Analysis of Budget 2013

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Takeaway from Honorable Finance Minister's Speech (28.02.2013)

- **No reason for gloom and pessimism.**
- **Create opportunities for our youth to acquire education and skills that will get them decent jobs or self employment.**
- **Food security is as much a basic human right as the right to education or the right to health care.**
- **Key to restart the growth engine is to attract more investment , both from domestic investors and foreign investors.**
- **'Doing business in India' must be seen as easy, friendly and mutually beneficial.**
- **Investment Allowance for new high value investments.**
- **Increasing savings - optimal allocation for productive uses.**
- **Reduce dependence on imported coal to devise a PPP policy framework.**
- **To constitute a Standing Council of Experts in the Ministry of Finance to analyze the international competitiveness of the Indian financial sector.**
- **India's first Women's Bank to be set up.**
- **Increase the penetration of insurance , both life and general, in the country.**
- **SEBI- Simplify the procedures and prescribe uniform registration for foreign portfolio investors.**
- **FIIs will be allowed to participate in the exchange traded currency derivative segment subject to Indian rupee exposure in India.**
- **Encourage waste-to-energy projects in PPP mode.**
- **Clean and Green energy - priority of the Government.**
- **Three promises made.**
  - **A Tax Administrative Reform Commission to review the application of tax policies and tax laws and submit periodic reports.**
  - **To bring a draft Bill on the Constitutional Amendment and a draft Bill on Goods And Services Tax (GST)**
  - **Work to be seen as action;**
    "What clearly eye discerns as right, with stead fast will
    And mind unslumbering, that should man fulfill"

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Amendment to Income Tax Act, 1961

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
Tax Rates	No change in basic threshold limit for income-tax and tax slab rate remain the same	
Rebate u/s 87 A	Income Tax up to Rs.2000 u/s 87A to resident individuals having total income up to Rs.5 lakhs	This will result in an extra tax savings up to Rs.2000 for resident individuals having Total Income up to Rs.5 lakhs for the A.Y. 2014-15
Surcharge Enhanced	**Domestic Company** • If net income > Rs. 1crores ≤ Rs.10 crores: 5% • If net income > Rs. 10 crores: 10%	Earlier, above Rs 1 crore, surcharge of 5% was applicable.
	Foreign Company • If net income > Rs. 1crores < Rs.10 crores: 2% • If net income > Rs. 10 crores: 5%	Earlier, above Rs 1 crore, surcharge of 2% was applicable.
	Others • If income > Rs. 1crore: 10%	Super rich(earning above Rs 1 crore) to pay surcharge @ 10%.
	Note: For the purpose of computation of tax u/s 115O, 115QA, 115R or 115TA the surcharge shall be levied at the rate of ten percent irrespective of the amount of income of the company.	

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
Cess	There is no change in the rate of Cess it continue to be levied @ 3%	
Chapter VII of Finance Bill 2013-Commodities Transaction Tax (CTT) inserted	**<u>Commodities Transaction Tax(CTT)</u>** This CTT is proposed to be levied from the date on which Chapter VII of the Finance Bill, 2013 comes into force by way of notification in the official Gazette by the Central Government. To be levied on taxable commodities transactions entered into in a recognized association and such CTT is allowable as a deduction u/s 36(1)(xvi) if the income arising from such taxable commodities transactions is included in the income computed under the head "Profits and gains of business or profession" CTT @ 0.01 % on sale of commodity derivative, Agriculture commodities have been kept outside the purview of the CTT	
2(1A) amended	**<u>Definitions.</u>** Definition of Agricultural land has been amended. **(A similar amendment has been made in the definition of "urban land" u/s 2(ea) of the Wealth Tax Act, 1957)**	

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
2(14) amended	**Definitions.** Definition of Capital Assets has been amended as a consequential amendment in the definition of Agricultural land u/s 2(1A).	
Section 10(34A) inserted	**Income not included in total income.** Any income received by the shareholders of unlisted domestic company on buy back of shares shall be exempt from tax. A new section 115QA has been inserted in the Income Tax Act to provide for Additional income tax @ 20% in relation to buy-back of shares of unlisted domestic company. The company has to pay additional income tax on consideration paid by it on buyback of shares as reduced by the amount received by the company for issue of such shares.	Earlier gains arising on buy-back of shares was taxable under u/s 46A of the I.T Act in the hands of the shareholder. In our opinion this amendment has been made in a casual manner without considering all the issues and in some cases it can lead to double taxation.
Section 10(10D)(b) amended	**Income not included in total income.** The provision of this section has been amended to provide that a keyman insurance policy which is assigned to any person during its term, with or without consideration shall also be treated as keyman insurance policy within the meaning of this section and the amount received on the maturity of such policy will not be exempt under this section.	Earlier for tax avoidance purpose keyman insurance policy was being assigned to the keyman or any other person before its maturity and on maturity it was being claimed that the sum received under the policy as exempt. However in view of the proposed amendment lawmakers has plugged the loophole.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
Section 10(10D)(d) Amended	Any amount received on insurance policy on which premium is payable not exceeding 15% of the actual capital sum assured and which has been taken by a person with severe disability as referred in section 80U & also a person suffering from disease as mentioned in rule made u/s 80DD.	It is a welfare measure for person suffering with specified disease/disability and the limit has been raised from 10% to 15%.
Section 32AC inserted	**Investment Allowance.** If any company engaged in the business of manufacture or production of any article or thing acquires and installs new asset aggregating more than Rs.100 crores during the period 01.04.2013 to 31.03.2015, following deduction will be allowed: ▪ A.Y 2014-15- 15% of the actual cost of new assets acquired and installed between 01.04.2013 to 31.03.2014 provided the cost of assets exceeds Rs.100 crores. ▪ A.Y 2015-16- 15% of the actual cost of new assets acquired and installed between 01.04.2013 to 31.03.2015 as reduced by the deduction already allowed in A.Y 2014-2015.	It is a welcome provision and will promote all round industrial growth. This deduction is in addition to the depreciation allowance available under section 32 of the Income Tax Act. It is against the policy of the Govt. as SMEs may not be able to enjoy the said benefit since the threshold limit of Rs. 100 Cr. is too big and SMEs are mainly non-corporate.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
	▪ However where the new asset is sold or transferred within 5 years from the date of its installation, the amount deducted shall be deemed to be income chargeable under "Profit and gains of the business or profession" of the previous year. This income will be in addition to taxability of gains arising from the transfer of the new assets if any. ▪ In case of amalgamation and demerger, the provision of sale within five years will apply to the amalgamated or resulting company in the same manner as they would have allowed to the original acquirer.	
43CA Inserted	**<u>Real estate developers / builders</u>** ▪ Section similar to Sec. 50C introduced under the head income from Business Profession. ▪ Applicable only if the transferred immovable property is other than capital asset (stock in trade). ▪ If the consideration is lower than the value on which stamp duty is levied by the state government, then for the purpose of computing business income, the stamp duty value would be adopted. ▪ If there is a time lag between the date of agreement and date of registration and the consideration other than cash has been received on or before the date of the agreement then the stamp value prevailing on the date of agreement will be taken as deemed sales consideration	In line with the existing provision of section 50C this section has been inserted the only major difference between this two section is that the section 50C will apply on in case of transferred of capital assets where as section 43CA will apply in case of assets other than capital assets.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
56(2)(vii) amended	**Income from other sources.** If any individual or HUF receives an immovable property for inadequate consideration and the difference between the stamp duty value and consideration paid is more than Rs.50000/- then such difference will be chargeable to tax in the hands of the individual or HUF as income from other sources	This provision therefore removes a lacuna in line with the intention of the law makers to prohibit transfers of movable as well as immovable assets at a price lower than the fair market value.
Sections 95-102 inserted (Introduction of GAAR)	The provisions of Chapter X-A which were introduced in the Finance Act, 2012 and section 144BA have been thoroughly revamped and will now come info force with effect from 1 April 2016 as against the earlier communicated dated of 1 April 2014	

