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BUDGET ANALYSIS

ZAWAR ASSOCIATES


INDIA'S BUDGET
TAXES
CUSTOM DUTY
EXCISE DUTY
SERVICE TAX
1.Editorial
2. Direct Tax
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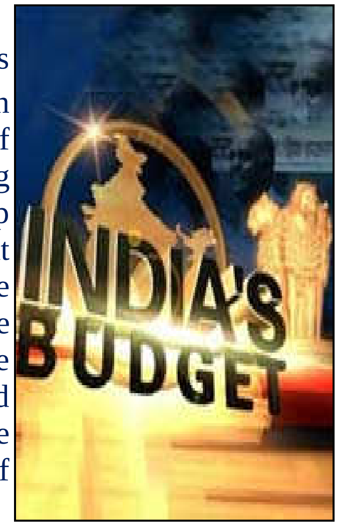
4. Excise Duty
5. Service tax


POLL DIP?
2014 ELECTIONS
MAHA BUDGET MELA
TAXES
FISCAL DEFICIT
GROWTH
REFORMS

1. EDITORIAL - THE FAILED BUDGETRICS—



The Five-Year Plan document of the period and the budget-related three documents of the current year were conceived to be syncretic and complementary to each other in the context of Indian budgetrics. That's the philosophy evolved during the launch of the First Five Year Plan in 1952, whose preparation had begun in 1950, when a young graduate from London School of Economics; 26-year-old economist, K.N. Raj took up the task of drafting the first five-year-plan for India. The protocol was worked out that the mother document would define which course the country will take to reach the desired goals in coming five years and the annual budgeting exercises during the period would stagger the expanse of the monetary and real targets. Sixty years the symphony has played well, but not this time. The four documents— 5-Year Plan and the 3-part annual budget comprising Rail Budget, Annual Economic Survey and the Budget Proposals; appear contra-posed to each other. They do not show semblance of harmony in their form and contents. That's the structural deficit of documentation.

One wonders if the disconnect is deliberate to reflect the resignation of will on the part of those at the helm; with a feeling of a sure possibility of distancing from power at the next hustings! The only solace they have that the Plan document in any case would have the archival value and will continue to bear their mark, whereas after the present year they might not be there to prepare the annual exercises! So, they have opted for the softer options of feel-good; but in effect have succeeded in amusing none.

The state of country's economy is nose-diving and the unemployment rate is touching the alarming border of two-digit; so is the rate of inflation. Growth has already plunged. The 12th Plan document lays heavy emphasis on capital outlays and a momentum for growth, but the budget proposals curiously are tailored to hasten a steep fall from the precipice. There is no indication whether the monetary policies or the fiscal administration will really help in hauling up the laggard state of growth. Scope to pump in money into economy for higher spending so that the vibrancy could be spurred; is conspicuous by absence. It also does not provide a direction to tighten the noose around the fiscal waywardness. There is no scope to stimulate savings.

Economic theories of growth work around only two principles – Spending or Saving. The economic management of the government appears to be oblivious about both. Tax collection efficiency is evidenced below par which the Economic survey acknowledges very candidly when it states that it ought to be in minimum ratio above 11% of GDP, so as to sustain the process of fiscal consolidation.

The folly lies in Government's thinking deficit which wove its thrift policies around two ephemeral sectors of economy— ***automobiles*** and the ***housing***. Automobiles, since beginning has not helped in generating a matching volume of employment in relation to the government support and the credit consumption. The mammoth and proverbial oil-pool deficit and the environmental woos are the conspicuous contribution of this sector. The housing sector has turned into a real realty sector of *virtual* nature which harbours only speculative trade and a parking space for the sleaze money. Land prices have soared sky-high all across the country and the land is not available to the genuine users. Huge chunks of such deal-lands are lying vacant and the constructed properties are unoccupied everywhere. Investors block them for resale. The value shoot up is notional and adds nothing to the national wealth.

Construction industry and the stock markets operations are twin-slippery areas of Indian economy. Often, it becomes difficult to justify how certain scrips crash and how others scale up! Marketization has become a tool of manipulation and speculation. That's the reason why the economy has become susceptible to low pressure disturbances. These three components together have become a cause of great concern in the Indian economy, which bloats and deflates at the lowest pressures applied by the game players in these three sectors.

