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Vision Forward

An analysis of the Union Budget 2009 and recent policy initiatives

For private circulation only

'All men dream . . . but not equally. They who dream by night in the dusty recesses of their minds wake in the day to find that it is vanity; but the dreamers of the day are dangerous men, for they act their dream with open eyes, to make it possible.'

- T.E. Lawrence (1888 - 1935)

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For your reference, Microsec presents an Analysis of the Union Budget 2009 and recent Policy Initiatives.

'A big part of financial freedom is about having your hearts and minds free from the worries about the what-ifs of life.' - Suze Orman

Preface

Beauty lies in the Details

The Union Budget 2009-10 has once again touched upon the masses and drawn a road-map of its inclusive growth paradigm. The verdict of the Indian population, especially the bold young masses led the UPA government to take forward their commitment of inclusive growth. Finance Minister reiterated the rising expectations of a restless young India that is ready to seize the opportunities that it is presented with. A substantial increase of 144% for NREGA to 39,100 crores for 2009-10 is a welcome step towards inclusive growth.

Reading between the lines of the Budget speech does give confidence that this is a growth oriented budget. Some of the factors that reaffirm our thoughts as mentioned in the Budget are: (a) Sustained growth rate of at least 9 percent per annum over an extended period of time (b) Strengthening of the mechanism for creating about 12 million new work opportunities per year (c) Ensuring Indian Agricultural growth rate of 4 percent (d) Increase infrastructure investment to more than 9 percent of GDP by 2014 (e) Support Indian industry to meet the challenge of global competition to help sustain growth in exports (f) Improve preventive and curative healthcare in the country and create a competitive, progressive and well regulated education system of global standards that meet the aspiration of all segments of the society (g) Move towards providing energy security by pursuing an Integrated Energy Policy.

Given the Euphoria that is always built around before the presentation of the Budget, this time the euphoria was heightened as a clear mandated UPA government was expected to inject steroid into the Indian Economy through this Budget. However, budgetary announcements and allocation have their limitatons and this has been pointed out by the Finance Minister when he said that '***a single Budget Speech cannot solve all the problems, nor is the Union Budget the only instrument to do so'***. This gives us a sense that there is more than what meets the eye in terms of goodies that are expected to be announced soon to tackle the deteriorating fiscal situation of India.

Infrastructure sector has been given the much needed boost as India Infrastructure Finance Company Limited (IIFCL) has been assigned greater flexibility to aggressively fulfil its mandate. 'Takeout financing' which is largely prevalent internationally will be implemented by IIFCL in consultation with banks to facilitate incremental lending to the infrastructure sector. The IIFCL and Banks are now in a position to support projects involving a total investment of Rs.100 thousand crores in infrastructures along with increased public investment in infrastructure. This will provide a big boost to such investments. The allocation for the National Highways Development Programme (NHDP) hiked by 23 per cent and Railways by 46% for FY 2009-10 is a welcome step. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is raised by 87 per cent to Rs.12,887 crore, which meets the urban infrastructure development requirement. The allocations for Bharat Nirman is increased by 45 per cent in 2009-10 over the Budget Estimates (BE) of 2008-09. The Pradhan Mantri Gram Sadak Yojana (PMGSY) under Bharat Nirman is raised by 59% over BE 2008-09 to Rs.12,000 crore. Rs.7,000 crore has been allocated to Rajiv Gandhi Grameen Viduytikaran Yojana (RGGVY) which represents a 27 per cent increase over 2008-09 (BE). **The honourable FM has highlighted time and again that the government will ensure that sufficient funds are made available to the infrastructure sector.**

The Budget's proposal to develop a blueprint for long distance gas highways leading to a National Gas Grid and encouraging investment in the Oil and Gas sector by extending 80IB endorses the seriousness of the Government towards a road-map to energy security.

Agricultural sector remains focussed in this Budget as the target for Agriculture Flow has been set at 3,25,000 crores vs 2,87,000 crores in 2008-09.

Interest subvention of 2 per cent on pre-shipment credit for textiles including handlooms, handicrafts, carpets, leather, gems and jewellery, marine products and small and medium export has been extended from the current deadline of September 30, 2009 to March 31, 2010. We believe that the export oriented sector should have been given greater thrust.

The Budget highlights that the institutional reforms has to be initiated ***'in the current year itself'*** to bring fiscal deficit under control. Besides a stable balance of payments, moderate interest rates, a bold mention of steady flow of external capital for corporate investment explains the mindset of the government which is to encourage FDI and Disinvestment. On the viable and sustainable system of pricing petroleum products, the budget mentions that Minister of Petroleum and Natural Gas would set up an expert group headed by the Petroleum Ministry. The FM's mention that "***PSUs are the wealth of the nation and part of this wealth should rest in the hands of the people",*** indicates the government's commitment towards disinvestment, which eventually helps fiscal prudence.

The setting up of the Unique Identification Authority of India is a major step in increasing e-governance with regard to delivery of public services and also with regard to India's security. A concerted effort of the government along with geniuses in the IT arena is a great step towards e-governance.

The much awaited GST is committed to be introduced by 1st April, 2010. The abolishing of the Fringe Benefit tax comes as a welcome step of the government and it ensures the seriousness of the government's approach towards industry recommendations.

Section 80E of the Income-tax Act provides for a deduction in respect of interest on loans taken for pursuing higher education in specified fields of study is now made to cover all fields of study, including vocational studies, pursued after completion of schooling, is a welcome step.

The Government has enhanced the Gross Budgetary Support (GBS) for the Annual Plan 2009-10 by Rs.61,000 crores over Interim Budget 2009-10 which includes Rs 21,000 crores through the additional open market loans which the state governments may raise. The BE 2009-10 provide for a total expenditure of Rs.10,20,838 crore which is 36% higher over BE of 2008-09.

The gross tax receipts is budgeted at Rs.6,41,079 crores in BE 2009-10 compared to Rs.6,87,715 crores in BE 2008-09. The revenue deficit, as a percentage of GDP, is projected at 4.8% compared to 1% in BE 2008-09 and 4.6% as per provisional accounts of 2008-09. The fiscal deficit as a percentage of GDP is projected at 6.8% compared to 2.5% in BE 2008-09 and 6.2% as per provisional accounts 2008-09.

The FM as an economist followed Chanakya Niti- **"*One excellent thing we can learn from a lion is to make a whole-hearted and strenuous effort at the start of whatever one wishes to accomplish"*** However, he as politician seems to be inspired again by Kautilya who said ***"A king should follow the doctrine popular among the people"***

Team Microsec

INDIAN UNION BUDGET 2009-10

and Recent Policy Initiatives

Contents

Budget Highlights

ECONOMY

- GDP growth likely to be 9.0% in 2009-10 (6.7% last year)
- Tax to GDP ratio rises to 11.5% (9.2% in 2003-04)
- The fiscal deficit as a % of GDP is projected at 6.8% compared to 2.5% in BE 2008-09 and 6.2% as per provisional accounts 2008-09
- Introduction of the Goods and Services Tax (GST) with effect from April 01, 2010
- Allocation for housing & provision of basic amenities to urban poor people enhanced to Rs. 3,973 crores
- Setting up of the Unique Identification Authority of India (UIDAI). The first set of unique identity numbers to be rolled out in 12 to 18 months

FISCAL SNAPSHOTS

- Total Planned expenditure estimated at Rs. 3,25,149 crores
- Non–Planned expenditure estimated at Rs. 6,95,689 Crores
- Revenue Deficit will be 4.8% against Budget estimate of 1%
- Revenue Deficit estimated for 2009–10 at Rs. 2,82,735 crores
- Fiscal deficit target for 2009–10 at Rs. 4,00,996 crores
- Gross Tax Receipts are budgeted at Rs. 6,41,079 crores and Non–Tax Revenue Receipts are estimated at Rs. 1,40,279 crores.
- Revenue receipts of Central government for 2009-10 at Rs. 6,14,497 crores
- Revenue expenditure of Central Government for 2009-10 at Rs. 8,97,232 crores
- Share of direct taxes in the Centre's Tax Revenues has increased to 56% in 2008-09 from 41% in 2003-04

AGRICULTURE

- Growth rate in agriculture pegged at 4.0%
- Agricultural Debt Waiver and Debt Relief Scheme has been extended by 6 months
- Farmers' credit likely to reach Rs. 3,25,000 crores in 2009-10
- Allocation for Rashtriya Krishi Vikas Yojna (RKVY) stepped up by 30%
- Allocation under Accelerated Irrigation Benefit Program has been increased by 75%
- New nutrient based fertilizer subsidy regime to be launched.
- Government has proposed a system of direct transfer of subsidy to the farmers.

INDUSTRY

- The deceleration of growth in 2008-09 was spread across all sectors except mining & quarrying and community, social and personal services.
- An adjustment assistance scheme to provide enhanced ECGC cover at 95% to badly hit sectors has been extended upto March 2010.
- Rs. 4,000 crores 'special fund out of Rural Infrastructure Development Fund to Small Industries Development Bank
- Extension of stimulus package comprising waiver of 15% agency commission on DAVP advertisements & a 10% increase in the DAVP rates to the Print Media.
- Government proposes to raise, in a phased manner, the threshold for non-promoter public shareholding for all listed companies

INFRASTRUCTURE

- Allocation to NHAI for the NHDP is stepped up by 23%.
- Allocation for Railways increased from Rs. 10,800 crore to Rs. 15,800 crores.
- Allocation in JNNURM scheme stepped up to Rs.12,887 crores
- Allocation to Accelerated Power Development and Reform Programme (APDRP) has increased to Rs. 2,080 crore (160%).
- Allocation to Bharat Nirman increased by 45% and Pradhan Mantri Gram Sadak Yojana (PMGSY) by 59%.
- India Infrastructure Finance Company Limited (IIFCL) will be set up as a SPV for providing long term financial assistance to infrastructure projects.
- IIFCL will refinance 60% of commercial bank loans for PPP projects in critical sectors which involves Rs. 1,00,000 crores.

SOCIAL SECTORS

- Rs. 900 crores has been allocated for the scheme "Mission in Education through ICT".
- Rs. 827 crores has been provided for one Central University in each uncovered State
- Rs. 2113 crores allocated for IITs & NITs including Rs. 450 crores for new setup
- Rs. 1360 crores enhanced allotment for the Commonwealth Games

- Rs. 500 crores allocated for rehabilitation of the internally displaced persons and reconstruction of the northern & eastern areas of Sri Lanka
- Rs. 430 crores has been proposed for modernization of Police force
- Rs. 39,100 crores allocated for NREGA an increase of 144% over 2008-09
- Rs. 8,800 crores allocated for the Indira Awaas Yojana (IAY) an increase by 63%
- Rs. 2000 crores allocated for Rural Housing Fund in National Housing Bank (NHB)
- Corpus of Rashtriya Mahila Kosh increased from Rs. 100 crores to Rs. 500 crores
- The Plan outlay of Ministry of Minority Affairs has been enhanced by Rs. 740 crores
- Additional amount of Rs. 2,057 crores provided to the National Rural Health Mission
- Rs. 350 crores allocated for Rashtriya Swasthya Bima Yojana (RSBY)
- Rs. 562 crores allocated for the National River and Lake Conservation Plans
- Rs. 100 crore allocate to Indian Council of Forestry Research & Education Dehradun
- Rs. 430 crores allocated for modernization of Police machinery in the States
- Rs. 2284 crores additional amount allocated for strengthening Border Management

CUSTOMS DUTY

- Nominal basic customs duty of 5% on Set Top Boxes to encourage domestic demands
- Custom duty on LCD panels reduced to 5%.
- Exemption of 4% CVD, on mobile accessories, parts & components for another 1 year
- Full exemption from basic customs duty is being provided to rough corals
- Reduced the basic customs duty on permanent magnets from 7.5% to 5%
- Reduction of the customs duty on 10 specified life saving drugs/ vaccine from 10% to 5% and full exemption of excise duty & countervailing duty
- Reduction in the basic customs duty from 15% to 10% on wool waste & cotton waste
- Increase in the specific rate of customs duty on gold and silver
- Reduction of the basic customs duty on bio-diesel from 7.5% to 2.5%

EXCISE DUTY

- Restoration of the erstwhile optional rate of 4% excise duty exemption on cotton textiles beyond the fibre stage
- Restoration the rate of 8% central excise duty on manmade fibre & yarn
- Full exemption to petro–diesel blended with bio-diesel and branded jewellery from excise duty
- Ad valorem duty on vehicles of engine capacity below 2000 cc has been unified at Rs. 15,000 per unit
- Reduction on excise duty from 20 % to 8% on Petrol driven trucks

SERVICE TAX

- Exemption on the membership & other fees collected by the FIEO till 31-03-2010
- Law firms are now covered under the gamut of service tax except in case the service provider or the service receiver is an individual.
- Exemption to the transportation of passengers undertaken by private enterprises in vehicles having 'Contract Carriage Permits' from the levy of service tax
- Extension of the levy of service tax on transport of goods by road, by air, through pipelines and in containers

DIRECT TAX

- There are no changes in the Corporate Tax rates
- The basic exemption limit in personal tax raised by Rs. 15,000 for Senior Citizens and by Rs. 10,000 for women and and all category of individual taxpayers.
- Surcharge of 10% on personal income tax has been removed from A.Y. 2010 – 11
- Deduction U/s 80DD raised from Rs. 75,000 to Rs. 1,00,000 and u/s 80E cover all fields of study
- FBT and Commodity Transaction Tax have been abolished from the A.Y. 2010 -11
- Exemption U/s 10A, 10AA, and 10B will be available upto the A.Y. 2011 – 12
- Wealth Tax exemption has been increased from Rs. 15 Lacs to Rs. 20 Lacs
- Weighted deduction of 150% extended on expenditure incurred on in-house R&D to all manufacturing businesses.
- Proposed to increase the rate of MAT to 15% from the present rate of 10%
- Exemption to the New Pension System (NPS) Trust from the Income Tax, Dividend Distribution Tax and Securities Transaction Tax
- Deposit of advance tax by the retail traders whose turnover is below Rs. 40 lakhs and who have opted presumption taxation has been exempted.
- Extension of the tax holiday under section 80-IB(9), to the mineral oil & natural gas

Budget at a Glance

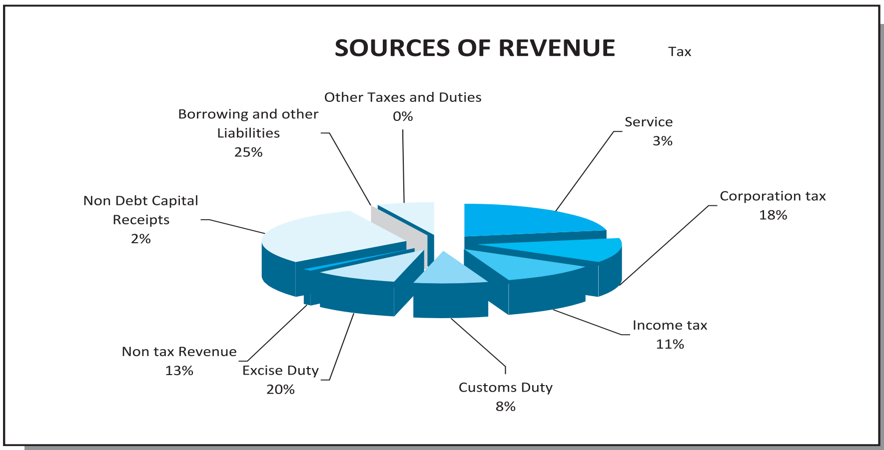
(Rs. in Crore)

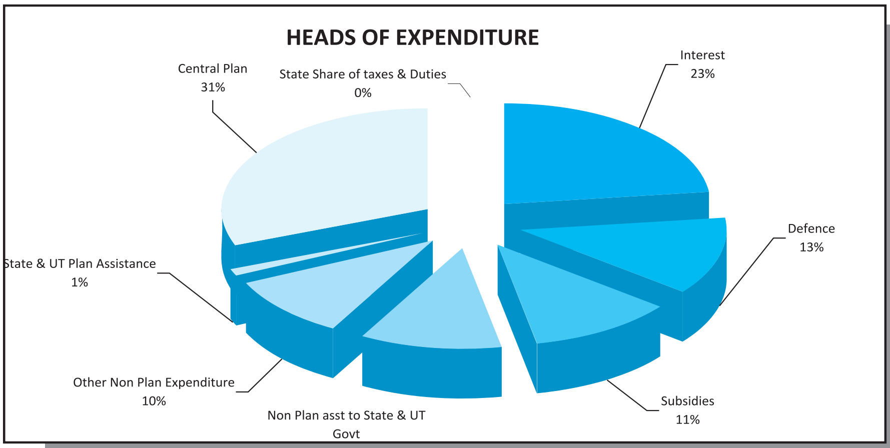
Sl No.	Particular	2007-08 Actual	2008-09 Budget Estimates	2008-09 Revised Estimates	2009-10 Budget Estimates
1	**Revenue Receipts**	**541864**	**602935**	**562173**	**614497**
2.	Tax Revenue (Net to center)	439547	507150	465970	474218
3.	Non Tax Revenue	102317	95785	96203	140279
4	**Capital Receipts (5+6+7) $**	**170807**	**147949**	**338780**	**406341**
5.	Recoveries of Loan	5100	4497	9698	4225
6.	Other Receipts	38795	10165	2567	1120
7.	Borrowing & Other Liabilities*	126912	133287	326515	400996
8.	**Total Receipts (1+4)$**	**712671**	**750884**	**900953**	**1020838**
9.	**Non Plan Expenditure**	**507589**	**507498**	**617996**	**695689**
10.	On Revenue Account of which,	420861	448352	561790	618834
11.	Interest Payment	171030	190807	192694	225511
12.	On Capital Account	86728	59146	56206	76855
13.	**Plan Expenditure**	**205082**	**243386**	**282957**	**325149**
14.	On Revenue Account	173572	209767	241656	278398
15.	On Capital Account	31510	33619	41301	46751
16.	**Total Expenditure (9+13)**	**712671**	**750884**	**900953**	**1020838**
17.	Revenue Expenditure (10+14)	594433	658119	803446	897232
18.	Capital Expenditure(12+15)	118238	92765	97507	123606
19.	**Revenue Deficit (17-1)**	**52569**	**55184**	**241273**	**282735**
		(1.1)	**(1.0)**	**(4.4)**	**(4.8)**
20.	**Fiscal Deficit {16-(1+5+6)}**	**126912**	**133287**	**326515**	**400996**
		(2.7)	**(2.5)**	**(6.0)**	**(6.8)**
21.	**Primary Deficit (20-21)**	**-44118**	**-57520**	**133821**	**175485**
		-(0.9)	**-(1.1)**	**(2.5)**	**(3.0)**

