricultural] is chargeable under the Income tax Act.	1-4-2010
115WM	FBT	Fringe Benefit tax is abolished and the perquisites shall be taxed in the hands of the employees. Section 17(2) is amended to included the following: - perquisite shall include value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer to the assessee. The value of perk shall be: FMV of the security as on the date of exercise- XXX Of option Less: Amount recovered from employee - XXX -contribution to any approved superannuation fund by the employer in respect of the assessee in excess of Rs. 100,000 -Value of any other prescribed fringe benefit or amenity.	1-4-2010
49	Cost	Cost of specified security or sweat equity shares for the purposes of transfer shall be the FMV which has been taken into account for the purposes of section 17(2)(vi)	1-4-2010
10(44)	Exemption	Any income received by any person on behalf of New Pension Scheme (NPS) trust established under Indian Trust Act, 1882, shall be exempt.	1-4-2009
115-0	Dividend Distribution Tax	Any dividend paid to NPS trust shall be exempt from dividend distribution tax	1-4-2009
CHAPTER VII	STT	All purchases and sales of equity and derivatives by the NPS trust shall be exempt from securities Transactions Tax	1-4-2009
197A	TDS	NPS trust shall receive all incomes without TDS	1-4-2009
80CCD	Deductions	Deduction is available to 'Self Employed' in respect of any contribution made to NPS.	1-4-2009

<table>
<tr><td>56(VI)</td><td>Gifts Received</td><td>-Value of any property(ies)received without consideration or for inadequate consideration shall be included in the total income of the recipient provided its value received during the PY exceeds Rs. 50,000.

The term ‘Property’ shall include land, buildings, jewelry, shares and securities, archaeological collections, drawings, paintings, sculptors or any work of art.
<u>Computation of value:</u>

<table>
<tr><th>Nature of Property</th><th>Consideration</th><th>When and what treated as Income?</th></tr>
<tr><td>Immovable Property</td><td>Without consideration</td><td>Stamp Value exceeds Rs. 50,000, <u>entire</u> stamp value shall be treated as income</td></tr>
<tr><td>Immovable Property</td><td>Inadequate Consideration</td><td>If, (Stamp Value – consideration) > Rs. 50,000, difference is taxable.</td></tr>
<tr><td>Movable Property</td><td>Without consideration</td><td>If aggregate FMV[1] exceeds Rs. 50,000, entire FMV is treated as income.</td></tr>
<tr><td>Movable Property</td><td>Inadequate Consideration</td><td>If, (FMV– consideration) > Rs. 50,000, difference is taxable.</td></tr>
</table></td><td>1-10-2009</td></tr>
<tr><td>115JB</td><td>MAT</td><td>- Rate of MAT is increase to 15% of Book Profits.

- Tax credit shall be allowed to be carried forward and set off up to <u>10</u> Assessment years immediately succeeding the AY in which tax credit becomes allowable.</td><td>1-4-2010</td></tr>
<tr><td>EXPLANATION TO 115JB</td><td>Book Profits</td><td>Provision for diminution in value of any asset debited to profit or loss account shall be added back while arriving at the book profits for the purposes of section 115JB.</td><td>1-4-2001</td></tr>
<tr><td>50C</td><td>Stamp Duty Valuation</td><td>The section is amended so as to apply to transactions where the consideration received or accruing as a result of transfer of land or building or both Is less than the value adopted or assessed or <u>assessable</u> by stamp valuation authority.

The term ‘assessable’ shall include within its scope the transactions which are not registered with stamp valuation authority and executed through agreement to sell or power of attorney.</td><td>1-10-2009</td></tr>
</table>

[1] As on the date of receipt

THIRD PROVISO TO 10(10C)	Voluntary Retirement	Where any relief is allowed to the assessee u/s 89 for any AY in respect of any amount received or receivable on his voluntary retirement or termination of service or voluntary separation, no exemption shall be allowable to him under this section.	1-4-2010
PROVISO TO 89	Relief	No relief shall be granted to the assessee in respect of any amount received or receivable on his voluntary retirement or termination of service or voluntary separation, if the assessee has claimed any exemption u/s 10(10C)	1-4-2010
282B	Document Identification Number (DIN)	- Every IT authority shall allot a computer generated DIN in respect of every notice, order, letter or any correspondence issued by him to any other IT authority or assessee or any other person and such number shall be quoted therein. If such notice, etc do not bear the DIN, such notice, etc shall be treated as invalid and shall be deemed never to have been issued. - Every document, letter or any other correspondence, received by an IT authority or on behalf of such authority, shall be accepted only after allotting or quoting of a computer generated DIN failing which the said document, etc shall be treated as invalid and deemed never to have been received.	1-10-2010
281B	Provisional attachment	The period during which the assessment or reassessment proceedings are stayed by the court shall be excluded for computing the maximum period of validity of attachment order or extension thereof.	1-4-1988
145A & 56	Interest Income	Interest received on compensation or enhanced compensation shall be deemed to be the income of the assessee for the year in which it is received irrespective of the method of accounting followed by the assessee. Further, such interest income shall be assessed as 'Income From Other Sources' in the year of receipt.	1-4-2010