Price Indices are always open to adjustments in Indian economy. GDP, despite its inconclusive reckoning, can be taken as a proximate indicator of growth, but it has dropped to 6.2 per cent in 2011-12 , and when calculated at constant market prices of 2004-05, it would further drop to 3.3%. Other predictions and forecasts by government spokespersons are generally conjectural and guess-works announced adopting what they call as the *'ceilings method'*. The robustness of Indian economy is based on two basic sectors; the manufacturing and the agriculture. Both of them have been very sluggish; and showing results around just 2%. The rate of growth of Service sector has also come down to one digit from a constant double digit for two decades.

One point often missed in government documents is about the corporate performance, about which everyone likes talking so fondly, and the sector which garners a huge portion of the credit purveyed through banking channels. The fact is that more than three-fourths of the so-called corporate earnings are generated not by the registered companies, but by the traditional Indian firms – registered or unregistered partnerships and family managed enterprises which are essentially non-corporate entities. They often starve for working capital finance.

Fiscal deficit has been a constant point of anxiety for the economists. It is estimated at 5.7% of GDP in 2011-12. The government mandarins call it "provisional actual". Its enigma how actuals can be provisional!

Normally the volume of deficit by all the constituents and allies of the Central Government and the rate of inflation, after deducting the GDP growth, leaves the real deficit in incomes and that compounds the woes of the people. Currently it may be summed up around 16%; and that tells the story how the real incomes of the people erode every year

Government spokespersons since yesterday are harping on the provisions made for empowerment of Women and the weaker sections of the society besides a huge provision for Education. The documents do not specify the quantifying measures for the schemes like NREGA and Women's Empowerment; which in the past have never shown any asset-building strength in them and became the source of leaky seepages.

The Plan and budget both were expected to provide for measures to minimize the income and status gaps, which they do not seem to contemplate. The champions of *inclusiveness* inadvertently fall in the trap of *exclusiveness.* That's the tragedy of the Indian Republic. Nobody wants to address the real issue of Equity, and that issues a clarion call for the masses of this country to wake up and choose between real and the facade.

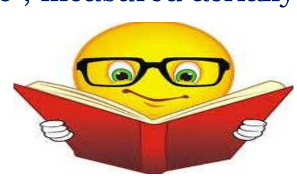
Dr.Shivshankar Mishra,
Professor Emeritus

2. Direct Tax Proposal

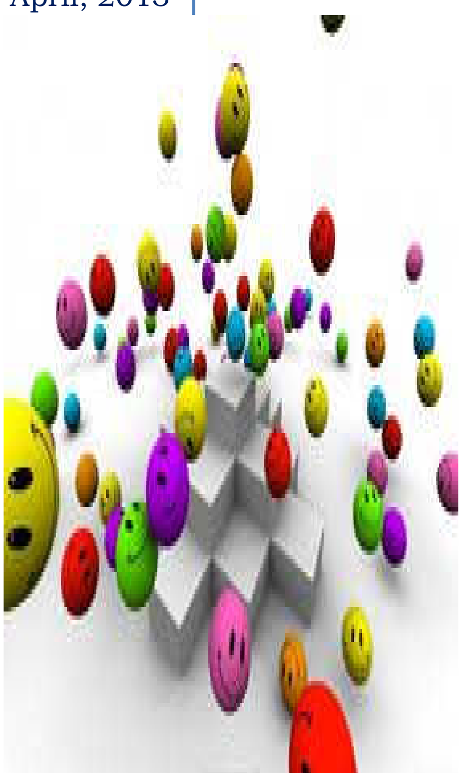
A. Income Tax

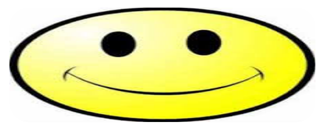
1. *Proposed direct tax amendments as per Finance Bill – 2013*