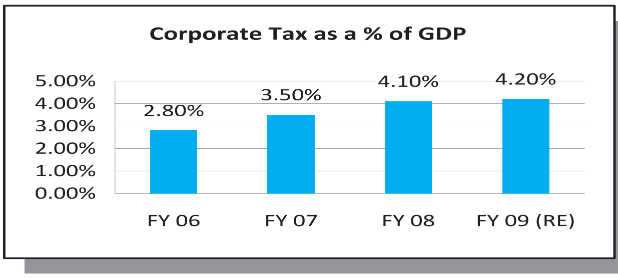
$ Does not include receipt in respect of Market Stabilization Scheme

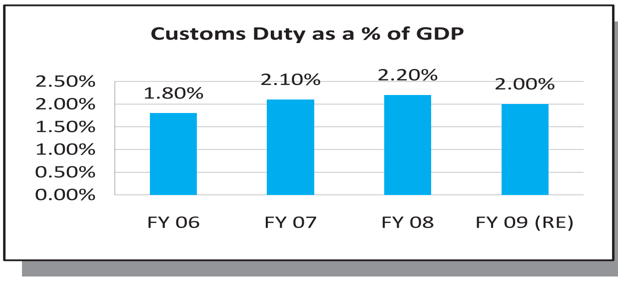
* Includes draw down of Cash Balance

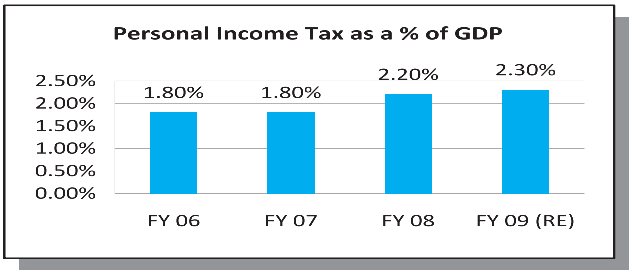
Note: GDP for BE 2009-10 has been projected at Rs. 5856569 crore assuming 10.05% growth over the revised estimates of 2008-09 (Rs 5321753 crore) released by CSO. Deficit indicators in RE 2008-09 have been retained on the basis of advance estimate for 2008-09 (Rs 5426277 crore)

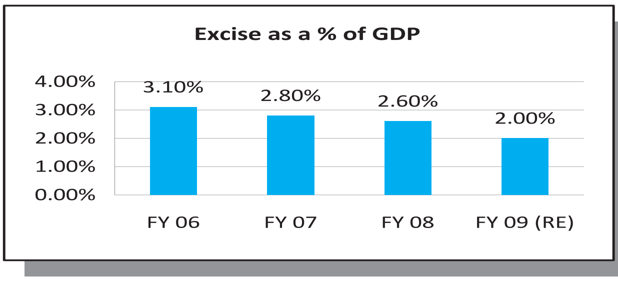

SOURCES OF REVENUE
Tax
Other Taxes and Duties
0%
Borrowing and other Liabilities
25%
Service
3%
Corporation tax
18%
Non Debt Capital Receipts
2%
Income tax
11%
Non tax Revenue
13%
Excise Duty
20%
Customs Duty
8%

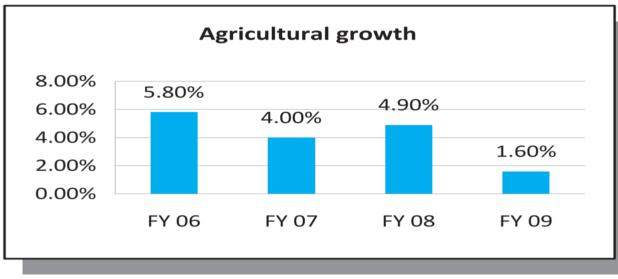

HEADS OF EXPENDITURE
Central Plan
31%
State Share of taxes & Duties
0%
Interest
23%
Defence
13%
State & UT Plan Assistance
1%
Other Non Plan Expenditure
10%
Non Plan asst to State & UT Govt
Subsidies
11%

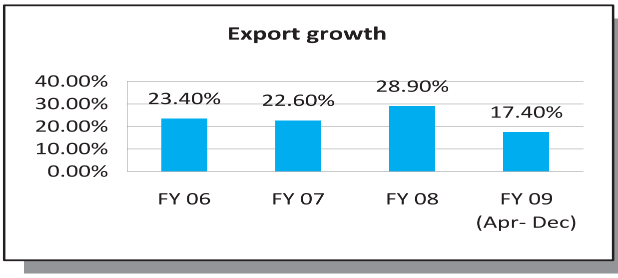

Corporate Tax as a % of GDP
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
2.80%
3.50%
4.10%
4.20%
FY 06
FY 07
FY 08
FY 09 (RE)


Customs Duty as a % of GDP
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
1.80%
2.10%
2.20%
2.00%
FY 06
FY 07
FY 08
FY 09 (RE)


Personal Income Tax as a % of GDP
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
1.80%
1.80%
2.20%
2.30%
FY 06
FY 07
FY 08
FY 09 (RE)


Excise as a % of GDP
4.00%
3.00%
2.00%
1.00%
0.00%
3.10%
2.80%
2.60%
2.00%
FY 06
FY 07
FY 08
FY 09 (RE)


Agricultural growth
8.00%
6.00%
4.00%
2.00%
0.00%
5.80%
4.00%
4.90%
1.60%
FY 06
FY 07
FY 08
FY 09


Export growth
40.00%
30.00%
20.00%
10.00%
0.00%
23.40%
22.60%
28.90%
17.40%
FY 06
FY 07
FY 08
FY 09 (Apr- Dec)

KEY INDICATORS

Key Economic Indicators

for the year 2008-09

	Item	Units	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	
1	**GDP and Related Indicators**								
	GDP (current market prices)	Rs. crore	2754620	3149407	3586743	4129173	4723400	5321753	RE
	Growth rate	%	12.2	14.3	13.9	15.1	14.4	12.7	
	Growth of GDP								
	(factor cost, constant prices)	%	8.5	7.5	9.5	9.7	9	6.7	
	Savings Rate	% of GDP	29.8	31.7	34.2	35.7	37.7	na	
	Capital formation (rate)	% of GDP	27.6	32.1	35.5	36.9	39.1	na	
	Per cap NNP								
	(factor cost & current prices)	Rs.	20871	23198	26003	29524	33283	37490	
2	**Production**								
	Foodgrains	Mn tonne	213.2	198.4	208.6	217.3	230.8	229.9	^^
	Index of Industrial production								
	(growth)	%	7	8.4	8.2	11.6	8.5	2.6	
	Electricity generation								
	(growth)	%	5.1	5.1	5.2	7.3	6.3	2.7	
3	**Prices**								
	Inflation (WPI) (52-week average)	%change	5.5	6.5	4.4	5.4	4.7	8.4	
	Inflation CPI (IW)	%change	3.9	3.8	4.4	6.7	6.2	9.1	
4	**External Sector**								
	Export growth (US$)	%change	21.1	30.8	23.4	22.6	28.9	3.6	
	Import growth (US$)	%change	27.3	42.7	33.8	24.5	35.4	14.4	
	Current account deficit (CAD)/GDP	%	2.3	-0.4	-1.2	-1.1	-1.5	-4.1	^
	Foreign exchange reserves	US$ bn.	113	141.5	151.6	199.2	309.7	252	@
	Average exchange rate	Rs./ US$	45.95	44.93	44.27	45.28	40.26	45.99	
5	**Money and Credit**								
	(M3) (annual)	%change	16.8	12.3	17	21.3	21.2	18.4	
	Scheduled commercial bank credit								
	(growth)	%change	15.2	30.7	37	28.5	22.3	17.5	
6	**Fiscal Indicators (Centre)**								
	Gross fiscal deficit	% of GDP	4.5	4	4.1	3.5	2.7	6.2	#
	Revenue deficit	% of GDP	3.6	2.5	2.6	1.9	1.1	4.6	#
	Primary deficit	% of GDP	0	0	0.4	-0.2	-0.9	2.6	#
7	**Population**	Million	1072	1089	1106	1122	1138	1154	

RE GDP figures for 2008-09 are Revised Estimates
na not yet available / released for 2008-09
^^ for 2008-09 the figures are the 3rd Advance Estimates
^ CAD to GDP ratio for 2008-09 is for the period Apr-Dec 2008
@ as of March 31, 2009
fiscal indicators for 2008-09 are based on the provisional actuals for 2008-09

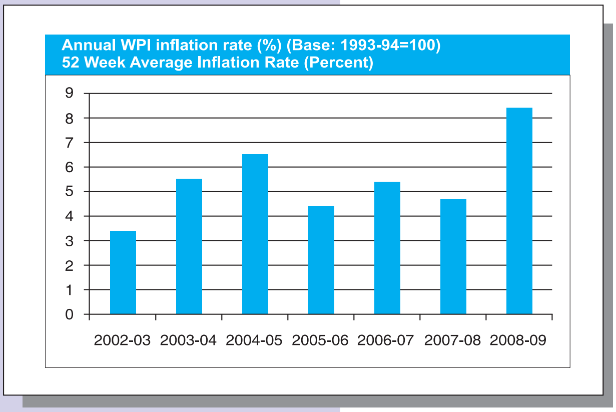
GENERAL REVIEW

Economic growth decelerated in 2008-09 to 6.7 per cent. This represented a decline of 2.1 per cent from the average growth rate of 8.8 per cent in the previous five years (2003-04 to 2007-08). Per capita GDP growth grew by an estimated 4.6 per cent in 2008-09. Though this represents a substantial slowdown from the average growth of 7.3 per cent per annum during the previous five years, it is still significantly higher than the average 3.3 per cent per annum income growth during 1998-99 to 2002-03. The ratio of fixed investment to GDP consequently increased to 32.2 per cent of GDP in 2008-09 from 31.6 per cent in 2007-08. The manufacturing, electricity and construction sectors decelerated to 2.4, 3.4 and 7.2 per cent respectively during 2008-09 from 8.2, 5.3 and 10.1 per cent respectively in 2007-08. To deal with the liquidity crunch and the virtual freezing of international credit, the monetary stance underwent an abrupt change in the second half of 2008-09. The overall balance of payments (BOP) situation remained resilient in 2008-09 despite signs of strain in the capital and current accounts, due to the global crisis. The foreign exchange reserves position remains comfortable and the external debt position has been within the comfort zone. The rate of inflation has since abated and provides a degree of comfort on the cost side for the production sectors.

FISCAL POLICY

There was sharp deterioration in the fiscal position in 2008-09 owing largely to global commodity price rise and financial meltdown. Fiscal deficit was placed at 6.2 per cent of GDP for 2008-09, as against 6.1 per cent (RE 2008-09). Revenue deficit has been placed at 4.6 per cent of GDP and primary deficit at 2.6 per cent of GDP. Gross tax revenue was initially budgeted to grow by 16.3 per cent in 2008-09 over its level of Rs. 5,93,147 crore in 2007-08. In the event, the provisional actual for 2008-09 was Rs. 6,09,705 crore which represents a modest growth of 2.8 per cent over the level in 2007-08. As a proportion of GDP, gross tax revenue fell from a level of 12.6 per cent in 2007-08 to a level of 11.5 per cent in 2008-09. In 2008-09 the Corporate Income Tax achieved a growth rate of 10.8%.Service tax also moderated and grew at 18.6 per cent in 2008-09.Overall revenue receipts increased only by 0.5 per cent in 2008-09

INFLATION



While overall inflation as at end-March 2009 registered merely 0.8 per cent, the group-wise inflation rates varied. The 52-week averages show that inflation in 2000-01, 2004-05 and 2008-09 had been above the 6 per cent threshold with 2008-09 recording the highest average in the current decade. Inflation, which was rising but which was in single digit up to end-May, reached double digits from June to mid- October and remained above 8 percent up to end- November, with the price of crude touching US$ 147 in July 2008. While the group inflation rate as on end-March 2009 registered at 5.2 per cent, it was 7.0 per cent in food articles, 0.1 per cent in non-food articles and 7.2 per cent in minerals. WPI inflation rose sharply in May-June 2008. Similarly, WPI inflation moved from 13 per cent to 1 per cent between August 2008 and March 2009. The high WPI inflation up to August 2008 could be explained by the high oil, metal and mineral prices.

CAPITAL MARKET

THE PRIMARY MARKET

After recording strong growth during 2006 and 2007, the primary capital market received a setback in 2008. The number of new issues declined sharply in 2008. Total amount of capital raised through equity issues during 2008 was Rs. 49,485 crore, recording a decline of 15.7 per cent as compared to the level in 2007. The total numbers of initial public offerings (IPOs) were only 37 in 2008 as against 100 in 2007. The amount mobilized by IPOs at Rs. 18,393 crore was also lower by 45.8 per cent during 2008. However, the mean IPO size increased from Rs. 339 crore in 2007 to Rs. 497 crore in 2008. There was no debt issue in 2008. Private placement amounted to Rs. 1,75,061 crore in 2008 i.e., lower by 5.3 per cent over 2007. It is also a matter of satisfaction that the performance of the capital market has lately shown signs of revival of investor interest and confidence – both domestic and foreign institutional investors.

Resource mobilization through primary market

(Rs Crore)

		Calendar Year			
	Mode	**2005**	**2006**	**2007**	**2008 (P)**
1	Debt	66	389	594	0
2	Equity	30,325	32,672	58,722	49,485
	of which, IPOs	9,918	24,779	33,912	18,393
	Number of IPOs	55	75	100	37
	Mean IPO size	180	330	339	497
3	Private placement	83,812	1,17,407	1,84,855	1,75,061
4	Euro issues (ADR/GDR)	9,788	11,301	33,136	6,271
	Total (1 to 4)	123,991	1,61,769	2,77,307	2,30,877

Source : SEBI and RBI (for Euro Issues)
P : Provisional

THE SECONDARY MARKET

In the secondary market segment, the market activity began on a bullish note with BSE and NSE indices scaling new peaks of 20,873 and 6,287 on January 8, 2008. However, this momentum did not sustained and the indices recorded significant downtrend in line with the decline in all the major international indices. Intraday fall of 1,968 points in BSE Sensex on January 21, 2008 was the highest recorded fall in the history of Sensex. The market sentiment turned cautious on account of increase in international crude oil prices, downward trend in major international equity markets, increasing domestic inflation, widening of trade deficit and depreciation of the rupee. On a point-to-point basis, BSE Sensex and Nifty indices declined by 51.8 per cent and 52.4 per cent respectively during 2008. Market capitalization to GDP ratio declined from 109.5 per cent by end-March 2008 to 49.7 per cent at the end of March 2009.

Even after the sharp correction in the valuation of Indian stocks, the year-end valuation of stocks in terms of P/E ratio of Indian indices at 12.4- 12.9 at end-December 2008 was the highest amongst select emerging market economies such as South Korea, Thailand, Malaysia and Taiwan. The net investment by FIIs in spot market recorded an outflow of Rs. 41,216 crore during 2008 as against an inflow of Rs. 80,915 crore in 2007.