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
	Deductions to be made in computing total income	
80CCG amended	**Rajiv Gandhi Equity Savings Scheme** ▪ Listed units of equity oriented fund to be eligible for deduction. ▪ Currently benefit is only for investment in listed equity shares. ▪ Benefit for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented fund were first acquired by the new retail investor. ▪ Eligibility Limit of gross total income has been increased from Rs.10 lakhs to Rs.12 lakhs	Currently only listed equity shares were included in this scheme however after amendment listed units of equity oriented mutual fund has also been included in this scheme
80D Amended	**Health Insurance Premium** ▪ Currently only limited to CGHS- Central Government Health Scheme) ▪ Other health scheme as may be notified by the Central Government is also included.	Widens the scope of section 80D, however doesn't increase the threshold limit.
80EE inserted	**More benefit for individual housing loan:** ▪ Applicable to an individual. ▪ Maximum deduction of Rs. 1 Lakh in respect of interest payable on loan taken by an individual from any financial institution for the purpose of acquisition of first residential house property.	Considering the high cost of houses in urban area, urbanites may not get any benefit.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
	▪ If interest claimed is less than Rs. 1 lakh, the balance amount shall be allowed in A.Y. 2015-16 ▪ No deduction for such interest under any other provisions of the Income-tax Act for the same or any other assessment year. ▪ The deduction shall be subject to the following conditions:- ▪ The loan be sanctioned during FY 2013-14. ▪ The amount of loan shall not exceed twenty-five lakh rupees; ▪ The value of the residential house property shall not exceed forty lakh rupees; ▪ The assessee does not own any residential house property on the date of sanction of the loan.	
80G amended	Rate of deduction of any amount paid to the National Children's Fund has been increased from current 50% to 100%.	
80GGB and 80 GGC Amended	▪ Contribution to political parties -- a restriction introduced for deduction: ▪ No deduction in respect of any sum contributed by way of cash.	Cash contribution to political parties is not eligible for deduction in line with Sec 80G.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
80-IA amended	**<u>Extension of benefit for one more year for power sector:</u>** ▪ An extension of the terminal date by a further period of one year i.e. up to 31st March, 2014.	All units engaged in the business of generation or generation and distribution of power are eligible to get deduction if the business commences up to 31.03.2014.
80JJAA Substituted	▪ Existing deduction is applicable to any industrial undertaking engaged in the manufacture or production of article or thing. ▪ The deduction is now available only to an Indian Company deriving profits from manufacture of goods in its factory. ▪ Other conditions specified in this section are same. ▪ Deduction not be available if the factory is hived off or transferred from another existing entity or acquired by the assessee company as a result of amalgamation with another company	The amendment has been made to prevent claims being made by industrial undertaking other than those employing blue collared employees in manufacturing sector.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
90 amended	**<u>CHAPTER IX</u>** **<u>Double Taxation Relief</u>** ▪ As per the new amendment, the certificate of being a resident in a country outside India or specified territory outside India, as the case may be , shall be necessary but not a sufficient condition for claiming benefits under the agreements referred to in these sections. ▪ These amendments will take effect from 01.04.2013	▪ For last so many years, the landmark judgment Apex Court in the case of Azadi Bacho Andolan which held Tax Residency Certificate to be conclusive proof of residency held good in view of Circular No. 789 issued by Central Board of Direct Taxes(CBDT). However after this amendment this may not hold good. ▪ Considering the importance of the issue, Ministry of Finance has issued one Press Release dated 01.03.2013 to address the concerns on the amendment and has stated that necessary amendments will be made when the Finance Bill is taken up for consideration.
Securities Transaction Tax	It has been proposed to reduce the rates of Securities Transaction Tax.	This has been mainly done in order to arrest the shifting of transaction to Singapore Stock Exchange where Nifty is actively traded.
115A Amended	**<u>Tax on dividends, royalty and technical service fees in case of foreign companies.</u>** ▪ The rate of tax on payments by way of royalty and fees for technical services to non-residents has been increased from 10% to 25%.	This is done to harmonize the tax rate as most DTAA provide higher rate of tax.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
15BBD Amended	**Tax on certain dividends received from foreign companies.** ▪ Applicability extended to one more year: ▪ The applicability of this section in respect of income by way of dividends received from a specified foreign company has been extended in Financial Year 2013-14 also, subject to the same conditions.	This is a welcome provision since it will continue the repatriation of dividend from foreign countries as now the tax will paid be eligible for being setoff against the dividend distribution tax also.
115-O Amended	**Tax on distributed profits of domestic companies.** ▪ Provision for Cascading affect to dividends received from the foreign subsidiary: ▪ Where the tax on dividends received from the foreign subsidiary is payable under section 115BBD by the holding company in India then, any dividend distributed by the said company in the same year, to the extent of such dividend, shall not be subjected to Dividend Distribution Tax under section 115-O of the Income-tax Act. This is applicable w.e.f. 1st June, 2013.	This is a welcome provision to reduce double taxation.
115R Amended	**Tax on distributed Income to unit holders.** The rate of tax on distributed income by mutual fund has increased to 25% in all cases where distribution is made to an individual or a HUF	Earlier the rate of tax on distributed income was 12.5% or 25% depending upon the type of mutual fund.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
	The rate of tax on distributed income by an infrastructure debt fund is also reduced to 5% if the same is distributed to a non-resident investor.	This has been done to neutralize the tax effect on return on investment made by non-resident in infrastructure sector as mentioned in 194LC.
Explanation inserted in Sec. 132B	**<u>Application of seized or requisitioned assets.</u>** ▪ As per amended provision "existing liability" will not include advance tax payable in accordance with the provisions of Part C of chapter XVII of the Act.	Thus the seized cash can be adjusted against self-assessment tax including arrears only and / or against interest or penalty.
139(9) Amended	**<u>Return of income.</u>** ▪ The return of income shall now be regarded as defective unless the tax together with interest, if any, payable in accordance with the provisions of section 140A has been paid on or before the date of furnishing of the return. ▪ Applicable w.e.f 01/06/2013.	The amendment is a welcome provision.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
142(2A) Amended	**Inquiry before assessment. - Scope of Special Audit extended:** ▪ AO can direct for special audit also on the basis of volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee. ▪ Earlier the scope was restricted to only the nature and complexity of the accounts of the assessee. ▪ Applicable w.e.f. 1st June, 2013.	▪ Draconian provision – will lead to multiplicity of litigation. ▪ Boon for Chartered Accountants / Lawyers as more special audits will now be ordered and are likely to be challenged in a court of law.
153 & 153B Amended	**Time limit for assessment and reassessment** **The following period shall be excluded for the purpose of calculation of period of limitation as contained in section 153 & 153A :-** a) The Period covered by setting aside, when challenged before a court as directed by the Commissioner b) where a reference for exchange of information is made by an authority competent under an agreement referred to in section 90 or Section 90A and ending with the date on which the information requested is last received by the commissioner or a period of 1 year, whichever is less.	This provision is to ensure that in case of setting aside of orders, the time taken by the Court is excluded while computing the limitation. Moreover, in the international arena, lot of disputes are now taking place including reference for exchange of information and thus the provision is a welcome provision.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
179 & 167C Amended	**Liability of partners of LLP/ directors of private companies in liquidation** A clarification has been made in this section that for the purpose of this section tax due shall include penalty interest and other sum payable under the Income Act.	
194IA inserted	**TDS on transfer of immovable property.** ▪ TDS @ 1% to be deducted on sale consideration. ▪ No deduction is required where the consideration is less than fifty lakh rupees. ▪ Not applicable on transfer of agricultural land. ▪ Not applicable on payment of compensation or enhanced compensation on compulsory acquisition under any law. ▪ Applicable w.e.f. 01/06/2013.	Regressive provision was previously introduced by Finance Bill 2012 which was subsequently repealed and now again re-introduced .
194LC amended	**Income by way of interest from Indian company.** ▪ Concessional rate of TDS on long term infrastructure bonds: ▪ Where a NR (not being a company) or a foreign company deposits foreign currency in a designated bank account and such money is converted in rupees is utilized for subscription to a long-term infrastructure bond issue of an Indian company, then, for the purpose of this section, the borrowing by the company shall be deemed to be in foreign currency. ▪ The benefit of the section will be available subject to other conditions provided in the section. Applicable w.e.f. 01/06/2013	This amendment will help the companies to obtain funds from foreign investors. It will also enable the NR to invest the money at lower withholding tax rate.