<table>
<tr><th>Section & Effect from</th><th>Provision</th><th>Particulars</th></tr>
<tr><td>w.e.f. 1st day of April 2014.
</td><td>Relief to some extent</td><td>Basic Exemption Limits<table><tr><th>Rate</th><th>Old</th><th>New</th></tr><tr><td>Nil</td><td>2.00 Lacs</td><td>2.20 Lacs</td></tr><tr><td>10%</td><td>2.00 Lacs – 5 Lacs</td><td>2 .20Lacs – 5 Lacs</td></tr></table>i. e. Tax Credit of Rs. 2000 for individuals earning up to Rs. 500000/-</td></tr>
<tr><td></td><td></td><td>There is no change in the tax slab rates.</td></tr>
<tr><td>w.e.f. 1st day of April 2014.
</td><td>Surcharge</td><td>Surcharge<table><tr><td>10%</td><td>On income above 1 cr. – Non Corporates</td></tr><tr><td>2%</td><td>On Companies for Income Rs. 1 Cr – Rs. 10 Cr</td></tr><tr><td>5%</td><td>On Companies for Income > Rs. 10 Cr</td></tr><tr><td>5%</td><td>On Foreign Companies for Income > Rs. 1 Cr</td></tr><tr><td>5%</td><td>On Dividend Distribution Tax for Domestic Companies for Income > Rs. 1 Cr</td></tr><tr><td>2%</td><td>On Dividend Distribution tax for Non Domestic Companies</td></tr></table></td></tr>
<tr><td>Amendment 2(1A)(c)(ii)(A) & 2(14)(iii)(b)

w.e.f. 1st day of April 2014.</td><td>Definition of Agricultural Income & Capital Assets</td><td>Land situated in any area within the distance , measured aerially (shortest aerial distance)
(a) For Population of 10K
(b) Population between 10K to 1L- 2KM
(c) Population between 1L to 10L- 6KM
(d) Population above 10L- 8KM

From local limits of any municipality or cantonment board shall form part of capital assets.</td></tr>
<tr><td>Amendment 10(10D)(d)

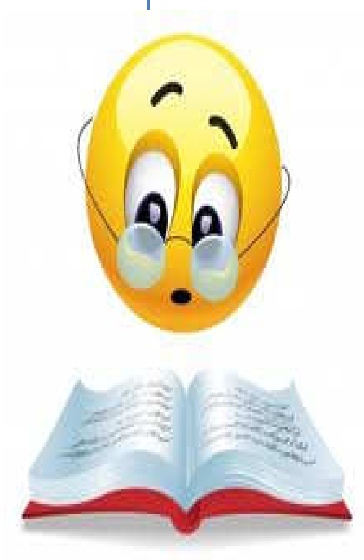
w.e.f. 1st</td><td>Raising the limit of percentage of eligible premium for life insurance</td><td>Receipt of insurance on the life of any person who is
(i) a person with disability or a person with severe disability as referred to in section 80U, or
(ii) suffering from disease or ailment as specified in the rules made</td></tr>
</table>

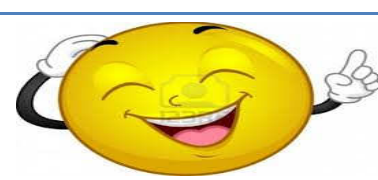
day of April 2014. Amendment 10(10D)(b)	policies of persons with disability or disease Key man policy assigned to employee Will covered here	under section 80DDB, shall be exempt if the premium payable for any of the years during the term of the policy does not exceed 15% of the actual capital sum assured. Life Insurance Maturity will be taxable if Premium of 80U person or 80DOB claimant is > 15% of SA A key man insurance policy which has been assigned to any person during its term, with or without consideration, shall continue to be treated as a key man insurance policy
New 10(23D) w.e.f. 1st day of April 2014	Securitization trust to be exempt from tax	Any income of securitization trust from any activity of securitization will be exempt 
New 10(23ED) w.e.f. 1st day of April 2014.	Income from depository is exempt 	Any income by the way of contribution from a depository, of the Investor Protection Fund set up by the depository in accordance with the regulations prescribed by SEBI will also be exempted subject to the same conditions as applicable in respect of exemption to an Investor Protection Fund set up by recognized stock exchange. If any income of such depository whether wholly or partly is related to previous year then such income will be taxable in the previous year in which such amount is shared.
Amendment 10(23FB) w.e.f. 1st April, 2013 	Pass through Status to certain Alternative Investment Funds	The SEBI(Alternative Investment Funds) Regulations, 2012 (AIF regulations) have replaced the SEBI (Venture Capital Fund) Regulations, 1996 (VCF regulations) from 21st May, 2012. In order to provide benefit of pass through to similar venture capital funds as are registered under new regulations and subject to same conditions of investment restrictions in the context of investment in a venture capital undertaking, it is proposed to amend section 10(23FB) to provide that– (i) The existing VCFs and VCCs (i.e. which have been registered before 21/05/2012) and are regulated by the VCF regulations, as they stood before repeal by AIF regulations, would continue to avail pass through status as currently available. (ii) In the context of AIF regulations, the Venture Capital Company shall be defined as a company and Venture capital fund shall be defined as a fund set up as a trust, which has been granted a certificate of registration as Venture Capital Fund being a sub-category of Category I Alternative Investment Fund and satisfies the following conditions:- (a) That at least two-thirds of its investible funds are invested in unlisted equity shares or equity linked instruments of venture capital undertaking. (b) No investment has been made by such AIFs in a VCU which is an associate company. (c) Units of a trust set up as AIF or shares of a company set up as AIF, are not listed on a recognised stock exchange. (iii) In the context of AIF regulations, the Venture Capital Undertaking shall be defined as it is defined in the Alternative Investment Funds Regulations.