Cumulative change in movement of global indices

Index	Cumulative change over end-2003 level				
	2004	2005	2006	2007	2008
BSE Sensex, India	13.1	61.0	136.1	247.4	65.2
Hang Seng Index, Hong Kong	13.2	18.3	58.8	121.2	1.1
Jakarta Composite Index, Indonesia	44.5	68.1	161.0	296.8	35.5
Nikkei 225, Japan	7.6	50.9	61.3	43.4	-22.9
Kospi Index, South Korea	10.5	69.7	76.8	133.9	25.6
Kuala Lumpur Comp Index, Malaysia	14.2	13.4	38.0	82.0	-3.3
TSEC Weighted Index, Taiwan	4.2	11.2	32.8	44.4	-25.2
SSE Composite Index, China	-15.4	-22.4	78.7	251.5	43.7

THE COMMODITY FUTURES MARKET

Commodities traded on the commodity futures market during 2008 included a variety of agricultural commodities, bullion, crude oil, energy and metal products. Several new commodities were permitted for trading in 2008, such as aviation turbine fuel, carbon credit, carbon financial instrument, red arecanut, coriander seeds, garlic, steel long (ingots/ billets) and thermal coal. Total value of trading in the commodity futures market rose from Rs. 36,54,487 crore in 2007 to Rs. 50,33,884 crore during 2008. The average daily value of trades in the commodity exchanges improved from Rs. 15,000 crore during 2007 to Rs. 18,500 crore in 2008. The MCX recorded the highest turnover in terms of value of trade during 2008, followed by National Commodity & Derivatives Exchange Ltd. (NCDEX) and National Multi-Commodity Exchange of India Ltd. (NMCE) respectively. The MCX commodity index fell by 24.7 per cent during 2008. The decline in international commodity futures indices viz., Dow Jones AIG Commodity Index (DJAIG) and Reuters/Jefferies Commodity Research Bureau (RJCRB) index was even sharper at 36.6 per cent and 36.0 per cent respectively.

Turnover on Commodity futures markets

(Rs. crore)

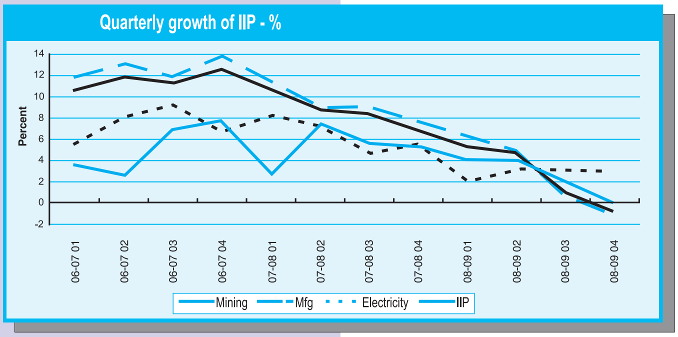
Name of the Exchange	Calendar Year		
	2006	2007	2008
Multi Commodity Exchange (MCX), Mumbai	2025663	2730415	4284653
National Multi Commodity Exchange (NMCE), Ahmedabad	111462	25056	37272
National Commodity and Derivative Exchange (NCDEX), Mumbai	1243327	774965	628074
Others	104033	124051	83885
Total	**3484485**	**3654487**	**5033884**

INSURANCE AND PENSION FUNDS

The insurance sector was opened for private participation with the enactment of the Insurance Regulatory and Development Authority Act (IRDA Act), 1999. The total premium underwritten by the industry in the life segment has recorded an increase of 10.8 per cent to Rs. 2,23,053 crore in 2008-09. The increase is attributed to introduction of new products and channels of distribution and increasing penetration of private insurance companies. Further non-life insurers underwrote a total domestic premium of Rs. 27,824 crore in 2007-08 as against Rs. 9807 crores in 2000-01. The premium underwritten in two of the fastest growing segments viz., “motor vehicles” and “health” accounted for 45.6 per cent and 17.6 per cent of the premium underwritten in India in 2007-08. During 2008-09, the non- life insurers underwrote premium of Rs. 30,601 crore as against the premium of Rs. 27,824 crore in 2007-08.

As a part of pension sector reforms, Pension Fund Regulatory and Development Authority (PFRDA) was set up to implement New Pension System (NPS) architecture. In August 2008 to extend the NPS to all citizens including the unorganized sector workers, the PFRDA announced that it would roll out the NPS architecture during the financial year 2009-10.

INDUSTRY & MANUFACTURING



Though the growth of the industrial sector started to slowdown in the first half of 2007-08, the overall growth during the year remained as high as 8.5 per cent. The industrial sector witnessed a sharp slowdown during 2008-09, the most important being the knock-on effects of the global financial crisis. The pace of slowdown accelerated in the second half of 2008-09 with the sudden worsening of the international financial situation and the global economic outlook. In the third quarter of 2008-09, the manufacturing sector witnessed a sharp drop in growth which turned negative in the fourth quarter. Growth of the mining sector declined over successive quarters of 2008-09 to reach a zero rate in the fourth quarter. The year 2008-09 thus closed with the industrial growth at only 2.4 percent as per the Index of Industrial Production (IIP).

BANKING SECTOR

Bank credit to the commercial sector witnessed strong growth in the first half of the year, it decelerated particularly in the second half of the year. During 2008-09, bank credit to the commercial sector expanded by 16.9 per cent only, as compared to 21.0 per cent in 2007-08. In terms of absolute values also, the slowdown was noticeable, in as much as the expansion in bank credit during 2007-08 was of the order of Rs. 4,30,724 crore which decelerated to Rs. 4,08,099 crore in 2008-09. Non-food credit growth as at end-March 2009 grew by 17.5 per cent as compared to 23.0 per cent growth as at end-March 2008. Though the growth in the different sources of funds for the Scheduled Commercial Banks (SCBs) during 2008-09 was lower than for 2007-08, the growth in deposits with the banking system in 2008-09 was higher than the growth of credit. This reflected in the decline in the incremental credit-deposit ratio (Y-O-Y) of SCBs from 73.6 per cent in end-March 2008 to a level of 64.4 per cent in end-March 2009. The first six months of the FY 2008-09 witnessed inflationary pressures with RBI continuing to address monetary expansion through revisions in policy rates. The second half of year was a period when the RBI initially took steps to ease the liquidity crunch in the money market. Reduction in policy rates were also announced to enhance the liquidity in the system and for reducing the cost of credit to business and industry.

SOCIAL SECTOR

With the objective of inclusive growth, the government has strengthened its effort for social sector development. Government expenditure on social services and rural development has gone up consistently over the years. The share of government expenditure on social services including rural development in total expenditure has increased from 11.23 per cent in 2002-03 to 19.44 per cent in 2008-09. Expenditure on social services as a proportion of total expenditure has increased from 19.3 per cent in 2003-04 to 24.1 per cent in 2008-09, expenditure on education has increased from 9.5 per cent in 2003-04 to 10.8 per cent in 2008-09. Share of health in total expenditure has also increased from 4.3 per cent in 2003-04 to 5.1 per cent in 2008-09.

INFRASTRUCTURE

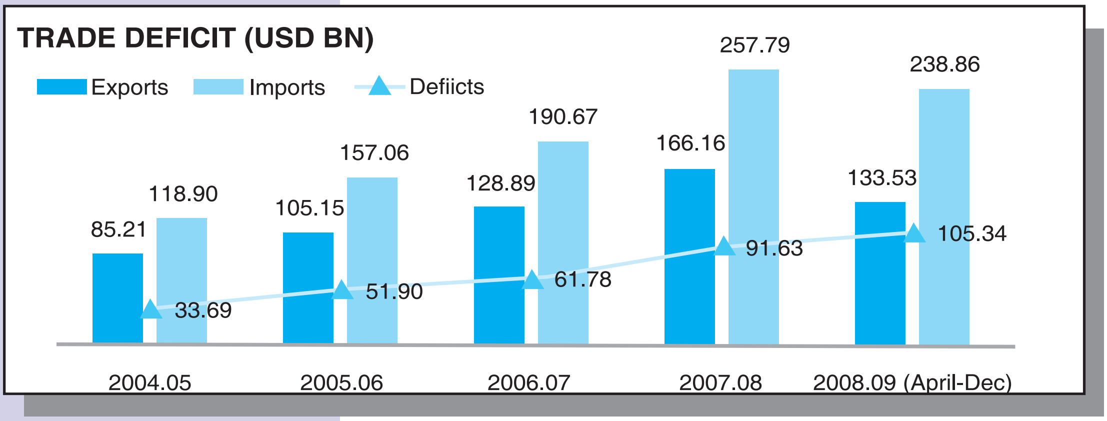
The economic miracle of the high-growth Asian economies was accompanied by substantial investments in infrastructure. Evidence also suggests that creation of infrastructure, through its direct and indirect effects, has a significant impact on poverty reduction. In the Indian context, though there has been some improvement in infrastructure development in transport, communication and energy sectors in recent years, there are still significant gaps that need to be bridged. The capacity creation in infrastructure sectors presented a mixed picture in 2008-09. While telecom and petroleum sectors have done well in 2008-09, when compared to the recent years, the power sector exhibited considerable shortfall. The demand for infrastructure products and services is substantially a derived demand. As the economy slumped in activity, consequent to the commodity price and oil price shocks and then the global economic crisis, most infrastructure sectors too witnessed subdued growth in production/services during 2008-09. A comparison of the growth figures for H1 2008-09 with H2 2008-09 reveals that the production and services of most of the infrastructure sectors underwent a drastic slowdown in the second half of the year. The growth in electricity generation by power utilities during 2008-09 at 2.7 per cent fell much short of the targeted 9.1 per cent. The current economic slowdown provides an opportunity for countries like India that have a substantial degree of unmet infrastructure requirements. This is reinforced by the understanding that spending on infrastructure has large multiplier effects.

Infrastructure & Universal Intermediates - Output Growth (%)

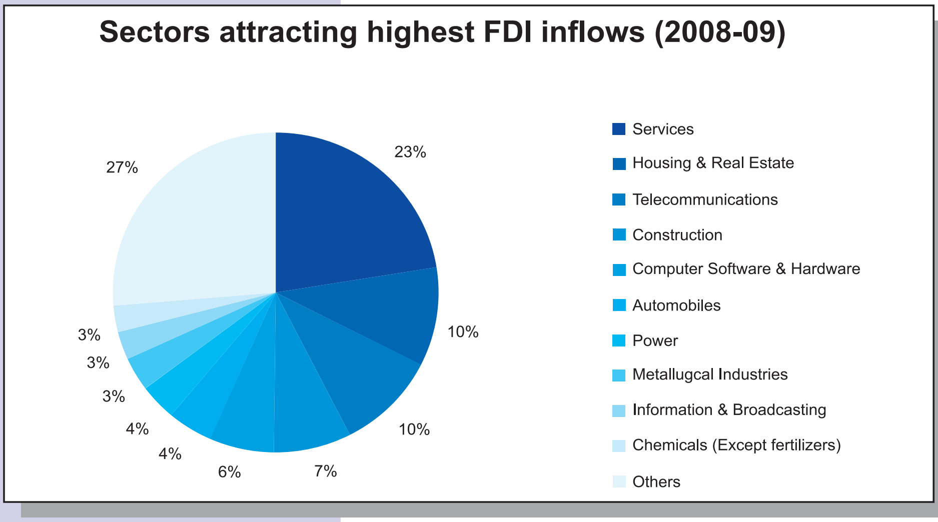
		2007-08	2008-09
1	Power		
	Electricity Generated	6.3	2.7
2	Transport		
	Railways (Freight)	9.0	4.9
	Ports (Cargo)	12.0	2.1
	Air - Export Cargo	7.5	3.4
	Air - Import Cargo	19.7	-5.7
	Air - Passenger Traffic (Inter)	11.9	3.8
	Air - Passenger Traffic (Domestic)	20.6	-12.1
3	Telecom		
	Cell Phone Connections-telecom	38.3	44.8
4	Universal Intermediates		
	Coal	6.0	8.1
	Petroleum - Crude	0.4	-1.8
	Petroleum - Refinery	6.5	3.0
	Natural Gas	2.1	1.4

BALANCE OF PAYMENT

Emerging market economies like India were not significantly affected by the global financial crisis in the initial stages, which had set in around August 2007. In fact, the initial effect of the global financial crisis was positive, as India received huge Foreign Institutional Investment (FII) inflows of US$ 22.5 billion during September 2007 to January 2008, as against US$ 11.8 billion during April-July 2007. This contributed to the debate on "decoupling", where it was believed that the emerging economies might remain largely insulated from the crisis and provide an alternative engine of growth to the world economy. The argument was proved unfounded as the global financial crisis intensified and spread to emerging economies through capital and current account routes of the balance of payments (BoP). The current account was also affected after September 2008 through slowdown in exports. The exports of US$ 36.7 billion in the third quarter (October-December, Q3) of the 2008-09 indicated 10.4 per cent decline over the third quarter of 2007- 08, as against an increase of 33.0 per cent in Q3 of 2007-08 over Q3 of 2006-07. During 2008-09 (April- December 2008), the current account deficit was 4.1 per cent and capital account surplus 1.8 per cent of GDP, leading to decline in foreign exchange reserves (excluding valuation) of US$ 20.4 billion, as against an accretion to reserves of US$ 67.2 billion in April-December 2007. However, despite setback, the BoP situation of the country continues to be resilient.

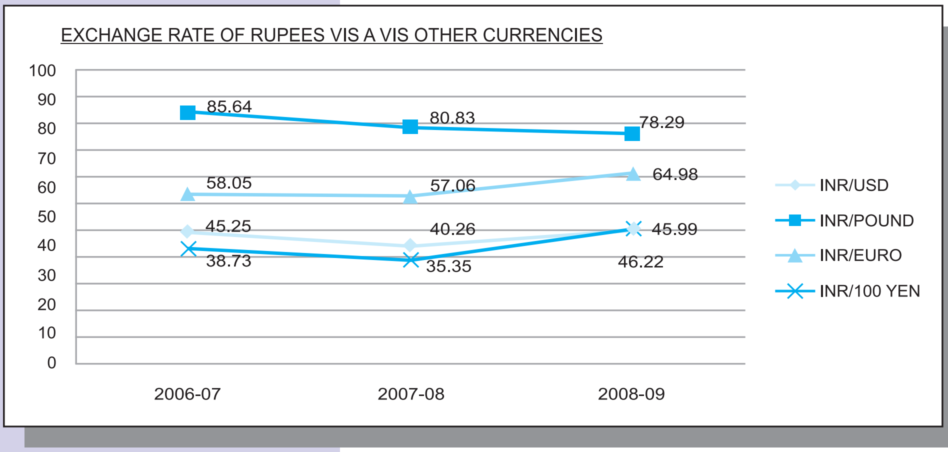


FOREIGN DIRECT INVESTMENT



FDI is considered to be the most attractive type of capital flow for emerging economies as it is expected to bring latest technology and enhance production capabilities of the economy. During 2005-06 to 2008-09, FDI flows assumed greater significance. High inflows indicate India as an attractive investment destination as a consequence of its liberalised investment climate, stable and sound economic and political base, opportunities for economic growth, while capital investment abroad reflects the growing global competitiveness of the Indian corporate sector. The two-way flow of FDI, therefore, means that while the world is taking note of India's market potential, Indian companies are also constantly looking for synergistic acquisitions abroad. On a gross basis, FDI inflows into India increased from US$ 8.9 billion in 2005-06 to US$ 22.8 billion in 2006-07 and further to US$ 34.4 billion in 2007-08. In the fiscal 2008-09 (April-December) gross FDI into India was US$ 27.5 billion. FDI has grown significantly on net basis. The year-to-year growth in FDI (net) was 153.6 percent in 2006-07 and 100.2 per cent during 2007-08.

FOREIGN EXCHANGE



The level of India's foreign exchange reserves comprising foreign currency assets (FCA), gold, SDRs and reserve tranche position (RTP) in the IMF, which had touched a low of US$ 5.8 billion at end-March 1991, peaked at US$ 314.6 billion at end-May 2008. The reserves declined thereafter to US$ 247.7 billion at the end of November 2008 and were at US$ 252.0 billion at the end of March 2009. Fallout of the global crisis and strengthening of the US dollar vis-à-vis other international currencies has been responsible for the decline. The Foreign Currency Assets (FCAs) are held in diverse currencies like US dollar, Euro, pound sterling, Australian dollar, etc. An appreciation in the value of US dollar against major international currencies translates into lower US dollar equivalent for assets held in other currencies. Thus, during fiscal 2008- 09, out of the decline of US$ 57.8 billion in FCA (from US$ 299.2 billion on 31.3.2008 to US$ 241.4 billion on 31.3.2009), the fall of US$ 39.7 billion (69 per cent) was due to valuation change and only US$ 17.9 billion (31 per cent) was on account of net sale of dollars by the RBI. The US dollar has appreciated by 38.8 per cent against pound sterling, 19.3 per cent against Euro and 32.6 per cent against Australian dollar between March 2008 and March 2009.

Direct Tax Proposals

Tax Rate

Changes are proposed for Individuals whereas corporate tax rates remain unchanged.

Individuals

The basic exemption limits for individuals other than women and senior citizens have been raised from **Rs. 1.50 Lac** to **Rs. 1.60 Lac**. The proposed tax slab is as follows:

Figure in Lac	Rate of Tax (%)
Upto Rs. 1.60	Nil
Rs.1.60 to Rs. 3.00	10
Rs.3.00 to Rs. 5.00	20
Rs.5.00 and above	30

Women below 65 years

The basic exemption limit for women has been raised from **Rs. 1.80 Lac** to **Rs. 1.90 Lac.**

Senior Citizen

The basic exemption limit for Senior Citizens has been raised from **Rs 2.25 Lac** to **Rs.2.40 Lac.**

Firm and Corporate

No Change in Tax Rate

Surcharge and Cess

Cess removed in case of TDS and TCS (otherwise than TDS on Salary) whereas applicability of Cess at other places remains the same. Surcharge removed from all the assesses except Corporate.

