SYNOPSIS OF UNION BUDGET 2013-14

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Synopsis Of Union Budget 2013 Has Been Covered In The Following Ten Categories:

A. Fiscal Deficit & Revenue Deficit:

- **Fiscal deficit** seen at **5.2 %** of GDP in 2012/13.
- **Fiscal deficit** seen at **4.8 %** of GDP in 2013/14.
- Faced with huge fiscal deficit, India had no choice but to rationalise expenditure.
- FY14 **revenue deficit** at **3.3%**

B. Growth:

- Indian economy faces challenge of getting back to its potential growth rate of 8%. India must unhesitatingly embrace growth as highest goal.
- GDP growth in the **11th Plan averaged 8% each year**

C. Spending:

- Total **budget expenditure** seen at 16.65 trillion rupees in 2013/14.
- India's 2013/14 **plan expenditure** seen at 5.55 trillion rupees.
- **Non-plan expenditure estimated** at about 12 trillion rupees in 2013/14.
- Revised estimate for total expenditure is 14.3 trillion rupees in 2012/13, which is 96 % of budget estimate.
- Set aside 100 billion rupees towards spending on food subsidies in 2013/14.
- Rs 1630825 crore **total expenditure**, Rs 555322 crore **plan expenditure**
- **17** per cent hike in **education**, **22** per cent in **agriculture**, **46** per cent for **rural development**

D. Revenue:

- Expect **133 billion rupees** through **direct tax** proposals in 2013/14.
- Expect **47 billion rupees** through **indirect tax** proposals in 2013/14.

E. Current account deficit:

- India's greater worry is the current account deficit - will need more than **$75 billion** this year and next year to fund deficit.

F. Core Inflation & Food Inflation:

- **Core inflation** is down to **4.2 per cent**. **Food inflation** remains a worry will take all steps to augment supply side.

G. Direct Tax:

- **Direct Tax Code** remains work in progress
- **No changes** in Income Tax rates or slabs, Rs 2000 credit for those earning up to Rs 5 lakh per annum.
- To **increase surcharge to 10 % on domestic companies** with annual income of more than 100 million rupees.
- To **continue 15 % tax concession** on dividend received by India companies from foreign units for one more year.
- Propose to impose withholding **tax of 20 % on profit distribution** to shareholders

- **Surcharge** of 10% on Rs **1 crore plus income** earners
- **Education cess** to continue
- **1 per cent TDS** on sale of immovable property above Rs **50 lakh**. not applicable to agricultural land.
- **STT** rates cut on **equity futures** to 0.01% from 0.017%
- To levy **CTT** on non agri futures at 0.01%
- Agri commodity futures exempt from CTT
- **First home loan** up to Rs 25 lakh will get an **additional** Rs 1 lakh interest deduction
- Tax Free Bonds - Will allow some organisations to raise funds strictly based on need
- Income level for **Rajiv Gandhi Equity Scheme** raised by Rs **2 lakh**
- **Inflation indexed bonds** and **NSCs** to be introduced
- Amnesty on service tax non-compliance from 2007 * 10 bln rupees for first installment of balance of GST (Goods and Services Tax) payment.
- Propose to **reduce securities transaction tax** on equity futures **to 0.01 %** from 0.017 %.

H. Indirect Tax:

- **No change** in peak **basic customs duty**
- Extend tax benefit to **electrical vehicles**
- To levy **2% customs** CVD on coal imports
- **Higher customs duty** on **set top boxes**
- **Duty cut** on leather, leather good machines
- **Exempts** imported ships and vessels from duty
- Excise duty on **SUVs** raised from 27% to 30%. Will not apply to SUVs registered as taxis
- Excise duty raised by18% for cigarettes
- **All AC restaurants** will have to pay **service tax** whether or not they serve alcohol.
- **Increase** in **import duty** on high end motor vehicles from 75% to 100%; and on motor cycles from 60% to 75%
- **Luxury imported items** to be cost more
- **Mobile phones**, priced above Rs 2000, get more expensive
- 100 per cent Customs Duty on **luxury cars**
- **Gold duty free limit** raised to Rs 50,000 for men and to Rs 1 lakh for women travellers
- **Tax surcharge** to add Rs 13000 crore to govt revenue
- **DT proposals** to raise Rs 13,300 crore, indirect tax to fetch Rs 4700 crore