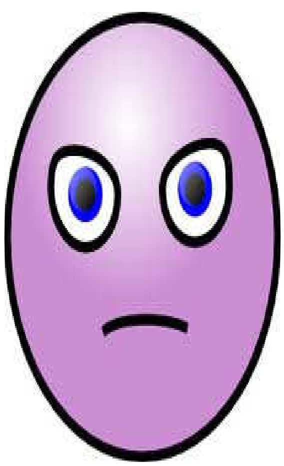
New 10(34A) w.e.f. 1st day of April 2014.	Income on buy back of shares of unlisted companies exempt.	Income arising to shareholders on account of buy back of shares by company where the company is liable to pay additional income tax would be exempt.
New 10(35A) w.e.f. 1st day of April 2014.	Distributed income from a securitization trust is exempt.	Any income by way of distributed income referred to in section 115TA received from a securitization trust by any person being an investor of the said trust is exempt.
New 10(49) w.e.f. 1st day of April 2014.	Income of NFHC is exempt.	Any income of the National Financial Holdings Company Limited is exempt. 
New 32AC w.e.f. 1st day of April 2014. 	MEASURES TO PROMOTE SOCIO-ECONOMIC GROWTH Incentive for acquisition and installation of new plant or machinery by manufacturing company	where an assessee, being a Company- (a)Is engaged in the business of manufacturing of an article or thing; and (b) Invests a sum of more than Rs. 100 crore in new assets (plant or machinery) during the period beginning from 1st April, 2013 and ending on 31st March 2015 then the assessee shall be allowed- (i) For A.Y. 2014-15 a deduction of 15% of aggregate amount of actual cost of new assets acquired and installed during the F.Y. 2013-14 if the cost of such assets exceeds Rs. 100cr. (ii) For A.Y. 2015-16, a deduction of 15% of aggregate amount of actual cost of new assets acquired and installed during the period beginning on 1st April 2013 and ending on 31st March 2015, as reduced by the deduction allowed If Plant & machinery sold within 5years deduction will become income. However, this restriction shall not apply in a case of amalgamation or demerger but shall continue to apply to the amalgamated company or resulting company, as the case may be.
Amendment 36(1)(vii) Expln 2- w.e.f. 1st day of April 2014.	Amount to be eligible for deduction as bad debts of banks.	Write off to banks will be allowed only if they have made provision in only one account for BDD, no multiple accounts CTT paid is allowed as deduction. 
Amendment 40(a)(iib) w.e.f. 1st day of April 2014.	Disallowance of certain fee, charge, etc. in the case of State Government Undertakings	Royalty or fees paid by corporate owned or controlled by state Govt. to the State Govt. will not be allowed on expenditure. It is appropriation of profit Any amount paid by way of fee, charge, etc., which is levied exclusively on, or any amount appropriated, directly or indirectly, from a State Government undertaking, by the State Government,