Minimum Alternate Tax (MAT)

- Rate of MAT has been increased to 15% from existing 10%
- MAT Credit shall now be carried forward for 10 Assessment years instead of 7 Assessment Years.
- Provision for diminution in the value of any asset will also be included in computation of book profit under section 115JA. The amendment will be effective from retrospective effect from 1st April, 1998 i.e. Assessment Year 1998-1999

Advance Tax

Advance-tax from the financial year 2009-2010 would be payable only if the tax liability is Rs. 10,000/- or more.

Fringe Benefit Tax (FBT)

Fringe Benefit Tax (FBT) has been abolished.

Commodities Transaction Tax (CTT)

Commodities Transaction Tax (CTT) has been abolished.

Partnership Firm

- Limits with respect to payment to working partners for Salary, Bonus, Commission or remuneration have been revised and made uniform for Professional as well as any other firm as shown hereunder :

a)	On the first Rs. 3,00,000 of the book-profit or in case of a loss.	Rs. 1,50,000 or at the rate of90 per cent. of the book-profit,whichever is more;
b)	On the balance of thebook-profit	at the rate of 60 per cent.

Limited Liability Partnership (LLP)

- Definition of the words “Firm”, “Partner” and “Partnership” amended to include the provisions of Limited Liability Partnership Act,2008 (LLP).
- Return shall be signed and verified by the designated partner and where for any unavoidable reason the designated partner is not able to sign the return by any other partner.
- 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 the non recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the limited liability partnership.

Interest on Compensation

Proposed to be taxed as Income from Other Sources on receipt basis. However standard deduction @ 50% shall be allowed.

Tax on Gift

Hitherto Income Tax was levied on gift of money. However the income tax on gift has now been extended on Gift of property also.

Salary Income

- ESOP and Sweat equity included in the definition of Perquisite under the Salary.
- Contribution to approved superannuation fund to the extent it exceed Rs. 1 Lac is included in Perquisite under the Salary.

Donation to Electoral Trust

It is proposed to amend section 80GGB and section 80GGCof the Income-tax Act, 1961 to provide that donations to electoral trusts shall be allowed as a 100 percent deduction in the computation of the income of the donor

Anonymous donations

Proposed to amend clause (i) of sub-section (1) of the section 115BBC so as to provide that Anonymous donations to the extent the aggregate of anonymous donations exceeds five per cent of the total income of the assessee or an amount of rupees one lakh, whichever is higher, would be taken into account.

Scope of the definition of Charitable Institution

Preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest is included with relief of the poor, education and medical relief in the definition of "charitable purpose"

Presumptive Taxation

- Section 44AD amended to cover income of assesee on presumptive basis, who is engaged in any business except the business of plying, hiring or leasing goods carriages, at a sum equal to eight per cent of the total turnover or gross receipts in the previous year on account of such business, or, as the case may be, a sum higher than the aforesaid sum claimed to be earned by the assesee.
- Advance Tax Provisions are not applicable to the assesee offering their income under the scheme of presumptive taxation.
- Deemed profit with respect to goods vehicles under section 44AE is enhanced as follows:

Vehicle Type	Earlier	Revised
Heavy goods vehicles	3,500 per month or part of month	5,000 per month or part of month
Vehicles other than heavy goods vehicles	3,150 per month or part of month	4,500 per month or part of month

New Pension Scheme (NPS)

The New Pension System (NPS) has become operational since 1st January, 2004 and is mandatory for all new recruits to the Central Government service from 1st January, 2004. Since then it has been opened up for employees of State Government, private sector and self employed (both organised and unorganized). NPS Trust has been set-up on 27th February, 2008 as per the provisions of the Indian Trust Act, 1882 to manage the assets and funds under the NPS in the interest of the beneficiaries. With a view to ensure that tax treatment of savings under this system is in synchronised with the "exempt-exempt-taxed" (EET) method and that there is no incidence of taxation at the accumulation stage, it is proposed to make the NPS Trust a complete pass-through in so far as taxation is concerned. Therefore, it is proposed to,—

(i) insert a new clause (44) in section 10 of the Income-tax Act so as to provide that any income received by any person on behalf of the New Pension System Trust established on 27th day of February, 2008 under the provisions of the Indian Trust Act of 1882 shall be exempt from income tax;

(ii) amend section 115-O to provide that any dividend paid to the NPS Trust shall be exempt from Dividend Distribution Tax;

(iii) amend Chapter VII of Finance (No.2) Act, 2004 to provide that all purchases and sales of equity and derivatives by the NPS Trust will also be exempt from the Securities Transaction Tax; and

(iv) amend section 197A to provide that the NPS Trust shall receive all income without any tax deducted at source.

Decuction for Contrubution to NPS u/s 80CCD	The tax benefit under section 80CCD was hitherto available to "employees" only. However, the NPS now has been extended also to "self-employed".
Deduction u/s 80 DD	Limit for deduction under section 80DD has been enhanced to Rs. 1,00,000/- from Rs. 75,000/- for the treatment of the person with severe disability.
Extension of the schope of Deduction for Interest on Loan for Higher Education u/s 80 E	With the objective of fostering human capital formation in the country, it is proposed to amend the provisions of section 80Eof the Income Tax Act so as to extend its scope to cover all fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so.
Transfer Pricing	Rules will be made for 'Safe Harbour' (Circumstances in which the income tax authorities shall accept the transfer price declared by the assesee) for the purpose of finding Arms Length Price in case of Transfer pricing.
Income Escaping Assessment u/s 148	Assessing Officer may assess or reassess income in respect of any issue which has escaped assessment and such issue comes to his notice subsequently in the course of the proceedings under section 148, notwithstanding that the reasons for such issue have not been included in the reasons recorded under sub-section (2) of section 148. This amendment will take effect retrospectively from 1st April, 1989 Assessment Year 1989-90
Document Identification Number (DIN)	Every income tax authority shall allot a computer generated Document Identification Number (DIN) in respect of every notice, order, letter or any correspondence issued by him to any other income-tax authority or assessee or any other person and such number shall be quoted thereon. It is further proposed that where the notice, order, letter or any correspondence issued by any income-tax authority does not bear a DIN, such notice, order, letter or any correspondence shall be treated as invalid and shall be deemed never to have been issued. It is also proposed to provide that every document, letter or any correspondence, received by an income-tax authority or on behalf of such authority, shall be accepted only after allotting and quoting of a computer generated Document Identification Number. It is also proposed to provide where the document, letter or any correspondence received by any income-tax authority or on behalf of such authority does not bear Document Identification Number, such document, letter or any correspondence shall be treated as invalid and shall be deemed never to have been received.
Enhancement of limit for disallowance of expenditure made in the case of transporters	It is proposed to raise the limit of payment to such transport operators otherwise than by account payee cheque or account payee bank draft to Rs 35000/- from existing limit of Rs. 20,000/-The proposed amendment will apply to transactions effected on or after 1st October 2009.
Extension of time limit for filing applications for tax exemption u/s 10(23C)	Extension of time limit for filing applications for tax exemption under section 10(23C) has been granted upto 30th September of the succeeding financial year.
Weighted Deduction for in house research & development	It is proposed to extend the benefit of weighted deduction of 150% to companies engaged in the business of manufacture or production of an article or thing except those specified in the Eleventh Schedule of the Income Tax Act
Power to issue Zero Coupon Bond	Under the existing provision of clause (48) of section 2, only infrastructure capital company or infrastructure capital fund or public sector company are empowered to issue zero coupon bonds when they are authorised to do so. With a view to empower scheduled banks including nationalised banks to issue zero coupon bonds to source their long term funds, it is proposed to amend the section so as to include the scheduled bank as an eligible person to issue zero coupon bonds.
Investment linked tax incentive for specified business	With a view to creating rural infrastructure and environment friendly alternate means of transportation for bulk goods, it is proposed to provide investment-linked tax incentive by inserting a new section 35AD in the Income-tax Act for the following businesses:— (a) setting up and operating cold chain facilities for specified products

(b) setting up and operating warehousing facilities for storage of agricultural produce;

(c) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network.

Some of the salient features of the new regime of investment-linked tax incentives are as following:—

(a) 100% deduction would be allowed in respect of the whole of any expenditure of capital nature incurred, wholly and exclusively, for the purposes of the specified business during the previous year in which such expenditure is incurred.

(b) The expenditure of capital nature shall not include any expenditure incurred on acquisition of any land or goodwill or financial instrument.

(c) Any sum received or receivable on account of any capital asset, in respect of which deduction has been allowed under section 35AD, being demolished, destroyed, discarded or transferred shall be treated as income of the assessee and chargeable to income tax under the head "Profits and gains of business or profession".

(d) Any loss computed in respect of the specified business shall not be set off except against profits and gains, if any, of any other specified business. To the extent the loss is unabsorbed the same will be carried forward for set off against profits and gains from any specified business in the following assessment year and so on.

Further, profit-linked deduction provided under section 80-IA to the business of laying and operating a cross country natural gas distribution network will be discontinued. As a result, any person availing of this incentive can avail of the benefit under the proposed section 35AD. All capital expenditure (other than on land, goodwill and financial instrument), to the extent capitalized in the books as on 1st April, 2009 will be fully allowed as a deduction in the computation of total income of the said business for the previous year 2009-2010.

This will be available in addition to any other capital expenditure (excluding land, goodwill and financial instrument) incurred during such previous year.

Extension of sunset clause for tax holiday under section 80-IA

It is proposed to amend sub-clause (b) of clause (v) of sub-section (4) of section 80-IA to extend the terminal date for commencing the activity of generation, transmission or distribution of power in case of such undertaking from 31.3.2008 to 31.3.2011.

Further, under section 80-IA, the provisions of clause (iv) of sub-section (4) provides for a deduction of profits and gains of an undertaking,—

(a) which is set up for the generation and distribution of power if it begins to generate power at any time during the period beginning on 1-4-1993 and ending on 31-03-2010;

(b) which starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1-4-1999 and ending on 31-03-2010; which undertakes substantial renovation and modernization of existing network of transmission or distribution lines at any time during the period beginning on 1-4-2004 and ending on 31-03-2010.

It is proposed to amend clause (iv) of sub-section (4) of section 80-IA to extend the terminal date for a further period of one year upto 31-03-2011.

Amendment in Chapter VIA to prevent abuse of tax incentives

It is proposed to amend the provisions of section 80A of the Income-tax Act to provide the following, namely:-

(i) deduction in respect of profits and gains shall not be allowed under any provisions of section 10A or section 10AA or section 10B or section 10BA or under any provisions of Chapter VIA under the heading "C.-Deductions in respect of certain incomes" in any assessment year, if a deduction in respect of same amount under any of the aforesaid has been allowed in the same assessment year;

(ii) the aggregate of the deductions under the various provisions referred to in (i) above, shall not exceed the profits and gains of the undertaking or unit or enterprise or eligible business, as the case may be;

(iii) no deductions under the various provisions referred to in (i) above, shall be allowed if the deduction has not been claimed in the return of income;

These amendments will take effect retrospectively from the 1st April, 2003, and will accordingly apply in relation to assessment year 2003-2004 and subsequent years.

Further it is also proposed to amend section 80A to provide that the transfer price of goods and services between the undertaking or unit or enterprise or eligible business and any other undertaking or unit or enterprise or business of the assessee shall be determined at the market value of such goods or services as on the date of transfer.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to assessment year 2000-2001 and subsequent years.

Extension of sunset clause for tax holiday u/s 80-IB

Under the existing provisions of section 80 IB, it is incumbent on refineries in the private sector to commence refining of mineral oil on or before the 31st March, 2009.

It is proposed to amend the provisions of sub-section (9) so as to allow them a further period of three years i.e. upto the 31st March, 2012 to begin refining of mineral oil and avail of the tax benefit. The new terminal date will be the same for both the public and the private sector.

Extension of sunset clause for units in FTZ u/s 10A and for EOU u/s 10B

Extension of sunset clause for units in free trade zone under section 10A and for export oriented undertakings under section 10B is proposed by one year i.e. the deduction will be available upto Assessment Year 2011-12.

Rates for TDS under section 194 I are proposed to be lower

Nature of payment	Existing Rate	Proposed Rate* (w.e.f 1.10.2009)
rent of plant, machinery or equipment	10%	2%
rent of land, building or furniture to an individual and HUF	15%	10%
rent of land, building or furniture to a per son other than an individual or Hindu undivided family	20%	10%

** The rate of TDS will be 20% in all cases, if PAN is not quoted by the deductee w.e.f. 01.04.2010.*

Rates for TDS under section 194 C are proposed to be lower

Payment To	Existing Rate	Proposed Rate** (w.e.f 1.10.2009)
Individual/HUF contractor	2%	1%
Other than individual/HUF contractor	2%	2%
Individual/HUF sub-contractor	1%	1%
Other than individual/HUF sub-contractor	1%	2%
Individual/HUF contractor/sub-contractor for advertising	1%	1%
Other than individual/HUF contractor/ sub-contractor for advertising	1%	2%
Sub-contractor in transport business	1%	Nil*
Contractor in transport business	2 %	Nil*

* The nil rate will be applicable if the transporter quotes his PAN. If PAN is not quoted the rate will be 1% for an individual/HUF transporter and 2% for other transporters upto 31.3.2010.

** ** The rate of TDS will be 20% in all cases, if PAN is not quoted by the deductee w.e.f. 01.04.2010.*

Under Section 194C, it is proposed to exempt payments to transport operators (as defined in section 44AE) from the purview of TDS. However, this would only apply in cases where the operator furnishes his Permanent Account Number (PAN) to the deductor.

The proposed amendments will apply to credits or payment effected on or after 1st October, 2009.

TDS under other heads

Some of the rates of TDS specified for resident taxpayers have been reduced and converged to 10 per cent. In order to ease the computation of TDS, it is proposed to remove surcharge and cess on tax deducted on non-salary payments made to resident taxpayers.

Improving compliance with provisions of quoting PAN through the TDS regime

- In order to strengthen the PAN mechanism, it is proposed to make amendments in the Income Tax Act to provide that any person whose receipts are subject to deduction of tax at source i.e. the deductee, shall mandatorily furnish his PAN to the deductor failing which the deductor shall deduct tax at source at higher of the following rates
  - the rate prescribed in the Act;
  - at the rate in force i.e., the rate mentioned in the Finance Act; or
  - at the rate of 20 per cent.
- TDS would be deductible at the above-mentioned rates will also apply in cases where the taxpayer files a declaration in form 15G or 15H (under section 197A) but does not provide his PAN. Further, no certificate under section 197 will be granted by the Assessing Officer unless the application contains the PAN of the applicant.
- These provisions will also apply to non-residents where TDS is deductible on payments or credits made to them.
- To ensure that the deductor knows about the correct PAN of the deductee. It is also proposed to provide for mandatory quoting of PAN of the deductee by both the deductor and the deductee in all correspondence, bills and vouchers exchanged between them.· This amendment will take effect from 1st April, 2010.

Filing of TDS and TCS statements

- Sub-section (3) of section 200 of Income-tax Act provides that any person deducting tax in accordance with the provisions of Chapter XVIIB has to furnish, within the prescribed time, quarterly statements for the period ending on the 30th June, 30^{th} September, 31st December and 31st March in each financial year. Similarly, filing of quarterly returns for tax collection at source (TCS)
- TCS hase been provided in sub-section (3) of section 206C of the Act. Further section 206A provides furnishing of quarterly return in respect of payment of interest to residents without deduction of tax.
- In order to provide administrative flexibility in deciding the periodicity of such TDS related statements, it is proposed to modify the existing provisions so as to allow the Government to prescribe periodicity of such TDS statements besides prescribing their form and manner.
- These provision will be applicable from 1st October, 2009.

Miscellaneous

- An alternate dispute resolution mechanism is proposed for the assessment of foreign companies or assessment of transfer pricing transactions.
- The deduction under section 80IB(10) for housing project has been rationalised.· The term 'manufacture' has been defined.
- Clarification has been provided for the exempted profit in the case of units in Special Economic Zone (SEZ)

Wealth Tax

It is proposed to raise the threshold limit for payment of wealth tax from Rs. 15 Lacs to Rs. 30 Lacs.

Indirect Tax Proposals

CENTRAL EXCISE DUTY

Basic Rate

It is only to recapitulate that the present General Basic Duty of Excise is at 8% because of recently two cuts announced by the Government, as a part of stimulus package, to reduce excise duty general rate from 14%, by announcing cut of 4% w.e.f. 07.12.08 and 2% w.e.f. 24.02.09.

Enabling Cotton Textile Manufacturers to claim Export Rebate through Optional Excise Duty

Cotton textile manufactures allowed to pay an optional Excise rate of 4% for cotton textiles beyond the fiber stage to enable them to avail Export Rebate.