I. Corporate Sector and Markets:

- Plans to issue **inflation-indexed bonds**.
- Proposes **capital allowance** of 15 % to companies on investments of more than 1 billion rupees.
- **Foreign institutional investors** (FIIs) can use investments in corporate, government bonds as collateral to meet margin requirements.
- **Insurance, provident funds** can trade directly in debt segments of stock exchanges.
- **FIIs** can hedge forex exposure through exchange-traded derivatives

J. Other Proposals:

- **Modified GAAR** to come into effect from Apr, 1 2016
- Tax Administration **Reform Commission** to be set up to regularly review tax law applications
- For 2012-13, Rs 30,000 crore to be raised through **disinvestment.** At least 51% ownership and management control to remain with government
- Need for state and central govt to pass a **GST law**

INCOME TAX

A. Insertion Of New Section 80EE – Deduction In Respect Of Interest On Loan Taken For 1st Residential House Property.

- **Drafting Errors/Grey Area -** There is a drafting error in this section, which will be rectified by legislature. Sub-sec. (5) contains the definitions of financial institution as well as housing financial company. Although loan taken from financial institution has been covered, the sec. remains silent about loan from housing financial institution.
- **Question -** Had the legislature does not intent to allow deduction for housing finance company, why the definition of housing finance company has been included?
- **Suggestions: Use the words "or housing financial institutions" after the word financial institution in sub section (1). Sub –sec.(1) shall be re drafted as follows:**
- **Analysis By CA Nitesh More -**
  - ✓ Deduction is available even if interest is **not actually paid** as the word "Payable" is used.
  - ✓ Loan must be taken for **acquisition** for such property only I.e. **renovation, improvement not covered.**
  - ✓ Deduction is available in respect of 1st **residential house property** only
  - ✓ Loan must be taken from a **financial institution**
  - ✓ Value of such property must not exceeds **40 Lakhs**
  - ✓ Amount of loan must not exceeds **25 Lakhs**
- **Crux Of This Section -** Deduction of Interest payable on loan taken from financial institution for 1st residential house property is available.
- **Applicability -** only Individual
- **Amount of Deduction -** Interest payable or 1 lakh whichever is less
- **Conditions -**
  - ✓ The loan has been **sanctioned** by the **financial institution during the F.Y. 2013-14**;
  - ✓ The amount of **loan sanctioned** does not exceed **25 lakh rupees;**
  - ✓ The **value of** the residential house **property** does not exceed **40 lakh rupees**;
  - ✓ The assessee **does not own any residential house property** on the date of sanction of the loan.

B) Rebate Of Income Tax In Case Of Certain Individuals - Sec 87A

- **Applicability -** Individual Resident
- **Conditions -** Total Income does not exceed Five Hundred Thousand Rupees
- **Amount of Rebate -** Rs 2,000 or Income Tax Payable whichever is less
- **Crux Of This Section -** Resident Individual whose Total income does not exceed Rs. 5 Lakh will be entitled a rebate of Rs. 2000 from Tax payable

C) Special Provisions Relating To Tax On Distributed Income Of Domestic Company For Buy-Back Of Shares

- **Applicability -** Domestic Company
- **Conditions -** Buy Back Of Unlisted Shares
- **Amount of Tax -** 20% on Distributed Income to Shareholder
- **Crux Of This Section -** Unlisted Domestic Company Shall Pay 20% Tax on Distributed Income (Distributed Income = Consideration - Amount received for issue of shares) to shareholder in case of buy of unlisted shares

D) Investment In New Plant Or Machinery – Sec 32AC

- **Comment -** This Provision Is Applicable To Very Big Manufacturing Companies Only.
- **Applicability -** A Company Engaged In Manufacturing Activities.
- **Conditions –**
  - ✓ Company Acquires and Installs New Assets Exceeding 100 Crores
  - ✓ New Assets Are Acquired During F.Y. 2013-14
- **Amount of Deduction - 15% Of Actual Cost** Will Be Allowed As Deduction.
- **Lock in period -** If Assets Transferred (Except In Case Of Amalgamation Or Demerger) Before 5 Years Than Deduction Earlier Allowed Will Be **Deemed Income.**
- **Crux Of This Section -** A Company Engaged In Manufacturing Acquires And Installs New Assets Exceeding 100 Crores Rupees During F. Y. 2013-14 Than 15% Of Actual Cost Will Be Allowed As Deduction. Lock In Period Of 5 Years Is Also There.