Key Features on

Tax Amendments in

Budget 2012-2013

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DIRECT TAXES

- Tax proposals for 2012-13 mark progress in the direction of movement towards DTC and GST.
- DTC rates proposed to be introduced for personal income tax.
- Exemption limit for the general category of individual taxpayers proposed to be enhanced from `1,80,000 to `2,00,000 giving tax relief of `2,000.
- Upper limit of 20% tax slab proposed to be raised from `8 Lakh to `10 Lakh.
- Proposal to allow individual tax payers, a deduction of up to `10,000 for interest from savings bank accounts.
- Proposal to allow deduction of up to `5,000 for preventive health check up.
- Senior citizens not having income from business proposed to be exempted from payment of advance tax.
- To provide low cost funds to stressed infrastructure sectors, rate of withholding tax on interest payment on ECBs proposed to be reduced from 20% to 5% for 3 years for certain sectors.
- Restriction on Venture Capital Funds to invest only in 9 specified sectors proposed to be removed.
- Proposal to continue to allow repatriation of dividends from foreign subsidiaries of Indian companies at a lower tax rate of 15% up to 31.3.2013.
- Investment link deduction of capital expenditure for certain businesses proposed to be provided at the enhanced rate of 150%
- New sectors to be added for the purposes of investment linked deduction.
- Proposal to extend weighted deduction of 200% for R&D expenditure in an in-house facility for a further period of 5 years beyond March 31, 2012.
- Proposal to provide weighted deduction of 150% on expenditure incurred for agri-extension services.

- Proposal to extend the sunset date for setting up power sector undertakings by one year for claiming 100% deduction of profits for 10 years.

- Turnover limit for compulsory tax audit of account and presumptive taxation of SMEs to be raised from `60 Lakh to `1 Crore.

- Exemption from Capital Gains tax on sale of residential property, if sale consideration is used for subscription in equity of a manufacturing SME for purchase of new plant and machinery.

- Proposal to provide weighted deduction at 150% of expenditure incurred on skill development in manufacturing sector.

- Reduction in securities transaction tax by 20% on cash delivery transactions.

- Proposal to extend the levy of Alternate Minimum Tax to all persons, other than companies, claiming profit linked deductions.

- Proposal to introduce General Anti Avoidance Rule to counter aggressive tax avoidance scheme.

- Measures proposed to deter the generation and use of unaccounted money.

- **A net revenue loss of `4,500 Crore estimated as a result of Direct Tax proposals.**

INDIRECT TAXES

Service Tax

- Service tax confronts challenges of its share being below its potential, complexity in tax law, and need to bring it closer to Central Excise Law for eventual transition to GST.
- Overwhelming response to the new concept of taxing services based on negative list.
- Proposal to tax all services except those in the negative list comprising of 17 heads.
- Exemption from service tax is proposed for some sectors.
- Service tax law to be shorter by nearly 40%.
- Number of alignment made to harmonies Central Excise and Service Tax. A common simplified registration form and a common return comprising of one page are steps in this direction.
- Revision Application Authority and Settlement Commission being introduced in Service Tax for dispute resolution.
- Utilization of input tax credit permitted in number of services to reduce cascading of taxes.
- Place of Supply Rules for determining the location of service to be put in public domain for stakeholders' comments.
- Study team to examine the possibility of common tax code for Central Excise and Service Tax.
- New scheme announced for simplification of refunds.
- Rules pertaining to point of taxation are being rationalized.
- To maintain a healthy fiscal situation proposal to raise service tax rate from 10% to 12%, with corresponding changes in rates for individual services.
- Proposals from service tax expected to yield additional revenue of `18,660 Crore.

Other proposals for Indirect Taxes

- Given the imperative for fiscal correction, standard rate of excise duty to be raised from 10% to 12%, merit rate from 5% to 6% and the lower merit rate from 1% to 2% with few exemptions.

- Excise duty on large cars also proposed to be enhanced.

- No change proposed in the peak rate of customs duty of 10% on nonagricultural goods.

- To stimulate investment relief proposals for specific sectors - especially those under stress.

  - *Agriculture and Related Sectors*

- Basic customs duty reduced for certain agricultural equipment and their parts;

- Full exemption from basic customs duty for import of equipment for expansion or setting up of fertilizer projects up to March 31, 2015.

  - *Infrastructure*

- Proposal for full exemption from basic customs duty and a concessional CVD of 1% to steam coal till 31st March, 2014.

- Full exemption from basic duty provided to certain fuels for power generation.

  - *Mining*

- Full exemption from basic customs duty to coal mining project imports.

- Basic custom duty proposed to be reduced for machinery and instruments needed for surveying and prospecting for minerals.

  - *Railways*

- Basic custom duty proposed to be reduced for equipments required for installation of train protection and warning system and up gradation of track structure for high speed trains.

- *Roads*

- Full exemption from import duty on certain categories of specified equipment needed for road construction, tunnel boring machines and parts of their assembly.

  - *Civil Aviation*

- Tax concessions proposed for parts of aircraft and testing equipment for third-party maintenance, repair and overhaul of civilian aircraft.

  - *Manufacturing*

- Relief proposed to be extended to sectors such as steel, textiles, branded readymade garments, low-cost medical devices, and labour - intensive sectors producing items of mass consumption and matches produced by semi-mechanized units.

  - *Health and Nutrition*

- Proposal to extend concessional basic customs duty of 5% with full exemption from excise duty/CVD to 6 specified life saving drugs/vaccines.
- Basic customs duty and excise duty reduced on Soya products to address protein deficiency among women and children.
- Basic customs duty and excise duty reduced on Iodine.
- Basic customs duty reduced on Probiotics.

  - *Environment*

- Concessions and exemptions proposed for encouraging the consumption of energy-saving devices, plant and equipment needed for solar thermal projects.
- Concession from basic customs duty and special CVD being extended to certain items imported for manufacture for hybrid or electric vehicle and battery packs for such vehicles.
- Proposal to increase basic customs duty on imports of gold and other precious metals.

Additional resource mobilization

- Proposals to increase excise duty on ‘demerit’ goods such as certain cigarettes, hand-rolled bidis, pan masala, gutkha, chewing tobacco, unmanufactured tobacco and zarda scented tobacco.
- Cess on crude petroleum oil produced in India revised to `4,500 per metric tonne.
- Basic customs duty proposed to be enhanced for certain categories of completely built units of large cars/MUVs/SUVs.

Rationalization measures

- Excise duty rationalized for packaged cement, whether manufactured by minicement plants or others.
- Levy of excise duty of 1% on branded precious metal jewellery to be extended to include unbranded jewellery. Operations simplified and measures taken to minimize impact on small artisans and goldsmiths.
- Branded Silver jewellery exempted from excise duty.
- Chassis for building of commercial vehicle bodies to be charged excise duty at an *ad valorem* rate instead of mixed rate.
- Import of foreign-going vessels to be exempted from CVD of 5% retrospectively.
- Duty-free allowances increased for eligible passengers and for children of up to 10 years.
- Proposals relating to Customs and Central excise to result in net revenue gain of `27,280 Crore.
- **Indirect taxes estimated to result in net revenue gain of `45,940 Crore.**

Net gain of `41,440 crore in the Budget due to various taxation proposals.