Exemptions / Concessions

- Full exemption from Excise Duty to be provided on goods of Chapter 68 of Central Excise Tariff (including pre-fabricated concrete slabs or blocks) manufactured at the site of construction for use in construction work at such site.
- Excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags' to be made optional. Thus, Manufacturers have the option to pay the applicable excise duty and avail the credit of duty paid on inputs.
- EVA compound manufactured on job work for further use in manufacture of footwear to be exempted.
- Duty paid HSD blended with Bio-Diesel (up to a specified blending ratio) will be exempted from Excise Duty
- On packaged or canned software, excise duty exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions. Thus the excluded portion may be taxed under Service tax.

SSI Exemption extended

Benefit to be extended to printed laminated rolls bearing the brand name of others by excluding this item from the purview of the brand name restriction.

Special Audit also by Chartered Accountants

Special audit mandated under the Act which was earlier to be done only by Cost Accountants can now also be done by the Department through Chartered Accountants.

Condonation for delay in Filing Appeals etc.

High Courts now also have been allowed to admit appeals/cross objections if those appeals/ cross-objections have been filed even after the statutory time limit of 180 days, provided the Court finds that the reason for delay is condonable.

Manner of compounding of offences

Central government now empowered to prescribe further rules for manner of compounding option under the Act for the offences. In certain habitual defaulter, or serious default types or already large defaulter cases - compounding of offences under the Act shall not be available.

Advance Ruling

Authority for Advance Ruling now proposed to be vested with CBDT.

Changes in rate of Excise Duty

Increase in Rates from 4% to 8%

Excise duty rate on all items currently attracting 4% to be raised to 8%. However, in case of some items, majorly as below, the rate would continue to be 4% only :-

- Drugs and pharmaceutical products under Chapter 30
- Certain varieties of paper, paperboard and articles thereof
- Some food items such as biscuits, sherbats, cakes and pastries
- Paraxylene
- Footwear of RSP in the range of more than Rs.250 but upto Rs.750 per pair
- Pressure cookers

- Vacuum and gas filled bulbs of RSP upto Rs.20 per bulb
- Some medical equipment
- Compact Fluorescent Lamps (CFL)
- Cars for physically handicapped
- Power driven pumps for handling water

Specific rates of Excise Duty introduced for the ad valorem portion

Branded Petrol

Earlier rate – 6% ad valorem + Rs. 13/litre New rate – Rs. 14.50/litre

Branded Diesel

Earlier rate – 6% ad valorem + Rs. 3.25/litre New rate – Rs. 4.75/litre Besides, the Excise Duty rate on Naptha and Special Boiling Point Spirits has been reduced to 14% only.

Existing Rates v/s Changed Rates

Items / Sector	Existing Rates	Changed Rates
Petrol Driven Trucks/Lorries	20%	8%
Chassis of such Petrol Driven Trucks/Lorries	20% + Rs.10,000/-	8% + Rs.10,000/-
Manmade Fibre & Yarn	4%	8%
Branded articles of Jewellery	2%	NIL
Specific component of excise duty applicable to Large Cars/Utility Vehicles of Engine capacity 2000 CC and above – now unified for all class	Rs.20,000/- per vehicle	Rs.15,000/- per vehicle

CUSTOMS DUTY

(Note : Changes in the Customs Duty rates/withdrawal of exemptions or concessions are applicable with immediate effect)

Basic Rate

There is no change in the general rate of Basic Customs Duty which remains at 10%

Exemptions /Concessions

- Exemption from 4% special CVD on parts for manufacture of mobile phones and accessories extended up to 30.06.2010.
- Concessional Customs Duty of 5% on specified machinery for Tea, coffee and rubber plantations to be reintroduced for one year upto 06.07.2010.
- CVD Exemption on Packaged or Canned Software. This is available only on the portion of consideration for transfer of right to use such software subject to some specified conditions.
- Full exemption on Inflatable Rafts, Snow-Skis, Water-Skis, Surf Boats, Sail Boards and other Water Sports Equipment.

Withdrawal of Exemptions

- CVD Exemption withdrawn on Aerial Passenger Ropeways Projects.·
- Customs Duty Exemption withdrawn on Concrete Batching Plants of capacity of 50 or more cum/hour and be taxed at 7.5%

Refund of Customs Duty in certain cases

New Section 26A is sought to be introduced for refund of Customs Duty in certain cases including when goods are defective or are not as per specification agreed between the exporter and importer.

Advance Ruling

Authority for Advance Ruling now proposed to be vested with CBDT.

Condonation for delay in filing Appeal etc.

High Courts have been empowered to condone delays in filing of Appeals/Memorandum of objection beyond 180 days for reasons convincing to it.

Compounding of offences

The Central Government empowered to lay down Rules for compounding of offences under the Act and such facility of compounding not to be available to certain habitual defaulters, defaulters of specific types (Narcotics, Drugs etc.) and defaults in excess of a specified amount (exceeding one crore).

Valuation

Valuation under Central Excise fixed by specifying specific tariff value under Excise statute can also be used under Customs for the purpose of Valuation.

Benefits to some Exporters

The list of eligible specified raw materials/inputs/equipments imported by manufacturer-exporters of sports goods / leather goods / textile products / footwear industry, which are allowed to be imported duty free shall be expanded to cover some more items to help these sectors fight the contraction in export business.

Changes in rate of Customs Duty

Existing Rates v/s Changed Rates

Items / Sector	Existing Rates	Changed Rates
Set Top Box for Television Broadcasting	NIL	5%
Gold Bars (serially numbered and other than tola bars) and Gold Coins	Rs.100 per 10 gms.	Rs.200 per 10 gms.
Other forms of Gold	Rs.250 per 10 gms.	Rs.500 per 10 gms.
Silver (other than jewellery)	Rs.500. per kg	Rs.1000 per kg.
LCD Panels for Manufacture of LCD Televisions	10%	5%
Unworked Corals	5%	NIL
10 Specified Life Saving Drugs/Vaccine and their Bulk Drugs (CVD also to be NIL – by way of Excise Duty Exemption)	10%	5%
Specified Heart Devices and some medical devices(CVD also to be NIL – by way of Excise Duty Exemption)	7.5%	5%
Permanent Magnets for PM Synchronous Generator above 500 KW which is used in wind mills	7.5%	5%
Bio-Diesel	7.5%	2.5%
Mechanical Harvester for Coffee Plantation (CVD also to be NIL – by way of Excise Duty Exemption)	7.5%	5%
Cotton Waste and Wool Waste	15%	10%
Rock Phosphate	5%	2%

Note: The increase in Gold & Silver Duty rates above will be applicable even if they are imported as personal baggage.

SERVICE TAX

Service Tax levy now imposed on these new services

- Service provided in relation to transport of goods by rail, transport of coastal cargo; and goods through inland water including National Waterways

  Notes : Levy of Service tax was already there for transport by road and it is now being extended to cover transport through above means also. However, suitable Notifications will be provided for exemption in case of essential commodities and goods of mass consumption.

- Legal services : Advice, consultancy or technical assistance provided in the field of law.

  Notes : This tax would not be applicable in case the service provider or service receiver is an individual. Moreover, the scope of taxable service shall also not include fees for appearance before court, tribunal or any other authority.

- Cosmetic and plastic surgery service except in some medical emergency situations.

Exemptions to these services now provided from the levy

- Services provided in inter-State or intra-State transportation of passengers in a vehicle bearing 'Contract Carriage Permit' under specified Conditions.
- Tax leviable under Banking and other financial services or under Foreign exchange broking service being provided to inter-bank purchase and sale of foreign currency between scheduled banks.
- "Sub–brokers" under "Stock- broker" will now not be required to charge service tax.
- Export Promotion Councils and the Federation of Indian Export Organizations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31st March 2010 as they facilitate exports.

Relief from levy announced

For Exporters

- Two taxable services, namely, 'Transport of goods through road' and 'Commission paid to foreign agents' to be exempted from the levy of service tax, now paid on reverse charge basis, if the service recipient is the exporter. Thus there would be no need for the exporter to first pay the tax and later claim refund in respect of these services.
- Easy procedure of refund laid down for other services received by exporters - refunds to be processed on self-certification of the documents where such refund is below 0.25 per cent of FOB value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.

For Goods Transporters

- Specified taxable services provided to "Goods Transport Agency" on and from 01.01.05 shall be exempt and necessary mechanism shall be spelt out for providing refund of the service tax already collected.

Situation clarified

- The exemption from the levy of the service tax under the head "business auxiliary service" which was earlier available as long as the service was used for any kind of "manufacture" under Excise Act is now available only if the manufacture is of excisable goods.·
- w.e.f. 16.05.08, the liability to pay service tax on right to information technology software supplied electronically gets shifted from the "acquirer of the right" to the "provider" of the rights.

Procedural Changes

- Any order passed by authority below Commissioner (Appeals) can now be reviewed by Commissioner (Appeals) and necessary directions may be issued by him. This shall apply only for the orders passed on and after 06.07.2009.·
- Power to make Rules now get broadened as to the date and place for applicability of service tax.

  Notes : Thus, the department may also now issue taxability notification with retrospective effect.

Advance Ruling

- For the Authority to issue Advance Rulings, CBDT is now proposed to be the same to be so notified by the Government

  Note : This unifies the Authority for both direct and indirect taxes

GOODS AND SERVICES

TAX (GST)

The Government has indicated its firm resolve to introduce GST w.e.f. 01-04-2010 in a dual structure with power to levy lying both in the hands of the Centre as well as States by identifying it accordingly. This, the Government feels takes better care of the principles of taxation as enshrined in the Constitution of India and shall make the task of agreement to GST on the part of the States easier as it shall to a large extent resolve the issue of revenue sharing.

Key Policy Announcements

In the Budget 2009-10

OBJECTIVES

- Raise the rate of sustained growth of GDP, Agriculture and Export
- To counter negative fallout of global slowdown on Indian economy
- To strengthen and support Indian industry to meet the challenge of global competition
- To strengthen and improve the economic regulatory framework
- To create a competitive, progressive and well regulated education system of global standards
- To reduce poverty proportion of society

EDUCATION

Female literacy

National Mission for Female Literacy to be launched with focus on minorities, SC, ST and other marginalized groups with the aim to reduce level of female illiteracy by half in three years.

Student Loans to Weaker Sections

To enable students from economically weaker sections to access higher education, a scheme to provide full interest subsidy during the period of moratorium introduced to cover loans taken from scheduled banks to pursue any of the approved courses of study in technical and professional streams from recoganised institutions in India.

Education Allocation

Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore.

Rs.827 crore allocated for opening one Central University in each uncovered State.

Rs.2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs.

The overall Plan budget for higher education is to be increased by Rs.2,000 crore over Interim B.E. 2009-10

Rs.50 crore allocated for Punjab University, Chandigarh. Plan allocation for Chandigarh to be suitably enhanced during the year to provide better infrastructure to the people of Chandigarh

HEALTH

National Rural Health Mission

Allocation under National Rural Health Mission (NRHM) increased by Rs.2,057 crore over Interim B.E. 2009-10 of Rs.12,070 crore.

Rashtriya Swasthya Bima Yojana

All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40 per cent over previous allocation to Rs.350 crore in B.E. 2009-10.

Integrated Child Development Services (ICDS)

All ICD Services to be extended to every child under the age of six by March, 2012.

SC, ST, OBC & MINORITIES

Minorities

Plan outlay of Ministry of Minority Affairs enhanced from Rs.1,000 crore in 2008-09 to Rs.1,740 crore in 2009-10 registering an increase of 74 per cent. This includes Rs.990 crore for Multi-Sectoral Development Programme for Minorities, Grants-in-aid to Maulana Azad Education Foundation, National Minorities Development and Finance Corporation and pre and post matric scholarship for minorities.

New schemes of National Fellowship

Allocations made for the new schemes of National Fellowship for Students from minority community and Grants-in-aid to Central Wakf Council for computerization of records of State Wakf Boards.

Establishment of new campuses

Rs.25 crore each allocated for establishing new campuses at Murshidabad in West Bengal and Malappuram in Kerala by Aligarh Muslim University.

EMPLOYMENT

National Rural Employment Guarantee Scheme (NREGS)

Allocation under NREGS increased by 144 per cent to Rs.39,100 crore in 2009-10 over 2008-09. To increase productivity of assets and resources under NREGA, convergence with other schemes relating to agriculture, forests, water resources, land resources, rural roads initiated. In the first stage 115 pilot districts selected for convergence.

Employment Exchange	New project for modernization of Employment Exchange in public private partnership to be launched so that a job seeker can register on line from anywhere and approach any employment exchange.
BHARAT NIRMAN	
Pradhan Mantri Gram Sadak Yojana	Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent over B.E. 2008-09 to Rs.12,000 crore in B.E. 2009-10.
Rajiv Gandhi Grameen Vidyutikaran Yojana	Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 per cent to Rs.7,000 crore.
Indira Awaas Yojana	Allocation under Indira Awaas Yojana (IAY) increased by 63 per cent to Rs.8,800 crore in B.E. 2009-10.
Rural Housing Fund	Allocation of Rs.2,000 crore made for Rural Housing Fund (RHF) in National Housing Bank (NHB) to boost the resource base of NHB for refinance operations in rural housing sector.
Pradhan Mantri Adarsh Gram Yojana	New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation of Rs.100 crore launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 per cent.
INDUSTRY	
Handloom	One handloom mega cluster each in West Bengal and Tamil Nadu and one powerloom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).
INFRASTRUCTURE	
India Infrastructure Finance Company Ltd	IIFCL to evolve a Takeout financing scheme in consultation with banks to facilitate incremental lending to infrastructure sector. IIFCL to refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next fifteen to eighteen months. IIFCL and Banks are now in a position to support projects involving total investment of Rs. 1,00,000 crore.
Highway and Railways	Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23 per cent over 2008-09 in 2009-10 and allocation for Railways increased from Rs. 10,800 crore in interim B.E. 2009-10 to Rs.15,800 crore in B.E. 2009-10.
Urban Infrastructure	Allocation under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) stepped up by 87 per cent to Rs.12,887 crore in B.E. 2009-10 over B.E. 2008-09. Allocation for housing and provision of basic amenities to urban poor enhanced to Rs.3,973 crore in B.E. 2009-10. This includes provision for Rajiv Awas Yojana (RAY), a new scheme announced.
Brihan Mumbai Storm Water Drainage Project (BRIMSTOWA)	Provision for the project BRIMSTOWA initiated in 2007 and funded through Central Assistance to address the problem of flooding in Mumbai, enhanced from Rs.200 crore in interim B.E. 2009-10 to Rs.500 crore in B.E. 2009-10 to expedite completion of the project.
Power	Allocation under Accelerated Power Development and Reform Programme (APDRP) increased by 160 per cent to Rs.2,080 crore in B.E. 2009-10 over B.E. 2008-09.
Gas	Blueprint to be developed for long distance gas pipelines leading to a National Gas Grid to facilitate transportation of gas across the length and breadth of the country.
Assam Gas Cracker Project	The Assam Gas Cracker Project sanctioned in April 2006 is being executed at a cost of Rs.5,461 crore. The capital subsidy of Rs.2,138 crore for the project is to be provided by the Central Government. The outlay for this project is being stepped up suitably.
AGRICULTURE	
Agriculture Credit	Target for agriculture credit flow set at Rs.3,25,000 crore for the year 2009-10. In 2008-09 agriculture credit flow was at Rs.2,87,000 crore.
Interest subvention Scheme	Interest subvention scheme for short term crop loans up to Rs.3 lakh per farmer at the interest rate of 7 per cent per annum to be continued. Additional subvention of 1 per cent to be paid from this year, as incentive to those farmers who repay short term crop loans on schedule. Additional allocation of Rs.411 crore over Interim B.E. 2009-10 was made.

Debt Relief for Farmers	Time given to the farmers having more than two hectares of land to pay 75 per cent of their overdues under Debt Waiver and Debt Relief Scheme extended from 30th June, 2009 to 31st December, 2009 Taskforce to be set up to examine the issue of debt taken by a large number of farmers in some regions of Maharashtra from private money lenders who were not covered by the loan waiver scheme announced last year.
Accelerated Irrigation Benefit Programme	Allocation under Accelerated Irrigation Benefit Programme (AIBP) increased by 75 per cent over B.E. 2008-09.
Rashtriya Krishi Vikas Yojana	Allocation under Rashtriya Krishi Vikas Yojana (RKVY) stepped up by 30 per cent in B.E. 2009-10 over B.E. 2008-09
Fertilizer Subsidy	To ensure balanced application of fertilizers for increasing agricultural productivity, Government intends to move towards a nutrient based subsidy regime so as to cover larger basket of fertilizers with innovative fertilizer products available in the market at reasonable prices. It is intended to move to a system of direct transfer of subsidy to the farmers in due course
FINANCIAL SECTOR	
Increase of public shareholding	The average public float in Indian listed companies is less than 15 per cent. The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner
Establishment of ATMs	Scheduled commercial banks allowed to set up off-site ATMs without prior approval subject to reporting.
State Level Bankers Committee (SLBC)	A sub-committee of State Level Bankers Committee (SLBC) to identify and formulate an action plan for providing banking facilities in under-banked/unbanked areas in the next three years. Rs.100 crore set aside as one-time grant in-aid to ensure provision of at least one centre/ Point of Sales (POS) for banking services in each of the unbanked blocks.
Competition Commission of India	Government has established Competition Commission of India, an autonomous regulatory body. An Appellate body headed by a retired judge of Supreme Court also constituted.
CAPITAL MARKET	
Commodity Transaction Tax	Commodity Transaction Tax (CTT) levied on taxable commodities transactions entered in a recognized association has been abolished.
DEFENCE	
Defence Expenditure	Additional amount of Rs.430 crore provided over Interim B.E. 2009-10 to modernise police machinery in the States. Additional amount of Rs.2,284 crore proposed over Interim B.E. 2009-10 for construction of fences, roads, flood lights on the international borders. Programme for housing to create 1 lakh dwelling units for Central Para-military Forces personnel to be launched through innovative financing models
EXPORT	
Assistance to Export Credit and Guarantee Corporation	Adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors extended upto March 2010.
Market Development Assistance Scheme	Allocation for Market Development Assistance Scheme enhanced to Rs.124 crore in B.E. 2009-10
Interest subvention for employment oriented export sectors	Interest subvention of 2 per cent on pre-shipment credit for seven employment oriented export sectors extended beyond the current deadline of September 30, 2009 to March 31, 2010.
Credit to SIDBI	To facilitate flow of credit at reasonable rates, Rs.4,000 crore provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI). This will incentivise Banks and State Finance Corporations (SFCs) to lend to Micro and Small Enterprises (MSEs) by refinancing 50 per cent of incremental lending to MSEs during the current financial year.
Waiver of agency commission for print media	Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates to be paid as a special relief

subject to documentary proof of loss of revenue in nongovernmental advertisements, extended from 30th June, 2009 to 31st December, 2009.