		shall not be allowed as deduction for the purposes of computation of income of such undertakings under the head "Profits and gains of business or profession". It is also proposed to define the expression "State Government Undertaking" for this purpose.
New 43CA(1) w.e.f. 1st day of April, 2014.	Computation of Business income for transfer of immovable property in certain cases	Govt. value of land and building to be taken when stock in trade is sold. Govt. value on the date of agreement & not on the date of registration on shall be considered only if some consideration is received in advance (not in cash) 
Amendment 56(2)(vii)(b) w.e.f. 1st day of April, 2014.	Taxability of immovable property received for inadequate consideration 	If the consideration for which the said immovable property is received is less than stamp duty value by Rs.50,000 or more, then the difference between the stamp duty value and the inadequate consideration shall be taxable in the hands of individual or HUF as Income from other sources. If the date of agreement for transfer and the date of registration of transfer are not the same-then the stamp duty value will be taken as on the date of agreement for transfer. This exception shall apply where amount has been received by any mode other than cash on or before the date of agreement. Double Tax on Land& Building sold at less value than govt. value. Double Tax on the different amount ,if it exceeds 50000/- to be paid by buyer & seller
Amendment 80C(3A) Proviso w.e.f. 1st day of April 2014. 	Raising the limit of percentage of eligible premium for life insurance policies of persons with disability or disease	Insurance on the life of any person who is (i) a person with disability or a person with severe disability as referred to in section 80U, or (ii) suffering from disease or ailment as specified in the rules made under section 80DDB, the premium can pay for any of the years during the term of the policy upto 15% of the actual capital sum assured.
Amendment 80CCG w.e.f. 1st day of April 2014.	Expanding the scope of deduction and its eligibility under section 80CCG	1.Any amount Invested deduction 50% (Max 25000) 2.Investment in specified listed shares on mutual fund units 3.Investor should be Individual/Residential having GTI<12Lac 4.He should be new retail investor. 
Amendment 80D w.e.f. 1st day of April 2014.	Deduction for contribution to Health Schemes similar to CGHS	Mediclaim –more schemes will now be eligible. Last vear preventive health checkup now added. 
New 80EE	Deduction in respect of interest on loan	An additional deduction on such housing loans can be claimed up to Rs.1,00,000/- subject to following conditions: Assessee being an individual

w.e.f. 1st day of April 2014. 	taken for Residential house property.	Housing loan interest Loan from Banking co. only. No loan from private financial institutions. (i) The loan is sanctioned by the financial institutions during the period beginning on 1st April 2013 and ending on 31st March, 2014; (ii) The amount of loan sanctioned for the acquisition of the residential house property does not exceed Rs. 25 lakhs ; (iii) The value of the residential house property does not exceed Rs.40,00,000/-; (iv) The assessee does not own any residential house property on the date of the sanction of the loan. (v) Deduction only for FY 2014-15 (vi) In case of less deduction balance can claim in AY 2015-16 (vii) No deduction u/s 24 However if the interest payable for the previous year relevant to the said assessment year is less than Rs.1 Lakh, the balance amount shall be allowed in respect of such interest in the A.Y. beginning on 1st April 2015.
Amendment 80G w.e.f. 1st day of April 2014.	100% deduction for donation to National Children's Fund	National children fund donation shifted from 50% to 100%. 
Amendment 80GGB & 80GGC w.e.f. 1st day of April 2014.	Contribution not to be in cash for deduction under section 80GGB & section 80GGC	Cash donation to political parties are not allowed deduction 
Amendment 80IA w.e.f. 1st day of April 2014.	Extension of the sunset date under section 80IA for the power sector	Power generation co. can start their business now upto 31/03/2014 to get benefit of 80-IA.
Amendment 80JJAA w.e.f. 1st day of April 2014.	Deduction for additional wages in certain cases	Deduction shall be available to the extent of 30% of additional wages paid to new regular workmen only to an Indian company engaged in manufacturing of goods. Further it shall not be applicable where a factory is hived off or transferred from another existing entity or acquired by the assessee company as a result of amalgamation with another company.
Amendment 87 w.e.f. 1/04/2014	consequentially amended.	Section 87 has also been consequentially amended 

