

BUDGET 2012

HIGHLIGHTS ON UNION BUDGET 2012 - 2013 - A corporate glance

INTRODUCTION

The Union Budget of India, referred to as an annual Financial Statement in Article 112 of the Constitution of India is an annual budget of the Republic of India, which is presented each year by the Finance Minister of India in the Parliament. The Union budget has to be passed by the Both Houses of Parliament before it can come into effect on April 1, the start of India's financial year.

The Hon'ble Finance Minister Pranab Mukherjee presented the Union Budget for the financial year 2012 - 2013 in Parliament on 16th March 2012. The Main Highlights of Union Budget with respect to Corporate are summarized as follows.

CRUX OF UNION BUDGET WITH RESPECT TO DIRECT AND INDIRECT TAXATION

No change in corporate taxes.

Service tax rate raised from 10 per cent to 12 per cent.

Excise duty raised from 10 to 12 per cent.

External commercial borrowing of up to \$1 billion permitted for airline sector.

Completion of highway projects 44 per cent higher than in previous fiscal.

INDIRECT TAXES

Service Tax



Service Tax rate increased from 10% to 12%, with corresponding changes in rates for individual services

Revision Application Authority and Settlement Commission being introduced in Service Tax for dispute resolution and introduction of New scheme announced for simplification of refunds.

All services to be taxed except those in negative list

EXCISE DUTY

- **Standard Rate** of excise duty raised from 10 per cent to 12 per cent
- **Merit Rate** from 5 per cent to 6 per cent and
- **Lower Merit Rate** from 1 per cent to 2 per cent with few exemptions.
- Excise duty on processed food brought down to 6%
- Excise duty on hand made and semi mechanized matches reduced from 10% to 6%.
- Customs duty on import of parts of aircraft, tyres and testing equipment fully exempted.
- Full exemption from basic customs duty for equipment for road and highway construction.
- Titanium dioxide customs duty cut to 7.5% from 10%
- Full exemption from basic customs duty on natural gas, LNG, uranium for generation of electricity for two years.
- Automated shuttle looms exempted from customs duty
- Full exemption on imported equipments for road construction projects
- Import of equipment for fertilizer plants fully exempted from customs duty for three years
- Excise duty on large cars raised from 22 per cent to 24 per cent
- Most luxury items, eating out, air travel, leisure activities to cost more



DIRECT TAX

DIRECT TAX

FOR CORPORATES

No change in tax rates

Withholding tax on power, airlines, road and bridges, ports and shipyard, fertilisers, dams and affordable houses lowered to 5 pc from 20 pc for 3 years.

Investment linked deduction of capital expenditure in some businesses is proposed to be provided at 150 per cent as against the current rate of 100 per cent. These sectors include cold chain facility, warehouses for storing food-grains, hospitals, fertilizers and affordable housing. Bee keeping, container freight and warehousing for storage of sugar will now also be eligible for investment linked deduction.

The budget also proposes weighted deduction for R&D expenditure, agri-extension services and expenditure on skill development in the manufacturing sector.

For small and medium enterprises (SMEs) the turnover limit for compulsory tax audit of accounts as well as for presumptive taxation is proposed to be raised from Rs. 60 lakh to Rs. 1 crore.

In order to augment funds for SMEs, sale of residential property will be exempt from capital gains tax, if the proceeds are used for purchase of plant and machinery, etc.

A General Anti-Avoidance Rule (GAAR) is being introduced in order to counter aggressive tax avoidance.

Introduction of compulsory reporting of assets held abroad and assessment upto 16 years will now be allowed to be re-opened.

Tax will be collected at source on trading in coal, lignite and iron ore; purchase of bullion or jewellery above Rs. 2 lakh in cash; and transfer of immovable property (other than agricultural land) above a specified threshold.

FOR INDIVIDUALS

Income tax exemption limit raised to ₹2 lakh.

Deduction of up to ₹10,000 from interest from savings bank accounts.

Proposal to allow deduction of upto ₹5,000 for preventive health check up.

Introduction of **Rajiv Gandhi Equity Saving Scheme** to allow for income tax deduction of 50%.