OTHER PROPOSALS

Environment	In furtherance to National Action Plan on Climate Change, eight national missions representing a multi-pronged long-term and integrated approach to be launched.
Allocation to Indian Council of Forestry Research and Education	Special one-time grant of Rs.100 crore given to Indian Council of Forestry Research and Education, Dehradun.
Allocation to Botanical Survey of India	Rs.15 crore each to be allocated to Botanical Survey of India and Zoological Survey of India. An additional amount of Rs.15 crore to be allocated for Geological Survey of India
National Ganga River Basin Authority	National Ganga River Basin Authority being set up. Budgetary allocation under National River and Lake Conservation Plans increased from Rs.335 crore in B.E. 2008-09 to Rs.562 crore in B.E. 2009-10.
Empowerment of Weaker Sections	The Swarna Jayanti Gram Swarozgar Yojana (SGSY) restructured as National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. In addition to capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs.1 lakh from banks
Women Welfare	There are over 22 lakh Women's Self Help Groups linked with banks. Reach of SHGs to be widened to enrol at least 50 per cent of all rural women in India as members of SHGs over the next five years
Rashtriya Mahila Kosh	Corpus of Rashtriya Mahila Kosh to be increased from Rs.100 crore to Rs.500 crore over the next few years
Workers Welfare	Implementation of social security schemes for occupation like weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labour, construction labour, mine workers, bidi workers and rickshaw pullers. Necessary financial allocation will be made for these schemes
National food Security Act	National Food Security Act to be brought in to ensure entitlement of 25 kilo of rice or wheat per month at Rs.3 per kilo to every family living below the poverty line in rural or urban areas. Food Security Bill to be put on the website of the Department of Food and Public Distribution for public debate.
One Rank One Pension for Ex-servicemen (OROP)	Based on the recommendation of the Committee headed by the Cabinet Secretary on OROP, government has decided to substantially improve the pension of pre 01.01.2006 defence pensioners below officer rank and bring pre 10.10.1997 pensioners on par with post 10.10.1997 pensioners. The decisions to be implemented from 1st July, 2009 and will cost more than Rs. 2,100 crore annually.
People's ownership of PSUs	While retaining at least 51 per cent Government equity in Public Sector Undertakings, people's participation in disinvestment programmes to be encouraged. Public Sector Enterprises such as banks and insurance companies to remain in public sector and will be given full support including capital infusion to grow and remain competitive.
Improving Delivery of Public Services	Unique Identification Authority of India (UIDAI) to set up online data base with identity and biometric details of Indian residents and provide enrolment and verification services across country. Provision of Rs.120 crore made for this in the Budget. First set of unique identity number to be rolled out in 12 to 18 months.
Petroleum and Diesel pricing Policy	Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products.
Commonwealth Games, 2010	Outlays to be stepped up from Rs.2,112 crore in Interim Budget to Rs.3,472 crore in regular Budget 2009-10
Srilankan Tamils	Rs.500 crore allocated for rehabilitation of internally displaced persons and reconstruction of the northern and eastern areas of Sri Lanka. Ministry of External Affairs to work closely with the Sri Lankan Government
Cyclone Aila	Rs.1,000 crore allocated for programme for rebuilding the damaged infrastructure caused due to cyclone Aila in West Bengal.

Sectoral Impact Analysis

Information Technology & Communication

Sl	Proposal	Impact
1	Sun-set clause for deduction in respect of export profits under sections 10A and 10B of the Income-tax Act being extended by one more year i.e. for the financial year 2010-11.	+ve for export oriented IT companies Infosys, TCS, Mahindra Satyam, and Tech Mahindra etc.
2	Abolishment of FBT	+ve for the sector
3	On packaged or canned software, CVD and excise duty exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions	+ve for Software providers

Hotels

Sl	Proposal	Impact
1	Outlays for Common Wealth Games, 2010 to be stepped up from Rs.2,112 crore in Interim Budget to Rs.3,472 Crores in regular Budget 2009-10	+ve for tourism and hotel companies in NCR

Education

Sl	Proposal	Impact
1	Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore.Rs.50 crore allocated for Punjab University, Chandigarh.	+ve for the overall education sector
2	Rs.827 crore allocated for opening one entral University in each uncovered State. Rs.2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs.	+ve for Educomp, NIIT, Core Projects
3	The overall Plan budget for higher education is to be increased by Rs.2,000 Crores over Interim B.E. 2009-10.	+ve for Everonn, Educomp, Core Projects, NIIT

Telecom

Sl	Proposal	Impact
1	Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories to be reintroduced for one year	+ve for RCOM, TTML, Bharti Airtel and mobile phone manufacturers

Media

Sl	Proposal	Impact
1	Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates to be paid as a special relief subject to documentary proof of loss of revenue in nongovernmental advertisements, extended from 30th June, 2009 to 31st December, 2009.	+ve for print media companies such as HT Media, DCHL, and Jagaran Prakashan
2	Customs duty of 5% to be imposed on Set Top Box for television broadcasting	-ve for DTH companies such as Dish TV, Sun TV etc
3	Customs duty, on LCD Panels for manufacturing of LCD televisions, to be reduced from 10% to 5%	+ve for Videocon,
4	Abolishment of FBT on	+ve for the sector

Capital Goods, Defence and Engineering

Sl	Proposal	Impact
1	In Budget 2009, the defence services have been allocated Rs 1,41,703 crore for 2009-10, a 34 per cent hike from 2008-09 budgetary allocation of Rs 1,05,600 crore.	+ve for the companies engaged in manufacturing of defence related products such as BEL, NELCO and BEML

Banking and Financial Services

Sl	Proposal	Impact
1	The government will continue to hold at least 51% stake in the banks and insurance companies it owns, people's participation in disinvestment programmes to be encouraged	+ve for PSU Banks with high government stake like Canara Bank, Syndicate Bank and BOI
2	IIFCL to refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next fifteen to eighteen months.	+ve for the sector because of increased lending resources
3	No Securities Transaction Tax (STT) on sale/purchase of shares by NPT	+ve for financial services
4	Scheduled commercial banks allowed to set up off-site ATMs without prior approval subject to reporting	+ve for scheduled commercial banks
5	Exemption from service tax (leviable under Banking and other financial services or under Foreign exchange broking service) being provided to inter-bank purchase and sale of foreign currency between scheduled banks.	+ve for Banks having presence in foreign exchange transactions like ICICI Bank, Axis Bank, HDFC Bank, SBI, etc
6	Time given to the farmers having more than two hectares of land to pay 75 per cent of their overdues under Debt Waiver and Debt Relief Scheme extended from 30th June, 2009 to 31st December, 2009.	+ve for PSU Banks as it would lead to deferment of NPA

Power

Sl	Proposal	Impact
1	Allocation under Accelerated Power Development and Reform Programme (APDRP) increased by 160 per cent to Rs.2,080 crore in B.E. 2009-10 over B.E. 2008-09.	+ve for NTPC, CESC, Tata Power, etc
2	Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 per cent to Rs.7,000 crore.	+ve ABB, Areva, Crompton and Siemens
3	Customs duty on permanent magnets for PM synchronous generator above 500 KW used in wind operated electricity generators to be reduced from 7.5% to 5%.	+ve for suzlon Energy

Chemicals and Fertilizers

Sl	Proposal	Impact
1	Customs duty on rock phosphate to be reduced from 5% to 2%.	+ve for fertilizer companies
2	To ensure balanced application of fertilizers for increasing agricultural productivity, Government intends to move towards a nutrient based subsidy regime so as to cover larger basket of fertilizers with innovative fertilizer products available in the market at reasonable prices.	+ve for Coromandel Fertilizers, Tata Chemicals and Zuari Industries

FMCG and Retail

Sl	Proposal	Impact
1	Raise in IT exemption limit and abolition of FBT	To boost consumer spending. Positive for the FMCG companies like HUL, ITC, Dabur India and retail companies like Pantaloons, Vishal retail.
2	Allocation under NREGS increased by 144 per cent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09.	Same as above

Gem and Jewellery

Sl	Proposal	Impact
1	Excise duty on branded articles of jewellery to be reduced from 2% to Nil	+ve for Gitanjali Gems, Titan, etc
2	Customs duty on serially numbered gold bars (other than tola bars) and gold coins to be increased from Rs.100 per 10 gram to Rs.200 per 10 gram. Customs duty on other forms of gold to be increased from Rs.250 per 10 gram to Rs.500 per 10 gram. Customs duty on silver to be increased from Rs.500 per Kg. to Rs.1000 per Kg. These increases also to be applicable when gold and silver (including ornaments) are imported as personal baggage.	-ve for the gold and silver importing companies.

Textiles

Sl	Proposal	Impact
1	Excise duty on manmade fibre, yarn and polyester chips to be increased from 4% to 8%.	-ve for Aditya Birla Nuvo, SRF, JBF Industries, Indo Rama, etc
2	Excise duty on polyester chips to be increased from 4% to 8%.	-ve for JBF Industries and Indo Rama
3	Interest subvention of 2 per cent on pre-shipment credit for seven employment oriented export sectors extended beyond the current deadline of September 30, 2009 to March 31, 2010.	+ve for the sector
4	One handloom mega cluster each in West Bengal and Tamil Nadu and one powerloom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).	Would help in generating employment in these regions
5	Customs duty on cotton and wool waste to be reduced from 15% to 10%.	+ve for the sector

Automobiles

Sl	Proposal	Impact
1	Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000 cc and above to be reduced from Rs. 20,000/- per vehicle to Rs.15,000 per vehicle.	+ve for companies like M&M, Tata Motors, Ashok Leyland.
2	Excise duty on petrol driven trucks/ lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/ lorries to be reduced from '20% + Rs.10000' to '8% + Rs.10000'.	+ve Bosch Ltd.

Healthcare

Sl	Proposal	Impact
1	Customs duty on 10 specified life saving drugs/vaccine and their bulk drugs to be reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).	+ve for companies like GSK Pharma, Dr. Reddy's.
2	Customs duty on specified heart devices, namely artificial heart and PDA/ASD occlusion device, to be reduced from 7.5% to 5% with Nil CVD (by way of excise duty exemption).	+ve for Opto Circuits
3	Scope of provisions relating to weighted deduction of 150% on expenditure incurred on in-house R&D.	+ve for Pharmaceutical companies like Ranbaxy, Cipla, Sun Pharma
4	Allocation under National Rural Health Mission (NRHM) increased by Rs.2,057 crore over Interim B.E. 2009-10 of Rs.12,070 crore.All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40 percent to Rs.350 crore .	+ve for all Pharmaceutical companies

Oil & Gas

Sl	Proposal	Impact
1	Blueprint to be developed for long distance gas pipelines leading to a National Gas Grid to facilitate transportation of gas across the country.	Companies like GAIL, Jindal Saw, Welspun Gujarat
2.	Outlay for Assam Gas Cracker Project stepped up suitably in B.E. 2009-10.	+ve for GAIL
3.	Includes tax holiday under section 80-IB(9) of the Income Tax Act, for natural gas production.	+ve for Exploration cos Reliance Industries and Cairn India
4.	The ad valorem component of excise duty of 6% on petrol and diesel intended for sale with a brand name to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre' and diesel would now attract total excise duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.	+ve for companies like IOC, BPCL, HPCL

Infrastructure & Construction

Sl	Proposal	Impact
1	Infrastructure Investment to exceed more than 9% of GDP by 2014	+ve for all infrastructure and construction companies.
2.	IIFCL to evolve a Takeout financing scheme in consultation with banks to facilitate incremental lending to infrastructure sector.	+ve for infrastructure companies like HCC, Nagarjuna Construction
3.	IIFCL to refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next 15-18 months.	+ve for infrastructure companies.
4.	Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23 percent	+ve for infrastructure and construction companies like Reliance Infrastructure, IRB Infrastructure, GMR Infrastructure.
5	Allocation for Railways increased from Rs.10,800 crore in Interim B.E. 2009-10 to Rs.15,800 crore in B.E. 2009-10.	+ve for companies like BEML, Kalindee Rail, Titagarh Wagons.
6	Allocation under Accelerated Irrigation Benefit Programme (AIBP) increased by75 per cent over B.E. 2008-09.	+ve for Jain Irrigation
7	Provision for the project BRIMSTOWA initiated in 2007 and funded through Central Assistance to address the problem of flooding in Mumbai, enhanced to Rs.500 crore to expedite completion of the project.	+ve for Mumbai based companies like Reliance Infrastructure, Patel Engineering
8	Rs.1,000 crore allocated for rebuilding the damaged infrastructure caused due to cyclone Aila in West Bengal.	+ve for Kolkata based companies like Tantia Constructions.
9	➢ Allocation for Bharat Nirman increased by 45 per cent. ➢ Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent to Rs.12,000 crore.Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 per cent to Rs.7,000 crore. Allocation under Indira Awaas Yojana (IAY) increased by 63 per cent to Rs.8,800 crore. Allocation under (JNNURM) stepped up by 87 per cent to Rs.12,887 crore.	+ve for all infrastructure and construction companies

Key Policy Initiatives

& Regulatory Developments during 2008-09

(prior to budget 2009-10)

PUBLIC ISSUES

SEBI (DIP) GUIDELINES

The major changes that have taken place since the last budget in SEBI (DIP) Guidelines are enumerated and explained as under:

Amendments vide Circular dated July 30, 2008

SEBI has decided to introduce a supplementary process of applying in public issues, viz., the "Applications Supported by Blocked Amount (ASBA)" process

Applications Supported by Blocked Amount

SEBI has authorized the retail investors to subscribe to a public issue through ASBA process.

The process do away with 100%upfront payment by retail investors by earmarking or blocking the money in the investors account. This also totally eliminates the complications associated with refunds of application money.

The amendment was made applicable to all the issues opened on or after September 1, 2008

Amendments vide Circular dated August 28, 2008

RIGHTS ISSUE

SEBI shrinks timeline for Rights Issue. Rights issues would now be completed within 43 days, as opposed to 109 days currently. Time period has been reduced on the account of:

Board Meeting Notice

Co. now will have to give **2 (two) working days** notice to the concerned stock exchange instead of 7 (seven) prior days notice required earlier.

Record Date Notice

Notice period of record date reduced to **7 (seven) working days.**

Issue Period

Issue period reduced from minimum of 30 days to a **minimum of 15 days with a maximum of 30 days** from 60 days.

Post Issue Activity

Time for completion of post-issue activity reduced from 42 days to **15 days.**

PREFERENTIAL ISSUES

SEBI made changes to the pricing norms for Qualified Institutional Placements (QIPs) and preferential allotments.

Pricing Policy

SEBI has modified the pricing guideline of QIP. SEBI has now decided to allow the floor price for such issues to be based on just a two-week average. The guideline has also been extended to preferential allotment to QIBs, provided that the number of QIB allottees does not exceed five.

Relevant Date (only for QIPs)

The relevant date is currently defined as a date 30 days prior to date when shareholders meet to approve the issue. This has now been amended to make the relevant date for QIPs to be the date on which the board, or the committee authorised by the board, meets to take the decision to open a QIP.

Eligibility Norms for QIPs

Earlier the companies whose shares were listed on exchange for period of atleast 1 year were eligible to make QIP. Now to enable companies, listed pursuant to scheme of merger / demerger / arrangement during the preceding 1 year, to raise funds through QIP route, the listing history of the transferor companies with which they have entered into the scheme(s) shall also be considered for the purpose of computation of the period of one year.

Lock-in of shares issued on exercise of warrant

Earlier warrants issued on preferential basis were subject to lock-in for a period of one / three years, as the case may be, and lock-in on shares allotted, on exercise of such warrants, was reduced to the extent the warrants have already been locked-in. After the amendments introduced by the circular the shares allotted pursuant to exercise of warrants will be subject to full lock-in period from the date of allotment of such shares.