New 87A w.e.f. 1st day of April 2014.	Rebate of Rs 2000 for individuals having total income up to Rs 5 lakh	In order to provide relief to the lower income tax bracket a rebate of Rs.2000/- is provided to the residential individual having total income which does not exceed Rs. 5 Lakhs.
Omitted 90(2A) & 91(2A) w.e.f. 1st day of April 2016.		Consiquential to deferment of GAAR extended to AY 2016-17
New 90(5) & 91(5) w.e.f. 1st day of April 2016. 	Tax Residency Certificate	the Income Tax Act empowers the Central Government to enter into an agreement with the Government of any foreign country or specified territory outside India for the purpose of – (i) granting relief in respect of avoidance of double taxation, (ii) exchange of information and (iii) recovery of taxes. Further section 90A of the Income-tax Act empowers the Central Government to adopt any agreement between specified associations for above mentioned purposes. In exercise of this power, the Central Government has entered into various Double Taxation Avoidance Agreements (DTAAs) with different countries and has adopted agreements between specified associations for relief of double taxation. The scheme of interplay between DTAA and domestic legislation ensures that a taxpayer, who is resident of one of the contracting country to the DTAA, is entitled to claim applicability of beneficial provisions either of DTAA or of the domestic law. Sub-section (4) of sections 90 and 90A of the Income-tax Act inserted by Finance Act, 2012 makes submission of Tax Residency Certificate containing prescribed particulars, as a condition for availing benefits of the agreements referred to in these sections. It is proposed to amend sections 90 and 90A in order to provide that submission of a tax residency certificate is a necessary but not a sufficient condition for claiming benefits under the agreements referred to in sections 90 and 90A.
Omission of Chapter X-A w.e.f. 1st day of April 2014.	General Anti Avoidance Rule	General Anti Avoidance Rule 
New Chapter X-A & Other relevant sections	General Anti Avoidance Rule w.e.f. 1st day of April 2016.	As given below the table
Amendment 115A w.e.f. 1st day of April 2014.	Taxation of Income by way of Royalty or Fees for Technical Services	The Tax rate in case of Non-Resident Tax payer for Royalty & Fees for Technical services u/s 115A is increased from the rate of 10 % to 25% and shall be applicable to any income by the way of Royalty and fees for technical services rendered by a non-resident under an agreement entered after 31st March 1976 which is taxable u/s 115A

Amendment 115BBD w.e.f. 1st day of April 2014.	Lower rate of tax on dividends received from foreign companies	Taxation of gross dividends received by an Indian company from a specified foreign company (in which it has shareholding of 26% or more) at the rate of 15% if such dividend is included in the total income is further extended for one more year i.e. F.Y. 2013-14 subject to the same conditions
Amendment 115-O w.e.f. 1st day of April 2014.	Removal of the cascading effect of Dividend Distribution Tax (DDT) 	To remove the cascading effect in respect of dividend received by a domestic company from a similarly placed foreign subsidiary i.e. the foreign company in which the domestic company holds more than 50% of equity share capital. The tax on dividends which is received from foreign subsidiary u/s 115BBD by the holding domestic company and if any dividend is distributed by a holding company in the same year then the amount of such dividends which is received from foreign subsidiary shall not be subjected to Dividend Distribution Tax (DDT) u/s 115O of the Income Tax Act.
New Chapter XII-DA 115-QA w.e.f. 1st day of June 2013. 	Additional Income-tax on distributed income by company for buy-back of unlisted shares	To provide that the consideration paid by the company for purchase of its own unlisted shares which is in excess of the sum received by the company at the time of issue of such shares (distributed income) will be charged to tax and the company would be liable to pay additional income-tax @ 20% of the distributed income paid to the shareholder. The additional income-tax payable by the company shall be the final tax on similar lines as dividend distribution tax. The income arising to the shareholders in respect of such buy back by the company would be exempt where the company is liable to pay the additional income-tax on the buy-back of shares. Even if income tax payable by co. is NIL. Tax to be paid within 4 days of buy back
New 115QB w.e.f. 1st day of June 2013.	Interest payable for non payment of tax by company	Simple interest at the rate of one per cent. for every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.
New 1156QC w.e.f. 1st day of June 2013.	When company is deemed to be assessee in default.	If any principal officer of a domestic company and the company does not pay tax on distributed income in accordance with the provisions of section 115QA, then, he or it shall be deemed to be an assessee in default
Amendment 115R w.e.f. 1st day of June 2013.	Rationalization of tax on distributed income by the Mutual Funds	Increase the rate of tax on distributed income from 12.5% to 25% in all cases where distribution is made to an individual or a HUF. Further in case of an Infrastructure Debt fund set up as Non – Banking Finance Company the interest payment made by fund to a non resident investor will be taxable at a concessional rate of 5%.
Amendment 132B w.e.f. 1st day of June 2013.	Application of seized assets under section 132B	Advance tax due can not be recovered from seized assets. 