NEW TAX SLABS



Up to 2 lakh rupees - NIL

2 lakh - 5 lakh rupees - 10%

5 lakh - 10 lakh rupees - 20%

Above 10 lakh rupees - 30%

SENIOR CITIZENS between 60 and 80 years of age

Upto 2.50 lakh - NIL

2.5 lakh to 5 lakh - 10 %

5 lakh to 10 lakh - 20%

Above 10 lakh - 30%

VERY SENIOR CITIZENS above 80 years

Upto 5 lakh - NIL

5 lakh to 10 lakh - 20%

Above 10 lakh - 30%

The overall exemption limit has increased from ₹1,80,000 to ₹2,00,000 when compared to previous year there by saving a maximum of 2,000 to citizens of India.

Deduction of up to ₹10,000 from interest from savings bank accounts.

Proposal to allow deduction of upto ₹5,000 for preventive health check up.

Status on MOST EXPECTED TAX REFORM

DTC Bill is expected to be enacted at the earliest after expeditious examination of the report by **The Standing Committee of Parliament**.

GST network to be set up as a national information utility and to become operational by August 2012.

Drafting of model legislation for the centre and state GST in concert with states under progress.

DISINVESTMENT POLICY

Government has further evolved its approach to divestment of Central Public Sector Enterprises by allowing them a level playing field vis-à-vis the private sector in respect of practices like buy backs and listing at stock exchanges.



INVESTMENTS

FOREIGN DIRECT INVESTMENTS

Expected to achieve broad based consensus in consultation with the State Governments in respect of decision to allow FDI in multi-brand retail upto 51 per cent.

CAPITAL MARKET

Key Initiative are proposed to be taken for deepening the reforms in the Capital markets, including simplifying process of IPOs, allowing QFIs to access Indian Bond Market etc.

Official amendment to Pension fund Regulatory and Development Authority Bill, 2011, The banking laws amendment bill 2011 and insurance law Amendment bill 2008 to be moved in current session of parliament.

Securities Transaction Tax (STT) reduced from 0.125 per cent to 0.1 per cent.

INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT

More sectors added as eligible sectors for Viability Gap Funding under the scheme “**Support to PPP in infrastructure**”.

Tax free bonds for around ₹60,000 crore to be expected to be allowed for financing infrastructure projects in 2012-13.

National Manufacturing Policy are announced there by expecting to create 10 crore jobs.

ECB to be permitted for working capital requirement of airline industry for a period of one year, subject to a total ceiling of US \$ 1 billion.

MICRO, SMALL AND MEDIUM ENTERPRISES

SME exchanges are launched in Mumbai recently to provide greater access to finance by Small and Medium Enterprises.

Policy requiring Ministries to make a minimum of 20 per cent of their annual purchases from MSEs approved out of this 4 per cent earmarked for procurement from MSEs owned by SC/ST entrepreneurs.

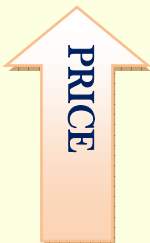
Turnover limit for compulsory tax audit of account and presumptive taxation of SMEs to be raised from ₹60 lakhs to ₹1 crore.

Bills on micro-finance institutions, national land bank and public debt management among those to be introduced in 2012-13.

Other Highlights of Finance Minister's speech

- For Indian Economy, recovery during the year was interrupted due to intensification of debt crisis in EURO zone, rise in crude and oil price, earthquake in Japan, political turmoil in middle east.
- Twelfth five year plan to be launched with aim of “ faster , sustainable and equitable growth”
- Growth in 2012-13 estimated at 7.6 per cent.
- To raise ₹30,000 crore from disinvestments.
- Fiscal deficit at 5.9 per cent of GDP in revised estimates for 2011-12.
- Fiscal deficit pegged at Rs 5.13 lakh cr in FY13. (5.1% of GDP)
- Direct tax collection fell short by Rs 32,000 crore in current fiscal.
- Information on black money stashed abroad has started flowing in, prosecution to be executed in some cases.
- White paper on black money in the current Parliament session.
- Gross taxes estimated at 10.6% of GDP.

EFFECTS OF UNION BUDGET ON COMMON MAN



Air-
Conditioners
Refrigerators
Phone Bills
Gold Bars
Tobacco
Products ,
Cigarettes etc.
Air travel
Hiring a law
firm



LCDs and
LEDs
Imported
Bicycles
Silver Jewellery
HIV and
Cancer Drugs
School
education
Mobile phones

PROFESSIONAL LIFE

ENDLESS POSSIBILITIES WITH
BORDERLESS SUCCESSES

Post your reflections to

S.Dhanapal
Managing partner
S DHANAPAL & ASSOCIATES
Practising Company Secretaries
3rd Floor, Victory Towers,
Old No.724/725, New No.486,
Poonamallee High Road,
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