BUDGET 2013-14

> The last day of February is another day in the life of a nation. We pause today, to reflect on the past and the future, and we shall resume our work tomorrow. Our work will be seen in our actions.
>
> \- P Chidambaram

Striking the Right Balance

The Finance Minister presented the tax proposals with the objective of achieving clarity in the tax laws, stabilizing tax regime and streamlining the administrative and dispute resolution mechanism. However no significant proposal in the said direction was made from an indirect tax perspective.

The peak rate of Customs, Excise and Service tax remains unchanged. The proposals were largely confined to change in rates of duties on specified products without there being any policy level amendment.

The much-awaited GST implementation still looks away from reality in the near term as the undertone of the Finance Minister indicates. Never-the-less, the ending paragraph does send vibes that the government is committed to work its way forward to high, inclusive growth through bridging the gap of previous follies and continuing on the path of reforms.

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Excise Duty

"Excise duty Rates remain unchanged at 12 percent"

1. 'Zero excise duty route' restored to readymade garment industry. It is in addition to the Cenvat route now available under which the manufacturers can opt to pay excise duty on final products and avail Cenvat credit on inputs.

2. Hand made carpets and textile floor coverings of coir and jute, whether or not handmade, fully exempted.

3. Full exemption on ships and other vessels. Consequently, there will be no CVD on these ships and vessels when imported.

4. Rates increased to 18% on cigarettes except cigarettes of length not exceeding 65mm.

5. SUVs having engine capacity of more than 1500 cc increased to 30 % from 27%.

6. Compounded levy on stainless steel "Patta Patti" increased to Rs. 40,000 per machine per month.

7. Silver manufactured from zinc or lead smelting to be taxed at 4%.

8. Rates decreased to 13% on truck chassis of diesel motor vehicles for transport of goods.

9. Tapioca sago (sabudana) and tapioca starch manufactured and consumed captively consumed in the manufacture of tapioca sago fully exempted.

10. Rates increased from 1 % to 6 % on mobile phones of retails sales price exceeding Rs. 2,000.

11. Duty on marble tiles and slabs increased from Rs. 30 to Rs. 60 per square meter.

12. Branded Ayurvedic medicaments and medicaments of Unani, Siddha, Homeopathy or Biochemic system are being brought under MRP Scheme with an abatement of 35% on MRP.

13. Heena powder or paste, not mixed with any other ingredient fully exempted.

14. Intermediate goods manufactured and consumed captively by exempted units under Area based exemptions fully exempted.

Customs Duty

"No change in the peak rate at 10% for non-agricultural products"

1. There is no change in the peak rate at 10 percent for non-agricultural products.

2. The duty free allowance in respect of jewellery for an Indian passenger residing abroad for over one year or a person who is transferring his residence to India, increased from Rs. 10,000 to Rs. 50,000 in case of male passengers and from Rs. 20,000 to Rs. 1,00,000 in case of female passengers.

3. Duty free allowance for crew member of a vessel or aircraft increased from Rs. 600 to Rs. 1,500.

4. Export duty on de-oiled bran oil cake is withdrawn.

5. Basic customs duty on de-hulled oat grain reduced from 30 % to 15%.

6. Basic customs duty on hazel nuts reduced from 30 % to 10 %.

7. Raw Sugar, white or refined sugar exempted from levy of export duty.

8. Customs Duty of 10 percent on export of unprocessed ilmenite and 5 percent on export of upgraded ilmenite is levied.

9. Basic customs duty on Integrated Decoder Receiver also know as Set Top Box for TV increased from 5 % to 10 percent in order to encourage domestic production of set top boxes.

10. Basic customs duty on raw silk (not thrown) increased from 5 percent to 15 percent as a measure of protection to domestic sericulture.

11. Trophy imported by National Sports Federation recognized by the Department of Sports and Youth Affairs or any Sports Body registered under Societies Registration Act, in connection with any international tournament held in India, fully exempted from basic and additional customs duty.

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12. Exemption from education cess and secondary and higher education cess withdrawn on airplanes, helicopters and their

13. Exemption from education cess and secondary and higher education cess on aircraft and aircraft parts, soyabean oil, olive oil, etc., stands withdrawn.

14. Basic customs duty on pre-forms of precious and semi-precious stones reduced from 10 percent to 2 percent.

15. Basic customs duty on stainless steel wire cloth stripe reduced from 10 percent to 5 percent.

16. Basic customs duty on wash coat used in the manufacture of catalytic convertors and their parts reduced from 7.5 percent to 5 percent.