Amendment to Wealth Tax Act, 1957

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
2(ea) Amended	**Definitions.** Definition of urban land has been amended. (A similar amendment has been made in the definition of "Agriculture land u/s 2(1A) and capital assets u/s 2(14)of the Income Tax Act,1961	
14A & 14B Amended	▪ Some specified class or classes of person may be required to furnish annexure less return of wealth tax ▪ Some specified class or classes of person shall be required to furnish the return in electronic mode only. **Note:** The rules in this regard are yet to be notified.	These provisions has been inserted in line with provisions as contained in 139C and 139D of the Income Tax Act,1961

Amendment to Finance Act,1994(Service Tax)

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
65B(11) Amended	**Interpretation** ▪ Deals with interpretation of "approved vocational education course" ▪ Sub-clause (i) has been amended to include "State council for vocational training" also, in addition to "National council for vocational training". ▪ Sub-clause (iii) dealing with a course run by an institute affiliated to the National skill development corporation has been omitted.	▪ Scope of entry no. (l) Of section 66D being "Negative list" which deals with certain educational services has been widened to include the State Council's course also as an approved vocational education course. ▪ Scope of Negative list has been curtailed by omitting the course relating to National skill development corporation
65B(40) Amended	**Interpretation** ▪ Deals with interpretation of "process amounting to manufacture or production of goods" ▪ Amended to include processes on which duties of excise are leviable under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 within the ambit of the definition.	▪ Scope of entry no. (f) Of section 66D being "Negative list" which deals with any process amounting to manufacture or production of goods has been widened.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
66BA Inserted	▪ A new section is being introduced after section 66B (Charging section) to provide that any reference to section 66 (under the positive list approach) shall be construed as reference to section 66B (under the negative list approach) w.e.f 1st of July, 2012.	▪ As section 66 being the charging section prior to the Negative list is not applicable w.e.f 1.07.2012 in view of Notification No. 22/2012, dated: 5.06.2012. As a clarification, this amendment seeks to provide that any reference to section 66 anywhere in the Finance Act, 1994 or any other Act shall be deemed to be a reference to section 66B.
66D(d) Amended	**<u>Negative list</u>** ▪ Deals with services related to agriculture or agricultural produce. ▪ The word "seed" in sub-clause (i) has been omitted.	▪ Scope of entry no. (d)(i) Of section 66D "Negative list" has been widened to include all types of testing services in relation to agriculture or agricultural produce.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
73(2A) Inserted	**Recovery of Service tax not levied or paid or short levied or short paid or erroneously refunded.** ▪ New sub-section (2A) is being introduced to clarify that where extended period of limitation of 5 years has been invoked as per the proviso to sub-section (1) of section 73 for SCNs but the same is not sustainable on account of non-establishment of the charges mentioned therein, then service tax shall be payable as if the notice was issued for the offences for which limitation of eighteen months applies under sub-section (1).	▪ The effect of this amendment is to collect service tax for the period of 18 months for which no special conditions are prescribed to invoke the extended period of limitation even if the notice issued for the extended period does not survive. This is a smart move.
77(1)(a) Substituted	**Penalty for contravention of rules and provisions of the Act for which no penalty is specified elsewhere.** ▪ Has been substituted by a new clause to provide that the maximum penalty for failure to pay service tax or failure to apply for registration in accordance with section 69 or rules made there under shall be rupees 10000.	▪ The penalty has been liberalized as under the earlier clause the penalty was rupees 10000 or 200 for every day of default whichever was higher.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
78A Inserted	**<u>Penalty for offences by director, etc., of company.</u>** ▪ A new section introduced to deal with penalty in case the following offences are committed by a company:- ○ Evasion of service tax; or ○ Issuance of invoice, bill or, as the case may be, a challan without provision of taxable service in violation of the rules made under the provisions of this Chapter; or ○ Availment and utilization of credit of taxes or duty without actual receipt of taxable service or excisable goods either fully or partially in violation of the rules made under the provisions of this Chapter; or ○ Failure to pay any amount collected as service tax to the credit of the Central Government beyond a period of six months from the date on which such payment becomes due.	▪ Penalty which may extend to one lakh rupees has been made applicable on any director, manager, secretary or other officer of such company, who at the time of such contravention was in charge of, and was responsible to, the company for the conduct of business of such company and was knowingly concerned with such contravention.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
