Budget Highlights 2013-2014

Direct Tax

In 2011-12, the tax GDP ratio was 5.5 percent for direct taxes and 4.4 percent for indirect taxes. However in 2007-08, the tax GDP ratio touched a peak of 11.9 percent.

Tax Rates

1. There is **no change in tax slabs** however a notional rise in the threshold exemption from `2,00,000 to `2,20,000, it is propose to provide a **tax credit of `2,000 to every person** who has a total income upto `5 lakh.

2. A surcharge of 10 percent on every person whose taxable income exceeds `1 crore per year. This will apply to individuals, HUFs, firms and entities with similar tax status.

3. No change in Education Cess (continue to 3%)

Surcharge (The additional surcharges will be in force for only one year, that is Financial Year 2013-14)

4. **Surcharge on Domestic company** increase the surcharge from 5 percent to 10 percent on domestic companies whose taxable income exceeds `10 crore per year.

5. **Surcharge on Foreign company** In the case of foreign companies, who pay the higher rate of corporate tax, the surcharge will increase from 2 percent to 5 percent.

6. In all other cases, such as dividend distribution tax or tax on distributed income, It is propose to increase the current surcharge of 5 percent to 10 percent.

Exemption for home loan

7. Benefit only for the first-home buyer who takes a loan for an amount not exceeding `25,00,000. The additional deduction of interest of `100,000 can be claimed in A/Y 2014-15 and If the limit is not exhausted than only balance can be claimed in A/Y 2015-16. **This is additional deduction**

over and above the limit mention in section 24 of IT act.

DEDUCTIONS

8. Under Section **80 C for** persons suffering from disability or certain ailments by increasing the permissible premium rate from 10 percent to 15 percent of the sum assured. This relaxation shall be available in respect of policies issued on or after 1.4.2013.

9. Contribution under **CGHS** or same benefit to similar schemes of the Central Government and State Governments are eligible for deduction under section **80D** of the Income-tax Act.

10. **Donations under section 80G** made to the National Children's Fund will now be eligible for 100 percent deduction.

11. **Investment allowance** at the rate of 15 percent to a manufacturing company **that invests more than ₹100 crore** in plant and machinery during the period 1.4.2013 to 31.3.2015.

12. '**Eligible date'** for projects in the power sector to avail of the benefit **under section 80-IA** of the Income-tax Act, extended from 31.3.2013 to 31.3.2014.

13. It is propose to continue for one more year the concessional rate of tax of 15 percent on dividend received by an **Indian company from its foreign subsidiary**. Further, the **Indian company shall not be liable to pay dividend distribution tax** on the distribution to its shareholders **of that portion** of the income received from its foreign subsidiary.

14. It is propose long term infrastructure bonds in foreign currency, the rate of tax on **interest paid to non-resident** investors was reduced last year from 20 percent to 5 percent. There is no change in the rates in current budget however it is propose to **extend the same benefit to investment made through a designated bank account in rupee-denominated long term infrastructure bonds.**

Benefit to Securitisation Trust

15. In order to facilitate financial institutions to securitise their assets through a special

In order to facilitate financial institutions to securitise their assets through a special purpose vehicle, it is propose to **exempt the Securitisation Trust from income tax.** Tax shall be levied only at the time of distribution of income by the Securitisation Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF.

Other provisions

16. Investor Protection Fund set up by a depository for the protection of interest of beneficial owners will be exempt from income tax.

17. It is propose to provide parity in taxation between an IDF-Mutual Fund that distributes income and an IDF-NBFC that pays interest, when the payment is made to a non-resident. The rate of tax on such distributed income or interest will be 5 percent.

TDS in case of transfer of immovable property

18. TDS at the rate of one percent on the value of the transfer of immovable property where the consideration exceeds ₹50 lakhs. **However, agricultural land will be exempt.**

Withholding TAX

19. It is propose to levy a final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.

Payments by Way of royalty and fees for technical services

20. The rate of tax on payments by way of royalty and fees for technical services to non-residents from **10 percent to 25 percent**. However, the applicable rate will be the rate of tax stipulated in the DTAA.