17. Export duty on bauxite levied at 10 percent.

18. Galvanized steel sheets falling under certain sub-headings fully exempted from export duty retrospectively w.e.f. 01.03.2011.

19. Period of concession (Nil BCD, CVD of 6% and Nil SAD) available to specified parts of electric and hybrid vehicles extended by another 2 years i.e. upto 31st March, 2015 in order to encourage manufacture of environment- friendly vehicles.

20. Lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles fully exempted from basic customs duty.

21. Basic customs duty on yachts and motorboats increased from 10 percent to 25 percent.

22. Time limit for consumption of imported goods for the purpose of repair of ocean going vessels by ship repair units extended from 3 months to 1 year.

23. Time period for consumption or installation of parts and testing equipment's imported for maintenance, repair and overhaul (MRO) of aircrafts by units engaged in such activities extended from 3 months to 1 year.

24. The basic customs duty exemption available to parts and testing equipment's for maintenance, repair and overhaul of aircrafts is further extended to parts and testing equipment's for maintenance, repair and overhaul of aircrafts and parts thereof.

25. Basic customs duty on 20 specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 percent to 5 percent.

26. Duty on Steam Coal and Bituminous Coal equalized as follows:

a) Basic customs duty on Steam Coal increased from Nil to 2 percent and CVD from 1 percent to 2 percent.

b) Basic customs duty on Bituminous Coal reduced from 5 percent to 2 percent and CVD from 6 percent to 2 percent.

27. Flat rolled products of iron or non-alloy steel, plated or coated with zinc exempted from export duty retrospectively from 1st March, 2011.

28. Basic customs duty on textile machinery and parts reduced from 7.5 percent to 5 percent.

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"Any economist will tell us what India can become. We are the tenth largest economy in the world. We can become the eighth, or perhaps the seventh, largest by 2017. By 2025, we could become a $ 5 trillion economy, and among the top five in the world. What we will become depends on us and on the choices that we make. "

- P Chidambaram

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Service Tax

"Rate of service tax remains unchanged at 12 percent"

1. Two more services included in the negative list: -

   a) Courses in 'designated trades' offered by Industrial Training Institute or Industrial Training Center affiliated to State Council of Vocational Training.

   b) Testing activities directly related to production of any agricultural produce like soil testing, animal feed testing, testing of samples from plants or animals, for pests and disease causing microbes.

2. Following exemptions stand withdrawn:

   a) Services provided by way of renting of immovable property by an educational institution.

   b) Service by way of vehicle parking to general public.

   c) Exemption of Service Tax on copyright relating to cinematographic films restricted to exhibition of cinematograph films in a cinema hall or a cinema theatre.

   d) Services provided to Government or a government authority or a local authority by way of repair or maintenance of aircraft.

3. Service tax levied on taxable service provided in restaurants with air conditioning or central air heating in any part of the establishment w.e.f. 01.04.2013. Currently, service tax does not apply to air-conditioned restaurants that do not serve liquor.

4. Rate of abatement reduced from 75 percent to 70 percent in respect of 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 and where the component of services is greater.

5. Charitable organizations, providing services towards any other object of general public utility and which enjoys exemption limit of Rs. 25 Lacs per annum will now be covered by the threshold exemption.

6. Retrospective exemption extended to the Indian Railways on the service tax leviable on various taxable services provided by them during the period prior to the 1st day of July 2012, to the extent show cause notices have been issued up to the 28th day of February 2013.

7. A onetime scheme called 'Voluntary Compliance Encouragement Scheme' proposed to be introduced. Defaulter may avail of the scheme on condition that they file truthful declaration of Service Tax dues since 1st October 2007. In such a case, interest, penalties and other consequences would be waived.

8. Scope of advance ruling extended to cover resident public limited companies.

9. A new section 78A is being introduced to impose penalty on directors and officials of the company for specified offences in cases of willful actions, which may extend to one lac rupees.

> "While there are nearly 17,00,000 registered assessees under service tax, only about 7,00,000 file returns. Many have simply stopped filing returns."

Balanced Act?

Budget seems to have balanced both the populist and reformist measures in order to aid growth in the environment of high inflation. Unchanged central excise duties and service tax rates are neutral also a mention of the GST guidelines made without any timeline.

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