83 Amended	**<u>Application of certain provisions of the Central Excise Act, 1944.</u>** ▪ It has been provided that instead of applying the entire section 9A, only section 9A(2) of the Central Excise Act, 1944, shall be applicable in so far as may be in relation to service tax as they apply in relation to excise duty.	Section 9A(1) of the Central Excise Act, 1944, has been amended by the Finance bill, 2013 to make certain offences cognizable and non-bailable. Therefore, the purpose of this amendment is not to apply this harsh provision to the service tax provisions.
86 Amended	**<u>Appeals to the Appellate Tribunal.</u>** ▪ Sub-section (5) has been amended to make reference to sub-section (1) also in addition to sub-section (3).	The Appellate Tribunal has been given power to admit an appeal or permit the filing of memorandum of cross objections in case of appeals under section 86(1) also dealing with appeals of assessee aggrieved by the orders passed by the Commissioner of Central Excise (Appeals) or the Commissioner of Central Excise.
89 Amended	**<u>Offences and penalties.</u>** ▪ It has been provided that where an assessee commits any offence as prescribed in section 89(1) then he shall be liable with imprisonment for a term which may extend to 3 years or 7 years as the case may be.	Under the law which was prevailing, the imprisonment was for a period of 3 years on all the cases. However, in case of offence relating to collection of the amount of service tax and failure to deposit such amount has been made a serious offence since the imprisonment for this is upto a period which may extend to 7 years as against earlier 3 years.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
90 Inserted	**<u>Cognizance of Offences</u>** ▪ It has been inserted in view of amendment of section 89 as referred to hereinabove dealing with serious offence relating to collection and non-payment of service tax which has been made a cognizable offence. It has been further provided in sub-section (2) that all other offences shall be non-cognizable and bailable.	
91 Inserted	**<u>Power to arrest</u>** ▪ It has been inserted to provide that an officer of Central Excise not below the rank of Superintendant of Central Excise may be empowered by the Commissioner of Central Excise to arrest any person who has committed an offence under section 89(1) (i) & (ii). There are other provisions also in sub-clause (ii), (iii), (iv) dealing with production of the arrested person before the magistrate etc.	▪ These are very harsh provisions and are likely to be abused as the Commissioner of Central Excise has been given a power by a general order to arrest in case of offences. This may be called a Draconian Provision.

Notification no. 26/2012-ST, dated: 20.06.2012 (pertaining to abatements) has been amended by Notification no. 2/2013-ST, dated: 1.03.2013 (shall come into force on 1.03.2013)

Service	Tax base on which tax to be calculated, post abatement (%)	Condition
The service provided by way of construction of complex, buildings, civil structure or a part thereof, intended for sale to a buyer prior to issuance of completion certificate.	25	For residential unit having carpet area up to 2000 sq. ft. or where the amount charged is less then Rs. 1 Crore
	30	For other than above

Effect of the amendment: Service tax liability has been increased for residential units having carpet area up to 2000 sq. ft. or where the amount charged is less then Rs. 1 Crore

Notification no. 25/2012-ST, dated: 20.06.2012 (pertaining to mega exemption has been amended by Notification no. 3/2013-ST, dated: 1.03.2013 (shall come into force on 1.04.2013)

Sr. No.	Service	Existing Provisions	Amendments	Effects
1	Educational Institution (Entry no.9)	Serial No. 9 of the Notification provided exemption to "Services provided to or by an educational institution in respect of education exempted from Service Tax, by way of auxiliary educational services or renting of immovable property	The words 'provided to or by' has been substituted with 'provided to'	Services provided by an educational institution in respect of education exempted from Service Tax by way of auxiliary educational services or renting of immovable property to any person (other than to another educational institution) will now be liable to Service Tax.
2	Copyright Services (Entry No.15)	Serial No. 15 of the Notification provided exemption to services provided by way of temporary transfer or permitting the use or enjoyment of a copyright covered under clauses (a) or (b) of sub-section (1) of section 13 of the Indian Copyright Act, 1957 (14 of 1957), relating to original literary, dramatic, musical, artistic works or cinematograph films	This entry has been amended: Services provided by way of temporary transfer or permitting the use or enjoyment of a copyright of cinematograph films for exhibition in a cinema hall or cinema theatre. Hence, services provided by any means other than above is now sought to be made taxable through this amendment.	This is a beneficial amendment, as the producer of cinematographic films will now be able to avail credit of the taxes/ duties paid on capital goods, and proportionately on inputs and input services, when the transfer of copyrights of such films are not for exhibition in cinema halls or theatres.