Security Transaction Tax

21. Securities Transaction Tax (STT) has a stabilizing effect on transactions, although it adds to the transaction cost. Taking note of the changes and shifts in the market, It is propose to make the following reductions in the rates of tax:

Equity futures:	from 0.017 to 0.01 percent
MF/ETF redemptions at fund counters:	from 0.25 to 0.001 percent
MF/ETF purchase/sale on exchanges:	from 0.1 to 0.001 percent, only on the seller

CTT

22. CTT on non-agricultural commodities futures contracts at the same rate as on equity futures, that is at 0.01 percent of the price of the trade. Trading in commodity derivatives will not be considered as a 'speculative transaction' and CTT shall be allowed as deduction if the income from such transaction forms part of business income. **agricultural commodities will be exempt.**

Filing of Returns

23. Scope of annual information returns, extend e-payment facility through more banks, extend the refund banker system to refunds of more than ₹50,000, and make e-filing mandatory for more categories of assesses.

24. **The Direct Taxes Code (DTC) is not going to implement in this budget.**

INDIRECT TAX

25. **Goods and Services Tax** still pending is not going to implement in this budget.

26. NO CHANGE IN BASIC CUSTOM DUTY of 10 percent for non-agricultural products

27. NO CHANGE IN NORMAL RATE OF EXCISE DUTY and SERVICE TAX OF 12 percent

Environment-Friendly Vehicles

28. It is propose to extend the period of concession now available for specified parts of electric and hybrid vehicles upto 31.3.2015.

Leather Goods

29. To reduce the duty on **specified machinery** for manufacture of leather and leather goods, including footwear, from 7.5 percent to 5 percent

Stones

30. It is propose to reduce the duty on pre-forms of precious and semi-precious stones from 10 percent to 2 percent.

Set Top Box

31. It is propose to increase the duty from 5 percent to 10 percent.

Raw Silk

32. Duty on raw silk increases from 5 percent to 15 percent.

Coal

33. It is propose to equalise the duties on both kinds of coal(Steam coal and Bituminous coal) and levy 2 percent customs duty and 2 percent CVD.

Luxury Goods

34. Duty on imported luxury goods such as high end motor vehicles, motorcycles, yachts and similar vessels increase from 75 percent to 100 percent; on motorcycles with engine capacity of 800cc or more from 60 percent to 75 percent; and on yachts and similar vessels from 10 percent to 25 percent.

Gold

35. Hence, It is propose to raise the duty-free limit to ₹50,000 in the case of a male passenger and ₹100,000 in the case of a female passenger, subject to the usual conditions.

Readymate Garments

36. In the case of cotton, there will be zero duty at the fibre stage also and, in the case of spun yarn, there will be a duty of 12 percent at the fibre stage. The 'zero excise duty route' will be in addition to the CENVAT route now available.

Other Exemptions

37. Totally exempt handmade carpets and textile floor coverings of coir or jute from excise duty.

38. I propose to exempt ships and vessels from excise duty. Consequently, there will be no CVD on imported ships and vessels.

What Going to be costly

39. **SUV** It is propose to increase the excise duty on SUVs from 27 percent to 30 percent. However, the increase will not apply to **SUVs registered as taxis**.

40. **Cigarette** excise duty on cigarettes by about 18 percent. Similar increases are proposed on cigars, cheroots and cigarillos

41. **Marble** increase the duty from ₹30 per sq. mtr to ₹ 60 per sq mtr

42. **Imported Mobile Phones** on mobile phones priced at more than ₹2000, It is propose to raise the duty to 6 percent.

43. **Restaurants** It is propose to levy service tax on all air conditioned restaurants.

What Going to be cheaper

44. **Exemption for service tax** They are vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agriculture and agricultural produce.

45. **MEDICINES** It is propose to provide for MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine. There will be an **abatement of 35 percent**

46. **Film in Cinema halls** Last year, at the request of the film industry, full exemption of service tax was granted on copyright on cinematography. The industry has now requested to limit the benefit of exemption to films exhibited in cinema halls.

Other Provisions

47. Homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of ₹1 crore or more are high-end constructions where the component of 'service' is greater. Hence, It is propose to reduce the rate of abatement for this class of buildings from 75 percent to 70 percent. Existing exemptions from service tax for low cost housing and single residential units will continue.

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