QUALIFIED INSTITUTIONS PLACEMENT

Amendments vide Circular dated December 8, 2008

SEBI has authorized Issuance of "Non-convertible Debentures with Warrants" under Chapter XIII-A

Applicability

Listed company can also make offering of Non-Convertible Debentures (NCDs) with warrants. QIBs can subscribe to the combined offering of NCDs with warrants or to the individual instruments, i.e., either NCDs or warrants, where separate books are run for NCDs/ warrants. Earlier issue of NCDs was not allowed in QIP.

PUBLIC/RIGHTS ISSUE

Amendments vide Circular dated February 24, 2009

SEBI has introduced the following changes relating to the public/rights issue

Validity period of Observations

The validity period of the observations issued by SEBI has been enhanced from the existing period of three months to twelve months. The move was initiated to restore the confidence of companies, which due to volatile market conditions, have not gone ahead with their IPO plans and let SEBI's time-bound permission lapse.

Announcement of Price Band

DIP Guidelines has been amended to enable the issuer company making an IPO to declare the floor price/ price band at least two working days before the date of opening of IPO subject to wide dissemination of price band through newspaper advertisements, availability in websites etc. The issue advertisements shall also disclose the financial ratios calculated for both upper and lower end of the price band. At present, in terms of the DIP Guidelines, in case of an IPO, either the floor price or the price band is required to be disclosed in the Red Herring Prospectus (RHP) i.e., about two weeks before the date of opening of the IPO.

BONUS ISSUE

SEBI has reduced the timeline for completion of the Bonus Issue by the Listed Companies

Reduction in Timeline

Timeline for completion of bonus issue has been reduced to fifteen days from the date of the approval by the Board of Directors where shareholders' approval is not required. In case, where shareholders' approval is required for capitalization of profits / reserves, the bonus issue shall be completed within sixty days from the date of meeting of Board of Directors where-in bonus is announced subject to shareholders' approval.

Earlier the companies were required to complete the bonus issue within six months from the date of approval by the Board of Directors.

PREFERENTIAL ISSUE OF WARRANTS

SEBI has increased the upfront payment relating to preferential allotment of warrants

Enhancement of upfront payment

SEBI has amended the DIP Guidelines to increase the upfront margin to be paid by allottees of warrants from 10% to 25% of the price, at the time of allotment of warrants.

LISTING AGREEMENT

The major changes that have taken place since the last budget in the Listing Agreement are enumerated and explained as under:

DECLARATION OF FINANCIAL RESULT

SEBI has introduced changes in Clause 41 of the Listing Agreement to give companies more time to declare consolidated results.

Clause 41

Companies, which have a number of subsidiaries and seek to declare consolidated financial results, can now do so within two months of the end of the quarter. Those declaring standalone results will still be required to do so within a month. Currently, both standalone and consolidated results were needed to be declared within a month.

Results of Mutual Fund

Timeline for mutual funds to declare annual results reduced from the present six months to **four months.**

CORPORATE GOVERNANCE

SEBI has introduced the following changes in clause 49 of the Listing Agreement to ensure transparency and efficiency in the Corporate governance of the listed companies

Relationship between executive and independent directors

SEBI has mandated the disclosure of relationships between Directors' inter-se, both of executive and independent directors to be made in specified documents/ filings.

Gap between resignation and appointment of independent director

The regulator has specified that the gap between resignation/ removal of an independent director and appointment of another independent director in his place should not exceed 180 days.

However, the regulator has specified that the provision is not applicable to companies that fulfil the requirement of independent directors on its Board.

Minimum age

SEBI has specified that the minimum age of an independent director of the company should be 21 years. Earlier to it there were no such regulation.

CLAUSE 24(H)

SEBI has amended clause 24 to safeguard the interest of shareholders of the companies getting merged by extending its scope

Fairness Opinion

In order to safeguard the interest of shareholders, the listed company as well as the unlisted company which are getting merged shall each be required to appoint an independent merchant banker for giving a fairness opinion on the valuation done by valuers. Further, the "Fairness Opinion" of the merchant bankers shall be made available to the shareholders at the time of approving the resolution under Clause 24.

CLAUSE 5A

SEBI has put in place a mechanism to deal with the large number of unclaimed shares in public issues by insertion of new clause 5A

Unclaimed Share Norms

SEBI clarified that in case of shares which remain unclaimed in the public issue, the issuer need to send at least three reminders to the allottees and in absence of response by the allottee, the shares will be transferred to the demat account opened by the issuer with a depository participant and its details shall be maintained. Any benefit accruing to such shares, such as dividends, bonus shares and stock split, would be credited to the same account. The details of the unclaimed shares shall be given in the annual report. The annual report shall also state the voting rights of the shares would remain frozen until the shares are claimed. The said shares would be returned to the allottee after proper verification when he approaches the issuer.

CLAUSE 20A

The market regulator has amended the listing agreement to bring in greater transparency and uniformity in declaration of dividend by listed companies by insertion of new clause 20A.

Uniformity in dividend declaration

SEBI has introduced slight change in the way companies need to declare their dividends. The companies will now have to declare dividends only on per share basis not in term of percentage. This change is expected to bring uniformity and make comparison between listed companies easier. Earlier the regulations were silent on the mode of declaration of dividend.

SEBI (SAST) REGULATIONS

EXTENDED CREEPING ACQUISITION LIMIT

The major changes that have taken place since the last budget in SEBI (SAST) Regulations, 1997 are enumerated and explained as under:

SEBI has increased the creeping acquisition norms for promoters holding more than 55% of the total voting rights vide notification dated **October 30, 2008.**

SEBI has granted relief, to companies, whose promoter and promoter's group holding is in excess of 55% of the total voting rights, to consolidate further 5% stake in the company without triggering takeover code. Provided the acquisition is made through through open market purchase in normal segment on the Stock Exchange not through bulk deal/block deal/ negotiated deal or issue of shares through preferential allotment to the promoter and promoter group. In addition to it, increase in promoters holding upto 5% of total voting capital, as a result of buy back by a company has also been allowed.

However, post acquisition shareholding of the acquirer together with PACs shall not exceed beyond 75%.

SEBI has made it mandatory for promoter and promoter group to give disclosure of pledged shares vide notification dated **January 28, 2009.**

Insertion of new regulation 8A

SEBI has inserted a new regulation 8A in respect of 'Disclosure of Pledged Shares' making it mandatory for a promoter /promoter group of a company to disclose the details of shares of the company pledged by him to the company. The company is obligated to disclose the same to all stock exchanges on which the shares of the company are listed, if the total number of shares pledged by the promoter group exceeds twenty five thousand or exceeds 1% of the voting rights of the company.

SEBI has relaxed strict compliance of provisions of Chapter III in certain cases vide notification dated **February 13, 2009.**

Insertion of new regulation 29A

In view of the Satyam episode and as a matter of bailout to listed companies similarly struck, new regulation 29A has been inserted, which empowers SEBI to exempt a company, whose board has been replaced by the central or a state government or by a regulatory authority, from the applicability of different provisions of Chapter III of the Takeover Code. Moreover, under newly inserted regulation 25 (2A), such companies, once exempted under regulation 29A, shall not be subjected to any competitive bidding. The exemption shall be made on an application to SEBI by the company.

SEBI DELISTING REGULATIONS

Non Applicability of the Regulation

The market regulator has notified the SEBI (Delisting of Equity Shares) Regulations, 2009 which would govern the normal guidelines to be followed by a company for delisting its shares from the stock exchanges.

Delisting Regulation, 2009 is not applicable to sick companies and BIFR Companies which provide an exit option to the public shareholders under reconstruction/ revival scheme

Non Permissibility	The companies have been restrained to delist their securities from the Exchanges pursuant to buyback and preferential allotment.
Redefined Public Shareholders Category	Public shareholders have been re-defined as the holders of equity shares other than Promoters and holders of depository receipts.
Calculation of Floor Price	Now offer or floor price for delisting the securities will be determined by calculating the average of the weekly high and low of the closing prices during the last twenty six weeks or two weeks preceding the date on which the stock exchange(s) were notified of delisting. Previously, the offer price was decided on the basis of the average of the last 26 weeks from the date of public announcement.
Special Resolution to be passed through Postal Ballot	The shareholders approval is required to be sought via postal ballot to provide exit opportunity to the shareholders. **However, the special resolution shall be acted upon if and only if the votes cast by public shareholders in favour of the delisting are at least two times the votes cast against it.**
Validity of Delisting Resolution	The delisting application to the stock exchange has to be made within 1 (one) year from the date of special resolution.
In Principle Approval from the Stock Exchange	Companies are required to obtain an in-principle approval from the concerned exchange(s) to provide exit opportunity to the Public Shareholders. Earlier, there is no requirement of taking In-principle approval from the stock exchange.
Specified Date	Specified Date for freezing the list of shareholders to whom the letter of offer will be sent shall not be later than 30 working days from the date of the Public Announcement.
Bidding Period	The offer shall remain open for a minimum of 3 (three) and a maximum of 5 (five) working days.
Criteria redefined for Successful Offer	An offer shall be deemed successful if, post offer promoter's holding reaches the higher of - a. ninety per cent of the total issued shares of that class excluding the shares underlying in the depository receipts; or b. aggregate percentage of pre-offer promoter shareholding and fifty per cent of the offer size (i.e., pre-offer promoter holding +50% of the Offer Size).
Compliance with Clause 40A of the Listing Agreement	If company seeking delisting is having public shareholding below the minimum threshold limit and the promoters do not accept the discovered price, then the promoter will be responsible to comply with the clause 40A of the Listing Agreement within 6 months of closing of bidding process.
Validity period of the Exit Price	The validity period of the exit price to enable the remaining public shareholders to tender their shares has been extended from six months to an year from the date of delisting.

Special Provisions for DELISTING OF SMALL COMPANIES - Newly Introduced in Delisting Regulations, 2009

Definition of Small Companies	Any company having a) paid-up capital of upto one crore rupees and its equity shares were not traded on any exchange in the one year immediately preceeding the date of decision of delisting; OR b) 300 or less public shareholders and the paid-up value of the shares held by such shareholders is upto one crore rupees.
Shareholders Consent for delisting without following RBB process	Apart from the shareholders approval through postal ballot, as provided above, 90% public shareholders shall give their consent in writing to delist the shares without following reverse book building process. However, shareholders should also be given an option to remain the shareholders even if the company gets delisted.

COMPULSORY DELISTING

Condition under which delisting notice can be issued	A recognized stock exchange may, by order, delist any equity shares of a company on any ground prescribed in the rules made under section 21A of the Securities Contracts (Regulation) Act, 1956. The decision regarding compulsory delisting shall be taken by a panel to be constituted by the recognized stock exchange.

Representation by aggrieved person in case of compulsory delisting

Any person aggrieved by the proposed delisting can make representation to the recognized stock exchange which has issued a notice for the delisting within fifteen working days from the notice.

Valuation of shares in Compulsory Delisting

Recognized stock exchange shall appoint an Independent Valuer for determining the fair value of compulsorily delisted shares. The promoters will have to accept the shares from the public shareholders at the determined price.

Cooling period for Relisting of securities

In case of:

a. Voluntary Delisting: 5 years;

b. Compulsory Delisting: 10 years;

c. Sick Companies: Sick delisted companies can be relisted through restructuring scheme passed by BIFR.

Earlier companies were restricted for a period of 2 years for relisting at the stock exchange.

THE COMPANIES ACT, 1956

Registration / modification and satisfaction of charge

The major amendments which have taken place since the last budget in the Companies Act, 1956 are as under:

The Hon'ble Company Law Board has through its circular no. 1 of 2008 dated May 7, 2008 rescind the earlier circular no. 13 of 2007, which authorized the Central Government to accept documents relating to registration, modification and satisfaction of charges up to a period of 300 days from the date of event by levying additional fee prescribed in section 611(2) i.e. not exceeding ten times the amount of fee specified in Schedule X.

The Hon'ble Company Law Board has passed an order dated May 7, 2008, which is re-produced as follow:

"Documents filed on the portal (www.mca.gov.in), on or after July 06, 2008 for registration / modification of the charge or for giving of intimation of payment or satisfaction thereof after a period of 60 days or 30 days respectively, shall not be registered by the concerned Registrar until the delay is condoned by the Hon'ble Company Law Board."

The aforesaid order has come into force w.e.f. July 6, 2008

Amendment made in Companies (Appointment and Qualifications of Secretary) Rules, 1988

In sub rule (3) of Rule 2, the second and third proviso shall be omitted.

After sub-rule (3) of rule 2, the following sub-rule shall be inserted:-

(3A) A Company having paid up share capital of two crore rupees or more but less than five crore rupees may appoint any individual who possesses the qualification of membership of the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980 (56 of 1980), as a whole time secretary to perform the duties of a secretary under The Companies Act, 1956.

Provided that where a company has appointed under sub-rule (3) or this sub-rule, a whole time company secretary, possessing the qualification of membership of the Institute of Company Secretaries of India, such a company is not required to obtain a certificate from a secretary in whole-time practice under rule 3 of the Companies (Compliance Certificate) Rule, 2001.

This has come into force w.e.f. the March 15, 2009.

Amendments made in Companies (Issue of IDR) Rules, 2004

The Ministry vide its notification has made the following changes in the IDR Rules:

In the principal rule 9 the following shall be added:

“Provided that the IDRs issued by an issuing company may be purchased, possessed and transferred by a person other than a person resident in India if such Issuing Company obtains specific approval from Reserve Bank of India in this regard or complies with any policy or guidelines that may be issued by RBI on the subject matter.”

In sub paragraph (i) and (ii) in para 6 in the schedule, the following shall be substituted:

(i) Where the law of a country, in which the Issuing company is incorporated, requires annual statutory audit of the accounts of the Issuing company, a report by the statutory auditor of the Issuing company, in such form as may be prescribed by SEBI on audited financial statement of three financial years immediately preceding the date of prospectus and the financial status of the company for the period between the last date of the period for which latest audited financial statements are made and the date of prospectus.

(ii) Where the law of a country, in which the Issuing company is incorporated, does not requires annual statutory audit of the accounts of the Issuing company, a report, in such form as may be specified by SEBI, certified by a Chartered Accountant in practice financial statement of three financial years immediately preceding the date of prospectus and the financial status of the company for the period between the last date of the period for which latest audited financial statements are made and the date of prospectus.

In case of both sub-paragraphs (i) and (ii) of this paragraph, the gap between date of opening of issue and date of reports under the said sub paragraphs shall not exceed 120 days.

Amendment to Schedule VI to the Companies Act, 1956

The Central Government has made the following amendment in Schedule VI to the said Act :

In the said Schedule, in part I relating to "Form of Balance Sheet" under heading "A Horizontal Form", in column (6), the second paragraph, Explanation 1 and Explanation 2 shall be omitted

REFORMS IN FOREIGN EXCHANGE, FDI & BANKING SECTOR

FOREIGN EXCHANGE MANAGEMENT ACT (FEMA)

The major changes that have taken place in the Foreign Exchange Management Regulations since the last budget are enumerated below:

Realisation and Repatriation of Export Proceeds

Notification 176/2008 RB dated 23.07.2008

Period for realization and repatriation of proceeds representing the full export value of goods or software exported has been extended from six months to twelve months from the date of export.

Trading of Currency Futures on Recognized Stock Exchanges

Notification 177/2008 RB dated 01.08.2008

With the view to develop the derivatives market in India and adding to the existing menu of foreign exchange hedging tools available to the residents, it has been decided to introduce currency futures in recognized stock exchanges or new exchanges recognized by the Securities and Exchange Board of India (SEBI) in the country. The currency futures market would function subject to the directions, guidelines, instructions issued by the Reserve Bank and the SEBI, from time to time.

Introduction of New Reporting packing for Overseas Direct Investment

Notification 180/2008 RB dated 05.09.2008

The existing reporting requirement in case of overseas direct investment has been revised. As per the new reporting package all the forms have been subsumed into one new form which is comprised of four parts. The form consist of new section for reporting Closure / Disinvestment / Winding up / Voluntary Liquidation of the overseas JV / WOS under general permission.

Increased limit for Investment in Energy and Natural Resources Sectors

Notification 181/2008 RB dated 01.10.2008

To provide greater flexibility for investment in Joint Ventures and/or Wholly Owned Subsidiaries outside, Indian companies are allowed to invest in excess of 400 per cent of their net worth, as on the date of the last audited balance sheet, in the energy and natural resources sectors such as oil, gas, coal and mineral ores. (with the prior approval of Reserve Bank of India)

Navaratna Public Sector Undertakings (PSUs) are allowed to invest in overseas unincorporated entities in oil sector (i.e. for exploration and drilling for oil and natural gas, etc.), which are duly approved by the Government of India, without any limits, under the automatic route. This facility is now extended to ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL).

Investment in Overseas Unincorporated Entities in Oil Sector

It has now been decided, to allow a similar facility to other Indian entities to invest in overseas unincorporated entities in oil sector. AD Category - I banks may allow remittance up to 400 per cent of the net worth of the Indian company. For investment in excess of 400 per cent of the net worth of the company, should be referred by AD Category - I banks to the Reserve Bank for prior approval.