Sr. No.	Service	Existing Provisions	Amendments	Effects
3	Restaurant Services (Entry No.19)	Services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, other than those having (i) the facility of air- conditioning or central air-heating in any part of the establishment, at any time during the year, and (ii) a license to serve alcoholic beverages	Clause (ii) dealing with a license to serve alcoholic beverages has been deleted.	All restaurants having air-conditioning facility with or without liquor license are now liable to Service Tax.
4	Transportation by Rail or a Vessel (Entry No.20)	Services by way of transportation by rail or a vessel from one place in India to another of the following goods - (a) petroleum and petroleum products falling under Chapter heading 2710 and 2711 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986); (b) ... (c) ...; (d) postal mail or mail bags; (e) household effects;	Clauses (a), (d) & (e) have been deleted.	Exemption has been withdrawn on services in relation to transportation by rail or a vessel of specified petroleum and petroleum products postal mail or mail bags and household effects.
5	Transportation by a goods carriage (Entry No.21)	Services provided by a goods transport agency by way of transportation of - (a) Fruits, vegetables, eggs, milk, food grains or pulses in a goods carriage; (b) Goods where gross amount charged for the transportation of goods on a consignment transported in a single goods carriage does not exceed one thousand five hundred rupees; or	The existing entry has been replaced by a new entry.	Exemption has been extended to agricultural produce, specified foodstuffs, chemical fertilizers and oil cakes, specified newspapers or magazines, relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap, and defense or military equipment.

Sr. No.	Service	Existing Provisions	Amendments	Effects
		(c) Goods, where gross amount charged for transportation of all such goods for a single consignee in the goods carriage does not exceed rupees seven hundred fifty.		
6	Vehicle Parking (Entry No. 24)	Services by way of vehicle parking to general public excluding leasing of space to an entity for providing such parking facility.	The entry no. 24 of the Notification has been omitted.	Services by way of vehicle parking to general public excluding leasing of space to an entity for providing such parking facility are now liable to Service Tax.
7	Service provided to Government. (Entry No.25)	Services provided to Government, a local authority or a governmental authority by way of - (a) …; or (b) repair or maintenance of a vessel or an aircraft	The words 'vessel or an aircraft' has been substituted by the word 'vessel'.	Service by way of repair or maintenance of an aircraft is now liable to service tax.
8	Definition of 'charitable activities' Clause (k)		Sub-clause (v) has been omitted	Services in relation to advancement of any other object of general public utility will no longer qualify as service by way of charitable activity within the meaning of entry no. 14 in the mega exemption notification.

Notification no. 4/2013-ST, dated: 1.03.2013			
Section	**Existing Provisions**	**Amendments**	**Effect**
96A(b)(iii) Amended	Advance Rulings- Definitions. Applicant means-“a resident falling within any such class or category of persons, as the Central Government may, by notification in the Official Gazette, specify in this behalf.	The resident public limited company has been notified as a class of persons for the purpose of the said clause.	It is a welcome provision for the Assesses since they will be able to settle their service tax issues in advance without going in protracted litigations.

Service tax Voluntary Compliance Encouragement Scheme, 2013

As Introduced by Chapter VI in Finance Bill , 2013

Eligibility

1. Any person who makes a declaration in the form and manner as may be prescribed. (forms not yet prescribed) (Section 97 of Finance bill,2013)
2. No notice or an order of determination should have been issued prior to 1st March,2013 (Section 96 of Finance Bill 2013)
3. Again, even if no notice or an order of determination has been issued for a period, but for an earlier period if any notice or order of determination has been issued, then declaration cannot be made.(Section 96 of Finance Bill,2013)
3. Any person who has furnished the return u/s 70 but has not paid the taxes due in full not eligible to make the declaration for the period covered under the said return. (Section 96 of Finance Bill 2013)
4. 50% of the Taxes to be paid by 31.12.2013 and the balance 50% to be paid by 30.06.2014.(or with interest by 31.12.2014)

Acceptance of Declaration

1. The designated authority shall acknowledge the declaration in such form as may be prescribed(Section 97(1) of Finance Bill, 2013) and on payment of full taxes, a n acknowledgement of discharge shall also be issued as per Section 97 of the Finance Bill 2013.
2. Amount once paid not refundable under any circumstances.

Rejection of Declaration

1. Where an inquiry or investigation in respect of service tax not levied or not paid or short levied or short paid has been initiated by way of

a) search of premises under section 82 of the Chapter or
b) issuances of summons under Section 14 of Central Excise Act, 1944 as made applicable.
c) requiring production of accounts, documents or other evidence under the chapter or the rules made there under; or Where an audit has been initiated and such, investigation, inquiry or audit is pending as on the 1st day of March,2013 then ,the designated authority shall by an order and for reasons to be recorded in writing , reject such declaration.