<table>
<tr><td>44AD</td><td>Presumptive Taxation</td><td>Salient features of substituted 44AD are:
- Applicable to Individuals, HUF and Firm excluding LLP. IT shall not be applicable to assesses availing deduction u/s 10/10AA/10B/10BA or chapter VIA [in respect of certain incomes];
- Applicable to any business other than covered u/s 44AE.
- Gross receipts or turnover should not exceed Rs. 40 Lakhs.
- Presumptive Income shall be 8% of gross receipts or gross turnover.
- The assessee shall be exempt from payment of advance taxes in relation to such business.
- Exemption from maintenance of books of accounts u/s 44AA.
- If presumptive income is below 8%, Books of accounts has to be maintained and audited.
Section 44AF to be inoperative.</td><td>1-4-2011</td></tr>
<tr><td>44AE</td><td>Presumptive Income</td><td><table><tr><th>NATURE OF VEHICLES</th><th>PRESUMPTIVE INCOME</th></tr><tr><td>Heavy Goods Vehicle</td><td>Rs. 5,000 per month per vehicle or actual sum claimed, whichever is higher.</td></tr><tr><td>Other than Heavy Goods Vehicle</td><td>Rs. 4,500 per month per vehicle or actual sum claimed, whichever is higher.</td></tr></table></td><td>1-4-2011</td></tr>
<tr><td></td><td>LLP</td><td>The following provisions are applicable in relation to taxation of LLPs:
- LLP to be treated in par with general partnership firm for taxation purposes.
- Designated partner shall sign the Income tax return. Where, for any unavoidable reason, such designated partner is not able to sign or where there is no designated partner, any partner can sign.
- In case of liquidation of LLP, every partner will be jointly and severally liable for payment of tax unless he proves that non recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part.</td><td>1-4-2010</td></tr>
</table>

<table>
<tr><td></td><td></td><td>- Conversion of general partnership to LLP shall have no tax implications if the rights and obligations of the partners remain the same after conversion and if there is no transfer of asset or liability after conversion. If there is a violation, the provision of section 45 shall apply.</td><td></td></tr>
<tr><td>194I</td><td>TDS on rent</td><td><table><tr><th>NATURE OF PAYMENT</th><th>RATE OF TDS</th></tr><tr><td>Use of Plant, machinery or equipment</td><td>2%</td></tr><tr><td>Use of land or Buildings or furniture or fittings for all persons</td><td>10%</td></tr></table></td><td>1-10-2009</td></tr>
<tr><td>194C</td><td>TDS</td><td><table><tr><th>PAYEE</th><th>RATE OF TDS</th><th>SC, EC & SHEC</th></tr><tr><td>Individuals/HUF</td><td>1%</td><td>Nil</td></tr><tr><td>To any other entity</td><td>2%</td><td>Nil</td></tr><tr><td>Contractor/Sub Contractor in transport business provided Pan is quoted by the payee.</td><td>NIL</td><td>Nil</td></tr></table></td><td>1-10-2009</td></tr>
<tr><td>194C</td><td>Transporter payments</td><td>No TDS is required to be made from payments made to transport operators [as defined in section 44AE] provided the operator furnishes PAN. These PAN details shall be intimated by the payer to the department in prescribed format.</td><td>1-10-2009</td></tr>
<tr><td>194C</td><td>Definition of Work</td><td>The definition of ‘Work’ has been amended as follows:

Manufacturing or supplying a product according to requirement or specification of a customer shall be treated as follows for the purposes of TDS:<table><tr><th>MATERIAL SUPPLIED BY WHOM?</th><th>WHETHER THE ACTIVITY IS MANUFACTURE OR SUPPLY OF AN ARTICLE OR THING?</th><th>WHETHER LIABLE TO TDS?</th></tr><tr><td>Customer</td><td>Yes</td><td>Yes</td></tr><tr><td>Other than customer</td><td>Yes</td><td>No</td></tr><tr><td>Any person</td><td>No</td><td>No</td></tr></table>
The value for the purposes of TDS shall be invoice value excluding the value of material purchased from such customer provided such value is mentioned separately in the invoice.</td><td>1-10-2009</td></tr>
</table>

<table>
<tr><td></td><td>TDS</td><td>If the deductee do not furnish his PAN to the deductor, the tax shall be deducted at the higher of the following rates:

- rate prescribed by the Act; or
- rates mentioned in the Finance Act; or
- 20 per cent.

The aforesaid provisions shall be applicable even if the deductee furnishes Form 15G/15H but do not provide PAN.</td><td>1-4-2010</td></tr>
<tr><td></td><td>Processing of Statement of TDS</td><td>The following adjustments can be made during computerized processing of TDS:
- any arithmetical error in the statement; or
- any apparent incorrect claim.

After making the proposed adjustments, tax and interest shall be calculated and the sum payable or refund due to the deductor shall be calculated.

Intimation shall be sent to the deductor intimating him of his tax liability or refund due to him within 1 year from the end of the FY in which the statement is filed.</td><td>1-4-2010</td></tr>
<tr><td>201(1)</td><td>Time Limits for proceedings</td><td>Order u/s 201(1) shall be passed within the following time limits if the assessee has failed to deduct whole or any part of the tax as required under this Act:

<table>
<tr><th>CONDITION</th><th>TIME LIMIT</th></tr>
<tr><td>Statement of TDS filed by the deductor</td><td>2 years from the end of the FY in which such statement is filed.</td></tr>
<tr><td>Statement of TDS is not filed by the deductor</td><td>4 years from the end of FY in which the payment is made or credit is given.</td></tr>
<tr><td>Deductor has deducted but no deposited the TDS</td><td>No time limit</td></tr>
<tr><td>Failure of employer to pay whole or part of the taxes u/s 192(1A)</td><td>No Time limit.</td></tr>
<tr><td>If the deductee is Non resident and recovery is not possible</td><td>No Time limit</td></tr>
<tr><td>Pending cases for FY 2007-08 and earlier years</td><td>31-3-2011</td></tr>
</table></td><td>1-4-2010</td></tr>
<tr><td>CHAPTER VII OF FINANCE ACT, 2008</td><td>Commodity Transaction tax</td><td>Chapter relating to levy of commodities transaction shall not be applicable</td><td>1-4-2009</td></tr>
</table>