Foreign Direct Investment by Capitalization of Exports

An Indian Party making direct investment outside India in accordance with the Regulations, by way of capitalization, of amount due from the foreign entity on account of payment for export of plant, machinery, equipment and other goods / software to the foreign entity, has to obtain the prior approval of the Reserve Bank where such export proceeds have remained unrealized beyond a period of six months from the date of exports.

Enhancement of limit of Currency borrowing by Authorised Dealer

Notification 182/2009 RB dated 13.01.2009

AD Category - I banks may henceforth borrow funds from their Head Office, overseas branches and correspondents and overdrafts in nostro accounts up to a limit of 50 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million, whichever is higher, as against the existing limit of 25 per cent

FOREX

Loans to Non Residents against NRE and FCRN Deposits

Banks are permitted to grant loans against NR(E)RA and FCNR(B) deposits either to the depositors or third parties up to a maximum limit of Rs 20.00 lacs. This ceiling amount has now been increased to Rs 100.00 lacs.

Buyback / Prepayment of Foreign Currency Convertible Bonds (FCCBs)

Buyback of FCCBs is permitted under approval route of RBI. Indian Companies, opting for buyback will do so out of their internal accruals up to a total amount of USD 50 million of the redemption value per company, subject to a minimum discount of 25 per cent on the book value. Hereafter the permissible buyback of FCCB has been increased from USD 50 million per Company to USD 100 millions per Company. Buyback period has also been extended from 31st March, 2009 to 31st December, 2009.

Foreign Travel - Mode of payment in Rupees

Earlier, Banks (A.D) were allowed to accept payment in cash up to Rs.50,000/- against sale of foreign exchange for travel abroad. If the sale is for more than Rs. 50,000/- then payment is to be accepted by cheque / Bank draft / Pay order. The revised rule is that now AD may accept payment made by travelers through debit card / credit card / prepaid card subject to prescribed conditions.

Trade Credits for Imports into India

Trade credit for import has to be raised within the prescribed all in cost ceiling which is 75 bp over 6- months LIBOR up to the period of one year and 125 bp for more than one year up to three years. As importers are finding it difficult to raise credit within the prescribed ceiling limit, it has been decided to extend the ceiling to 200 bp over 6 months LIBOR.

Increase in limit of advance remittance for import of services

The limit of advance remittance has been raised from the exiting limit of USD 1,00,000 to USD 5,00,000 without obtaining guarantee from a bank of international repute outside India.

Overseas Direct Investment by Registered Trust / Society in the same sector

Registered Trusts and Societies engaged in manufacturing / educational sector and those which have set up hospitals in India have now been allowed to make investment in the same sector(s) in a Joint Venture or Wholly Owned Subsidiary outside India, with the prior approval of the RBI.

EXTERNAL COMMERCIAL BORROWINGS (ECB)

Development of integrated township as permissible end use of ECB

Development of integrated township was allowed as permissible end-use of ECB but it was withdrawn in May, 2007. However, it has now been decided to permit corporates, engaged in the development of integrated township, to avail of ECB under the Approval Route.

NBFCs lending for infrastructure projects

As per the extant ECB policy, Non-Banking Financial Companies (NBFCs) are permitted to avail of ECB for a minimum average maturity period of five years to finance import of infrastructure equipments for leasing to infrastructure projects in India. In addition to it NBFCs, which are exclusively involved in financing of the infrastructure sector are allowed to avail ECBs from multilateral / regional financial institutions and Government owned development financial institutions for on-lending to the borrowers in the infrastructure sector under the Approval Route subject to conditions.

ECB for service sector under automatic route

At present, entities in the services sector viz. Hotels, Hospitals and Software sector are allowed to avail of ECB up to USD 100 million per financial year for import of capital goods, under the Approval Route. Now the corporates in these sectors are permitted to avail of ECB up to USD 100 million per financial year, under the Automatic Route. Proceeds of ECB should not be used for acquisition of Land.

Re-definition of ECBs for Infrastructure sector to include mining and exploration

Mining, Exploration and Refining sectors are included in the ECBs definition for infrastructure sector.

Infrastructure sector to avail more ECB for Rupee expenditures

The existing limit of USD 100 million has been raised to USD 500 million per financial year for the borrowers in the infrastructure sector for Rupee expenditure under the approval route with the minimum average maturity period of 7 years.

Increase in all cost ceiling for ECBs

All-in-cost ceilings for ECBs are modified as follows:

Average Maturity Period

	All-in-Cost ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	200 bps	200 bps
More than five years and up to seven years	350 bps	350 bps
More than seven years	350 bps	450 bps

* for the respective currency of borrowing or applicable benchmark

Issue of Guarantee for operating lease

AD Category - I banks have been allowed to convey 'no objection' from the Foreign Exchange Management Act (FEMA), 1999 angle for issue of corporate guarantee in favour of the overseas lessor, for operating lease in respect of import of aircraft / aircraft engine / helicopter.

FOREIGN DIRECT INVESTMENTS (FDIs)

Review of Foreign Direct Investment Scheme for Credit Information Companies

FDI's are allowed in Credit Information Companies subject to the following conditions:

i) The aggregate Foreign Investment in Companies would be 49%.

ii) Foreign Investment upto 49% would be allowed only with the prior approval of FIPB and regulatory clearance from RBI.

iii) Investment by SEBI Registered FIIs would be permitted only through purchases in the secondary market to an extent of 24%.

iv) Investment by SEBI Registered FIIs would be within the overall limit of 49% for Foreign Investment.

v) No FII can individually hold directly or indirectly more than 10% of the equity

Review of Reporting Mechanism for transfer of shares, debenture etc. by way of sale

In case of transfer of equity instruments where the non-resident acquirer proposes deferment of payment of the amount of consideration, prior approval of the Reserve Bank is required.

Review of FDI Scheme for investment in commodity exchange

Foreign investment in Commodity Exchange is allowed subject to the following conditions:

i) There would be a composite ceiling of 49% Foreign Investment, with a FDI limit of 26% and an FII limit of 23%.

ii) FDI will be allowed with specific approval of the Government.

iii) The FII purchases in equity of Commodity Exchanges will be restricted only to the secondary markets.

iv) Foreign Investment in Commodity Exchanges would also be subject to compliance with the regulations issued, in this regard, by the Forward Market Commission.

BANKING

Senior Citizens Savings Scheme, 2004 - Acceptance of Form 15-G from the Nominees

Investors under Senior Citizens Savings Scheme, 2004 are eligible to file Form 15-G and 15-H to claim exemption from TDS on the interest payable on the deposits. Central Board of Direct Taxes have now clarified, that nominee of the investors of SCSS can also produce form 15-G at the time of payment after the death of the depositor.

Extension of Guarantee - Maturity beyond Ten years

It has been decided to allow banks to issue guarantees for periods beyond 10 years. However, while issuing such guarantees, banks are advised to take into account the impact of very long duration guarantees on their Asset Liability Management.

Charges for various electronic products offered by bank

Electronic Products :-

Particulars	**Charge**
Inward Transaction	
RTGS / NEFT / ECS transactions	NIL
Outward Transaction	
RTGS - Rs. 1 to 5 lakh	not exceeding Rs. 25 per transaction
RTGS -Rs. 5 lakh and above	not exceeding Rs. 50 per transaction
NEFT - Up to Rs. 1 lakh	not exceeding Rs. 5 per transaction
NEFT -Rs.1 lakh and above	not exceeding Rs. 25 per transaction

Outstation cheque collection:

Particulars	**Charge**
Up to Rs. 10,000	not exceeding Rs. 50 per instrument
Rs. 10,001 to Rs. 1,00,000 instrument	not exceeding Rs. 100 per instrument
Rs.1,00,001 and above instrument	not exceeding Rs. 150 per instrument

INCOME TAX ACT

TDS u/s 194C for Payments Made By The Customers On Account Of Cooling Charges To The Cold Storage Owners

Circular no. 1/2008, dated 10-1-2008

CBDT has clarified that the provision of Section 194-I is not applicable to the cooling charges paid by the customers of the cold storage. However, since the arrangement between the customers and cold storage owners are basically contractual in nature, the provision of section 194-C will be applicable to the amounts paid as cooling charges by the customers of the cold storage.

Transactions of lending and borrowing are not liable to STT

Circular no. 2/2008, dated 22-2-2008

CBDT has clarified that the transactions of lending and borrowing are not liable to Securities Transaction Tax (STT) as the same do not fall within the scope of section 98 to the Finance (No. 2) Act, 2004.

Deduction of tax at source (TDS) is not on service tax component on rental income under section 194-I of the Income-tax Act

Circular no. 4/2008, dated 28-4-2008

It has been clarified that tax deduction at source (TDS) under sections 194-I of Income-tax Act would be required to be made on the amount of rent paid/payable without including the service tax.

E-payment of taxes from other person's account

Circular no. 5/2008, dated 14-7-2008

CBDT clarified that, - an assessee can make electronic payment of taxes also from the account of any other person. However, the challan for making such payment must clearly indicate the Permanent Account Number (PAN) of the assessee on whose behalf the payment is made. It is not necessary for the assessee to make payment of taxes from his own account in an authorized bank.

No Enclosures With New Return Forms For The Assessment Year 2008-09

Circular no. 6/2008, dated 18-7-2008

Further in addition to the instructions to the ITR forms CBDT has clarified that "No document (including TDS/TCS certificate, report of audit) should be attached to with ITR form. The original documents and certificates may be produced by them as and when called for by the Assessing Officer.

Representative assessee of non-residents is not compulsorily required to file e-return for Assessment Year 2008-09

Circular No. 8/2008, Dated 22-9-2008

CBDT has clarified that it will not be mandatory for agents of non-residents, within the meaning of section 160(1)(i) of the Income-tax Act, to electronically furnish the returns of non-residents for assessment year 2008-09. As there may be more than one agent for a non-resident in India for different transactions or a person in India may be an agent of more than one non-resident and such situations are not covered by the existing software which functions on the principle of one assessee-one PAN-one return.

Meaning of the expression 'Fish or Fish products' used In sub-clause (Iii) of clause (F) of rule 6DD of The Income-tax Rules, 1962

Circular no. 10/2008, dated 05-12-2008

CBDT has clarified that to reduce the problems being faced by the seafood exporters mainly on account of provisions of Section 40A (3) of the Income-tax Act, 1961 the meaning of the expression 'Fish or Fish Products' will be amended as follows:

(i) The expression fish or fish products' used in rule 6DD(e)(iii) would include 'other marine products such as shrimp, prawn, cuttlefish, squid, crab, lobster etc.'.

(ii) The 'producers' of fish or fish products' for the purpose of rule 6DD(e) of I.T. Rules, 1962 would include, besides the fishermen, any headman of fishermen, who sorts the catch of fish brought by fishermen from the sea, at the sea shore itself and then sells the fish or fish products to traders, exporters etc.

The above exception will not be available on the payment for the purchase of fish or fish products from a person who is not proved to be a 'producer' of these goods and is only a trader, broker or any other middleman, by whatever name called.

Exemption under section 11 in case of assesee claiming both to be charitable institutions as well as mutual organisations

Circular No. 11/2008, dated 19-12-2008

CBDT has clarified that exemption from tax under section 11 will not be available to the entities who were engaged in commercial activities on the ground that such activities were for the advancement of objects of general public utility in terms of the fourth limb of the definition of charitable purpose.

New TDS and TCS payment and information reporting system

Circular no. 02 / 2009, dated 21-5-2009

CBDT has amended the following provisions with respect to TDS and TCS :

(i) All sums of TDS and TCS including Income Tax under sub Section (1A) of section 192 to be paid within one week from the end of the month in which the deduction or collection is made.

(ii) It is mandatory for all deductors to make payment electronically furnishing an income-tax challan in Form No. 17.

(iii) The existing Form 16 and Form 16A have been appropriately modified.

(iv) The quarterly returns of TDS and TCS hitherto required to be filed in Form No. 24Q, Form No. 26Q, Form No. 27Q and Form No. 27EQ shall now be required to be filed for all quarters on or before the 15th June following the Financial Year.

New return forms for assessment year 2009-10

Circular no. 03 / 2009, dated 21-5-2009

CBDT has notified ITR 1 to ITR 8 for Assessment Year 2009-10. Further it is also clarified that if an assesee chooses to transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V, the assessee shall furnish the Form ITR-V to the Income-tax Department by mailing it to Income Tax Department CPC, Post Box No - 1, Electronic City Post Office, Bangalore - 560100, Karnataka within thirty days after the date of transmitting the data electronically. Upon receipt of the Form ITR-V, the CPC shall send an e-mail acknowledging the receipt of Form ITR-V.

Remittance to non-residents under section 195

Circular no. 04/2009, dated 29-6-2009

CBDT has amended the procedures for remittance to Non Residents which got effected from 1st July,2009. According to the amendments an undertaking (addressed to the Assessing Officer) accompanied by a certificate from an Accountant in Form 15CB by person making the remittance to Non-Resident itself will be sufficient for the transaction. Before the amendment except some exempted personal payments no remittance shall be made to a non-resident unless a no objection certificate has been obtained from the Income Tax Department.

Procedure for representation before BIFR and AAIFR

Circular no. 5/2009, dated 2-7-2009

CBDT has authorized DGIT (Admn.) as the Nodal agency for co-ordination between the BIFR and the CBDT and between the AAIFR and the CBDT. CBDT has reposes all the responsibility with respect to co-ordination, Income Tax Reliefs/Concessions, filing appeal before the appellate authority (AAIFR) or before the Delhi High Court and to DGIT (Admn.) of Income Tax.

The Limited Liability Partnership Act, 2008

An overview

Keeping in mind the need of the day, the Parliament enacted the Limited Liability Partnership Act, 2008 which was published in the official Gazette of India on January 9, 2009 and has been notified with effect from 31 March 2009. However, the Act has been notified with limited sections only. The rules have been notified in the official gazette on April 1, 2009.

Limited Liability Partnership concept was introduced in order to adopt a corporate form that would provide an alternative to the traditional partnership (with unlimited personal liability) on the one hand, and the statute-based governance structure of the limited liability company, which combines the organizational flexibility and tax status of partnership, on the other hand.

The salient features of the LLP Act 2008 inter alia are as follows:

General

a. The LLP has an alternative corporate business vehicle that would give the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on an agreement.

b. LLP shall be a body corporate and a legal entity separate from its partners. It will have perpetual succession, not affected by change in partners. It is capable of holding any property in its own name.

c. While the LLP has a separate legal entity, liable to the full extent of its assets, the liability of partners would be limited to their agreed contribution in the LLP.

d. LLP is managed as per the LLP Agreement, however in the absence of such agreement the LLP would be governed by the framework provided in Schedule 1 of Limited Liability Partnership Act, 2008.

e. The Indian Partnership Act, 1932 shall not be applicable to LLPs.

f. The Registrar of Companies (Roc) shall register and control LLPs also.

g. Even a Body Corporate can be a partner in a LLP.

h. The “Designated Partners” are responsible for day to day business operations of the LLP with slightly more accountability under the Act.

i. LLP can sue and be sued against too.

j. Contribution to capital by partners can be made in any form – tangible or intangible/ movable or immovable.

k. Scheme of Reconstruction can also be done in case of LLP similar to on the lines of companies.

Partners

a. Every LLP shall have at least two partners and shall also have at least two individuals as “Designated Partners”, of whom at least one shall be resident in India.

b. There shall not be any upper limit on number of partners in an LLP unlike an ordinary partnership firm where the maximum number of partners can not exceed 20.

c. No partner would be liable on account of the independent or un-authorized actions of other partners or their misconduct. The liabilities of the LLP and partners who are found to have acted with intent to defraud creditors or for any fraudulent purpose shall be unlimited for all or any of the debts or other liabilities of the LLP.

LLP Agreement

For the purpose of forming a LLP, there should be agreement between the partners interested in forming the LLP to be known as LLP Agreement. The said Agreement forms the basis of the formation of LLP and lays down its founding structure. The LLP agreement is an agreement between the Partners and between the LLP & its partners.

In case no agreement is entered into, the rights & duties as prescribed under Schedule I to the LLP Act shall be applicable. It is possible to amend the LLP Agreement but every change made in the said agreement must be intimated to the Registrar of Companies.

Financial Disclosures

a. The LLP shall be under an obligation to maintain annual accounts reflecting true and fair view of its state of affairs.

b. A statement of accounts and solvency (SAS) and Annual Return shall be filed by every LLP with the Registrar every year.

c. Audit requirement only in case of contributions exceeding Rs. 25 lakh or turnover exceeding Rs. 40 lakh

Conversion to LLP

A firm, private company or an unlisted public company is allowed to be converted into LLP in accordance with the provisions of the Act.

Advantages:

1. Renowned and accepted form of business worldwide in comparison to Company.
2. Low cost of Formation.
3. Easy to establish.
4. Easy to manage & run.
5. No requirement of any minimum capital contribution.
6. No restrictions as to maximum number of partners.
7. LLP & its partners are distinct from each other.
8. Partners are not liable for Act of other partners.
9. Less Compliance level.
10. No exposure to personal assets of the partners except in case of fraud.
11. Fewer requirements as to maintenance of statutory records.
12. Less Government Intervention.
13. Easy to dissolve or wind-up.
14. Professionals can form Multi-disciplinary Professional LLP, which was not allowed earlier.

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