Amendment to the Central Excise Act, 1944

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
9 amended	**<u>Offences and Penalties</u>** ▪ In view of the all round inflation, the limits have been liberalized in context of offence relating to excisable goods by increasing the amount of duty involved in the offence to be more than Rs 50 lakh in contrast to earlier Rs 30 lakh in order to attract penalty being imprisonment for 7 years with fine.	
9A(1) amended	**<u>Certain offences to be non cognizable</u>** ▪ The Existing sub-section(1) has been substituted by new sub-section(1) to exclude offences under clause (b) and clause (bbbb) of sub-section (1) of section 9 from the list of non-cognizable , thereby rendering the same as cognizable and non-bailable. ▪ The new subsection (1A) now provides that in case of offences relating to Section 9(1)(b) or (bbbb) exceeding Rs. 50 lakhs, the offences shall be cognizable and non-bailable.	Clause (b) relates to offence involving evasion of the payment of any duty payable under the act and clause (bbbb) provides for contravention of any of the provisions of the act or the rules made there under in relation to credit of any duty to be utilized towards payment of excise duty on final products.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
11 amended	**Recovery of sums due to Government** ▪ Has been amended to be renumbered as subsection (1) and (2) wherein sub-section (1), the officer empowered by the CBEC may from now onwards require any other Central Excise officer or a proper officer referred to in section 142 of the Customs Act, 1962 to recover the amount to deduct the amount so payable from any money owing to the person from whom such sums may be recoverable or due which may come into the hands of the Proper officer or the other Central Excise Officer. ▪ Further, vide sub-section (2) (newly inserted) the Central excise officer has been empowered to issue notices to any third party from whom any amount is due or may become due to the defaulter, to pay the amount to the Central government within the time specified in the notice and if such person fails to comply with the same he shall be liable to face all the consequences under the act.	The amendment represents tightening of the recovery machinery of the Government so as to empower the Central Excise Officer to refer the dues to the Proper offices and/or other Central Excise Officer. The amendments are in line with the similar amendments made in the Customs Act, 1962 dealt with elsewhere.
11A(7A) inserted	**Recovery of duties not levied or not paid or short levied or short paid or erroneously refunded**. ▪ Has been amended to include a new sub-section (7A) which provides that for follow-up demands, a statement served by the Central Excise Officer containing the details of duties not levied or not paid or short levied or short paid or erroneously refunded shall be deemed to be service of notice provided the grounds relied upon for the subsequent period are same as are mentioned in the earlier notices.	Similar amendments have been made in the service tax provisions also.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
11DDA(1) amended	**Provisional attachment to protect revenue in certain cases.** ▪ Has been amended to empower the Central Excise Officer to attach the property of any person on whom notice has been served under section 11A or section 11D(2) of the act	Under the earlier provisions the power was restricted to notices covered under section 11A(1) and 11D(2) only and scope has been widened to cover entire Section 11A.
20 amended	**Procedure to be followed by Officer-in-charge of police station** ▪ Has been amended to provide that the procedure to be followed by officer in charge of police station shall be applicable only in case of offences which are non-cognizable in contrast to the earlier provision which applied to all types of offences.	This is a consequential amendment, since the amendment made in Section 9A dealt with hereinabove has made some offences cognizable.
21 amended	**Inquiry how to be made by Central Excise officers against arrested persons forwarded to them under Section 19** ▪ Clause (a) and (b) has been amended so as to make the provisions regarding release of arrested person on bail or personal bond applicable only to offences which are non-cognizable.	This is a consequential amendment, since the amendment made in Section 9A dealt with hereinabove has made some offences cognizable.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
23A(a) substituted	**Definitions.** ▪ The definition of “activity has been amended to mean “production or manufacture of goods and includes any new business of production or manufacture proposed to be undertaken by the existing producer or manufacturer, as the case may be” in contrast to earlier definition which defined activity to mean “production or manufacture of goods”.	This is similar to the amendment made in the Customs Act,1962 also dealt with elsewhere.
23C(2)(e) amended	**Application for Advance Ruling** ▪ Deals with admissibility of application for advance ruling, inter alia, for credit of excise duty paid or deemed to have been paid on goods used in manufacture of excisable goods. ▪ Scope has been expanded to include credit of service tax paid or deemed to have been paid on input services.	This is a welcome provision
23F amended	**Advance Ruling to be void in certain circumstances** ▪ Has been amended by substitution of reference to section 28-1 by section 23D which deals with the procedure on receipt of application for advance ruling.	

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
35C(2A) amended	**<u>Orders of Appellate Tribunal</u>** ▪ Has been amended to include a third proviso which states that where an appeal filed u/s 35B(1) (where order of stay is made relating to the appeal) is not disposed of within a period of one hundred and eighty days from the date of such order and an application by a party is made in this behalf then Appellate Tribunal on being satisfied that the delay is not attributable to such party extend the period of stay by a further period not exceeding one hundred and eighty five days, and if the appeal is not disposed of in total period of 365 days it shall stand vacated.	Similar to the amendment made in the Customs Act,1962 dealt with elsewhere.
35D amended	**<u>Procedure of Appellate Tribunal</u>** ▪ Has been amended to enhance the monetary limit (being fine or penalty involved) of the Single bench of the Tribunal to hear and dispose of appeals from ten lakh rupees to fifty lakh rupees.	Similar to the amendment made in the Customs Act,1962 dealt with elsewhere.
37C amended	**<u>Service of decisions, orders, summons etc.</u>** ▪ Has been widened by inserting the words and figures "or by speed post with proof of delivery or by courier approved by the CBEC" in clause (a) of sub-section (1) where the earlier section provided for the only mode, being registered post with acknowledgment due. ▪ <u>A similar amendment has been made in sub-section (2) of section 37C by inserting the words and figures "or courier referred to in sub-section (1)"after the words "delivery by post".</u>	

Amendment to the Customs Act, 1962

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
11(2)(n) amended	**Protection of designs & Geographical Indications(GI)** Has been amended to include “protection of designs and geographical indications” as one of the conditions which can be a ground for the Central Government to restrict the import or export of the goods either absolutely or subject to such conditions.	A geographical indication (GI) is a name or sign used on certain products which corresponds to a specific geographical location or origin (e.g. a town, region, or country). The use of a GI may act as a certification that the product possesses certain qualities, is made according to traditional methods, or enjoys a certain reputation, due to its geographical origin. India, as a member of the World Trade Organization (WTO), enacted the Geographical Indications of Goods (Registration & Protection) Act, 1999 has come into force with effect from 15th September 2003. The intent of the present amendment therefore is that Designs and Geographical Indications, therefore being important to protect the goods manufactured locally can be one of the grounds for the Central Government to restrict the Import and Export under the Customs Act, 1962.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
28BA Amended	**Provisional attachment to protect revenue in certain cases** Has been amended to provide for provisional attachment of property to protect revenue in cases as specified in section 28(4) which deals with a case where any duty has not been levied or has been short-levied or erroneously refunded, or interest payable has not been paid, part paid or erroneously refunded, by reason of,- (a) collusion; or (b) any willful misstatement; or (c) suppression of facts.	In view of this amendment, the power available with the proper officer to provisionally attach any property belonging to the person has been expanded to cover those cases also where Notice has been issued u/s 28(4) of the Act which deals with non payment or short payment etc of the duty by reason of collusion, any wilful mis-statement or suppression of facts.
28E(a) Amended	**Definition of the term "activity"** The definition of the term "activity" has been widened by providing that "activity" means import or export and includes any new business of import or export proposed to be undertaken by the existing importer or exporter, as the case may be.	In view of this amendment, an existing importer or an exporter shall be able to seek an Advance Ruling when a new business of import or export is undertaken by an existing importer or an exporter.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
30 amended	**<u>Delivery of Import manifest or Import report</u>** Dealing with delivery of import manifest or import report has been amended to make provision for delivery of import manifest electronically in line with the thrust for moving towards electronic filings. However, in order to take care of exceptional cases the commissioner of Customs has been permitted to allow the submission of import manifest in any other manner by inserting a proviso.	
41 amended	**<u>Delivery of Export manifest or export report</u>** Dealing with delivery of export manifest or export report has been amended to make provision for delivery of export manifest electronically in line with the thrust for moving towards electronic filings. However, in order to take care of exceptional cases the commissioner of Customs has been permitted to allow the submission of export manifest in any other manner by inserting a proviso.	
47(2) amended	**<u>Clearance of goods for home consumption</u>** Dealing with the payment of Customs duty for clearance of goods for home consumption has been amended to reduce the interest free period for payment of import duty from five days to two days	Interest free period for payment of import duty now only 2 days

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
49 amended	**<u>Storage of imported goods in warehouse pending clearance</u>** Dealing with the storage of imported goods, pending clearance has been amended to provide that the storage in the public warehouse cannot be done for a period exceeding thirty days. However, the Commissioner of Customs has been given a permission to extend the period of storage for further period not exceeding thirty days at a time.	Maximum number of days for which imported goods can be stored in Public warehouse is now 30 days.
69 amended	**<u>Clearance of Warehoused goods for exportation</u>** Has been liberalized to provide that for the purpose of export of warehoused goods out of India without payment of import duty in so far as goods imported or exported by post any label or declaration accompanying the bill shall also be treated as equivalent to shipping bill or bill of export.	
104 amended	**<u>Power to arrest</u>** Sub-section (6) has been substituted to provide that for violations relating to section 135 of the act dealing with evasion of duty or prohibition etc shall be treated as a non-bailable offence notwithstanding the code of criminal procedure, 1973. Sub section (7) has also been inserted to provide that all other offences shall be bailable.	Amendment has been made to overcome the decision of the Apex Court in the case of Omprakash Vs Union of India (2011) 272 ELT 321(SC) to provide that the following offences punishable under Section 135 of the Customs Act,1962 shall be non –bailable.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
		Evasion or attempted evasion of duty exceeding fifty lakh rupees: or Prohibited goods notified under section 11 which are also notified under Section 135(1) (i) (c) of the Act. Import or export of any goods which have not been declared in accordance with the provisions of the Customs Act,1962 and the market price of which exceed Rs one crore; or Fraudulently availing of or attempt to avail of drawback or any exemption from duty provided under this Act, if the amount of drawback or exemption from duty exceeds fifty lakh rupees. Offences other than above shall continue to be bailable offences as per the newly inserted sub-section (7).

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
129B(2A) amended	**<u>Orders of Appellate Tribunal</u>** A proviso has been inserted in section 129B(2A) of the act whereby it has been provided that "where an appeal is not disposed of within the period specified in the first proviso, the Appellate Tribunal may, on an application made in this behalf by a party and on being satisfied that the delay in disposing of the appeal is not attributable to such party , extend the period of stay to such further period as it thinks fit, not exceeding one hundred and eighty-five days, and in such case the appeal is not so disposed of within the total period of three hundred and sixty five days from the date of order referred to in the first proviso, the stay order shall, on the expiry of the said period, stand vacated."	The effect of this amendment is that the Appellate Tribunal has been empowered to extend the period of stay under this section not exceeding 185 days on being satisfied that the delay in disposing the appeal is not attributable to the party. Thus the total period for which stay can be allowed by the Appellate Tribunal has been kept as 365 days (including 180 days). This amendment is similar to the amendment made in Section 35C of the Central Excise Act, 1944. The provision is line with the provisions as contained in the Income-tax Act, 1961 in Section 254(2A) of the Act whereby the Income-tax Appellate Tribunal is also vested with similar powers. This is notwithstanding that several courts have taken views that in spite of such provisions tribunals have inherent powers to extend the stay even beyond the limits prescribed under the law.

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
129C amended	**Procedure of Appellate Tribunal** Has been amended to enhance the monetary limit from Rs 10 lakhs to Rs 50 lakh for the single bench of the Tribunal to hear and dispose of appeals	
135 amended	**Evasion of duty or prohibitions** Dealing with evasion or attempted evasion of duty or fraudulently availing of or attempting to avail of drawback or any exemption from duty in connection with export of goods in case the duty exceeds Rs 30 lakhs has been amended to increase this to Rs 50 lakhs.	
142(1) amended	**Recovery of sums due to Government** Dealing with recovery of sums due to the Government has been widened to allow the officer to issue a notice in writing to any third party to recover any amount due under the act from any person who has any outstanding dues with a third party. The said amendments are in line with the Section 226 (3) of the Income Tax Act . It has been further provided that the third party to whom the notice has been issued doesn't pay then he shall be deemed to be a defaulter under the act.	The amendments are in line with similar amendments made in Central Excise Act,1944
143A amended	**Duty deferment** Dealing with deferment of duty has been omitted	

Section of the Act	Proposal in Finance Bill, 2013	Impact Analysis (wherever applicable)
144(3) amended	**Power to take samples** Deals with the power of custom officer to take samples for testing and which are consumed or destroyed during testing will not be liable for payment of the custom duty.	Under the earlier law there was a limit of Rs 5000 or more for the customs duty leviable in respect of goods destroyed or consumed during testing, now this limit has been removed
146 Substituted	**Customs House agents to be licensed** Dealing with license to be issued to custom house agent has been substituted by a new section, to change the nomenclature of custom house agent as custom broker and to provide that the board may make regulations for the manner of conducting examination in order to issue license to the custom broker.	The change in nomenclature as Custom Broker is in accordance with the Internationally accepted practices.
146A amended	**Appearance by Authorized Representative** Has been amended to include reference to the custom broker instead of custom house agent and sub section (4) has been amended such that any person will be disqualified to act as the authorized representative if it commits any offence under the Finance Act, 1994.	Finance Act,1994 deals with service tax and thus if any person who is convicted of an offence connected with any proceedings under the Finance Act 1994 shall not be qualified to appear before an officer of customs or the Appellate Tribunal under the Customs Act,1962.
147 amended	**Liability of principal and agent** Dealing with liability of principal and agent has been expanded to provide that an agent shall be liable for any liability under the Customs Act also.	

Other Key Recommendations from the Union Budget 2013-14

- Communication with investors to be improved to remove any apprehension or distrust, including fears about undue regulatory burden.
- Need of new and innovative instruments to mobilise funds for investment in infrastructure sector. Measures such as:
  - Infrastructure Debt Funds (IDF) to be encouraged,
  - IIFCL to offer credit enhancement,
  - Infrastructure tax-free bond of Rs. 50,000 Cr. in 2013-14,
  - Build roads in North eastern states and connect them to Myanmar with assistance from WB & ADB.
- The Cabinet Committee on Investment (CCI) has been set up. Decisions have been taken in respect of a number of gas, power and coal projects.
- Incentives to semiconductor wafer fab manufacturing facilities, including zero customs duty for plant and machinery.
- In consultation with RBI, instruments protecting savings from inflation to be introduced
- INDUSTRIAL CORRIDOR - Plans for seven new cities have been finalised and work on two new smart industrial cities at Dholera, Gujarat and Shendra Bidkin, Maharashtra will start during 2013-14.
- A policy to encourage exploration and production of shale gas will be announced.
- In the medium to long term need to reduce our dependence on imported coal. One way forward is to devise a PPP policy framework with Coal India Limited as one of the partners.
- Support to measures to be taken to boost exports of goods and services.
- A standing Council of Experts to be constituted in the Ministry of Finance to analyse the international competitiveness of the Indian financial sector.
- Number of proposal finalised in consultation with SEBI.
  - ✓ Designated depository participants, authorised by SEBI, may register different classes of portfolio investors, subject to compliance with KYC guidelines.
    - SEBI will simplify the procedures and prescribe uniform registration and other norms for entry for foreign portfolio investors.
    - Rule that, where an investor has a stake of 10 per cent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 per cent, it will be treated as FDI will be laid.
    - FIIs will be permitted to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.
    - FIIs will also be permitted to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements.
    - SEBI to prescribed requirement for angel investor pools by which they can be recognised as Category I AIF venture capital funds.
    - Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).
    - Stock exchanges to be allowed to introduce a dedicated debt segment on the exchange..

Tax Proposal – A Rundown

- Clarity in tax laws, a stable tax regime, a non-adversarial tax administration, a fair mechanism for dispute resolution and independent judiciary for greater assurance is underlying theme of tax proposals.
- Tax Administration Reforms Commission to be set up.
- In short term need to reclaim peak of 11.9 per cent of tax GDP ratio achieved in 2007-08.

DIRECT TAXES

- No case to revise either the slabs or the rates of Personal Income Tax. However, relief for Tax Payers in the first bracket of Rs. 2 lakhs to Rs. 5 lakhs. A tax credit of Rs. 2000 to every person with total income up to Rs. 5 lakhs.
- Surcharge of 10 percent on persons (other than companies) whose taxable income exceed Rs. 1 crore to augment revenues.
- Increase surcharge from 5 to 10 percent on domestic companies whose taxable income exceed Rs. 10 crore.
- In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2 to 5 percent, if the taxable income exceeds Rs. 10 crore.
- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent.
- Additional surcharges to be in force for only one year.
- Education cess to continue at 3 percent.
- Permissible premium rate increased from 10 percent to 15 percent of the sum assured by relaxing eligibility conditions of life insurance policies for persons suffering from disability and certain ailments.
- Contributions made to schemes of Central and State Governments similar to Central Government Health Scheme, eligible for section 80D of the Income tax Act.
- Donations made to National Children Fund eligible for 100 percent deduction.
- Investment allowance at the rate of 15 percent to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.

- ‘Eligible date’ for projects in the power sector to avail benefit under Section 80- IA extended from 31.3.2013 to 31.3.2014.
- Concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary proposed to continue for one more year.
- Securitisation Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income for companies, individual or HUF etc. No further tax on income received by investors from the Trust.
- Investor Protection Fund of depositories exempt from Income-tax in some cases.
- Parity in taxation between IDF-Mutual Fund and IDF-NBFC.
- A Category I AIF set up as Venture capital fund allowed pass through status under Income-tax Act.
- TDS at the rate of 1 percent on the value of the transfer of immovable properties where consideration exceeds Rs. 50 lakhs. Agricultural land to be exempted.
- A final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.
- Proposal to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent.
- Reductions made in rates of Securities Transaction Tax in respect of certain transaction.
- Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
- Modified provisions of GAAR will come into effect from 1.4.2016.
- Rules on Safe Harbour will be issued after examining the reports of the Rangachary Committee appointed to look into tax matters relating to Development Centres & IT Sector and Safe Harbour rules for a number of sectors.
- Fifth large tax payer unit to open at Kolkata shortly.
- A number of administrative measures such as extension of refund banker system to refund more than Rs. 50,000, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.

INDIRECT TAXES

- No change in the normal rates of 12 percent for excise duty and service tax.
- No change in the peak rate of basic customs duty of 10 perent for non-agricultural products.

CUSTOMS

- Period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.
- Duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 to 5 percent.
- Duty on pre-forms precious and semi-precious stones reduced from 10 to 2 perent.
- Export duty on de-oiled rice bran oil cake withdrawn.
- Duty of 10 percent on export of unprocessed ilmenite and 5 percent on export on ungraded ilmenite.
- Concessions to air craft maintenance, repair and overhaul (MRO) industry.
- Duty on Set Top Boxes increased from 5 to10 percent.
- Duty on raw silk increased from 5 to 15 percent.
- Duties on Steam Coal and Bituminous Coal equalised and 2 percent custom duty and 2 percent CVD levied on both kinds coal.
- Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.
- Duty free gold limit increased to Rs. 50,000 in case of male passenger and `1,00,000 in case of a female passenger subject to conditions.

EXCISE

- Relief to readymade garment industry. In case of cotton, zero excise duty at fibre stage also. In case of spun yarn made of man made fibre, duty of 12 percent at the fibre stage.
- Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.
- To provide relief to ship building industry, ships and vessels exempted from excise duty. No CVD on imported ships and vessels.
- Specific excise duty on cigarettes increased by about 18 percent. Similar increase on cigars, cheroots and cigarillos.
- Excise duty on SUVs increased from 27 to 30 percent. Not applicable for SUVs registered as taxies.
- Excise duty on marble increased from Rs. 30 per square meter to Rs. 60 per square meter.
- Proposals to levy 4 percent excise duty on silver manufactured from smelting zinc or lead.
- Duty on mobile phones priced at more than Rs. 2000 raised to 6 percent.
- MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.

SERVICE TAX

- Maintain stability in tax regime.
- Vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agricultural produce also included in the negative list for service tax.
- Exemption of Service Tax on copyright on cinematography limited to films exhibited in cinema halls.
- Proposals to levy Service Tax on all air conditioned restaurant.
- For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of Rs. 1 crore or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from 75 to 70 percent.
- Out of nearly 17 lakh registered assesses under Service Tax only 7 lakhs file returns regularly. Need to motivate them to file returns and pay tax dues. A onetime scheme called 'Voluntary Compliance Encouragement Scheme' proposed to be introduced. Defaulter may avail of the scheme on condition that he files truthful declaration of Service Tax dues since 1st October 2007.
- Tax proposals on Direct Taxes side estimated to yield to Rs. 13,300 crore and on the Indirect Tax side Rs. 4,700 crore.

GOODS & SERVICE TAX

- A sum of Rs. 9,000 crore towards the first instalment of the balance of CST compensation provided in the budget.
- Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.

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