Amendment 139(9) w.e.f. 1st day of June 2013.	Return of Income filed without payment of self-assessment tax to be treated as defective return	where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within a period of fifteen days. If the defect is not rectified within the time allowed by the Assessing Officer, the return is treated as an invalid return. The conditions, the non-fulfillment of which renders the return defective
Amendment 142 w.e.f. 1st day of June 2013. 	Direction for special audit under sub-section (2A) of section 142	The nature and complexity of the accounts, 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, and the interests of the revenue, is of the opinion that it is necessary so to do, he may, with the previous approval of the Chief Commissioner or the Commissioner, direct the assessee to get his accounts audited by an accountant and to furnish a report of such audit.
Amendment 153 w.e.f. 1st day of June 2013. Amendment in Section 153, Explanation 1, clause (vii),	Exclusion of time in computing the period of limitation for completion of assessments and reassessments 	Exclusion of time in computing period of limitation for completion of assessment and reassessment. Time to be excluded is as follows: Period commencing from the date on which the Assessing Offiicer directs the assessee to get his accounts audited and ending on the date on which the assessee furnishes the audit report. Or Where such direction is challenged before the Court , ending with the date on which the order setting aside such direction is received by the Commissioner. Time to be excluded is as follows: Commencing from: The date on which a reference or first reference for exchange of information is made by an authority under an agreement referred to in section 90 or section 90A and Ending on: The date on which such information requested is lat received by the Commissioner. Or A period of one year, whichever is less. Similar amendments are proposed in Section 153B of the income Tax Act relating to time limit for completion of search assessment
New 194-IA w.e.f. 1st day of June 2013.	Tax Deduction at Source (TDS) on transfer of certain immovable properties (other than agricultural land)	On every purchase of immovable property for amount of consideration is more than Rs. 50 lakhs shall deduct tax @ 1% of the consideration while making payment or crediting of such sum to the account of the transferor (seller). It exclude agricultural land & include urban land.
Amendment 194LC w.e.f. 1st day of June 2013.	Concessional rate of withholding tax on interest in case of certain rupee denominated long-term infrastructure bonds	Where a non- resident deposits foreign currency in a designated bank account which is solely used for the purpose of deposit of money in foreign currency and when such money after conversion in rupees is utilized for the subscription of a long term Infrastructural Bond issued by an Indian Company then such borrowings by the company shall be deemed to be in Foreign currency and the interest will be taxed at a concessional rate of 5%.

RATIONALISATION MEASURES
GENERAL ANTI-AVOIDANCE RULE (GAAR)

The General Anti Avoidance Rule (GAAR) was introduced in the Income-tax Act by the Finance Act, 2012. The substantive Provisions relating to GAAR are contained in Chapter X-A (consisting of sections 95 to 102) of the Income-tax Act. The procedural Provisions relating to mechanism for invocation of GAAR and passing of the assessment order in consequence thereof are contained in section 144BA. The provisions of Chapter X-A as well as section 144BA would have come into force w.e.f.1st April, 2014.

A number of representations were received against the provisions relating to GAAR. An Expert Committee was constituted by the Government with broad terms of reference including consultation with stakeholders and finalizing the GAAR guidelines and a road map for implementation. The Expert Committee's recommendations included suggestions for legislative amendments, formulation of rules and prescribing guidelines for implementation of GAAR. The major recommendations of the Expert Committee have been accepted by the Government, with some modifications. Some of the recommendations accepted by the Government require amendment in the provisions of Chapter X-A and section 144BA.

In order to give effect to the recommendations the following amendments have been made in GAAR provisions currently provided in the Act:-

(A) The provisions of Chapter X-A and section 144BA will come into force w.e.f.April 1, 2016 as against the current date of April 1, 2014. The provisions shall apply from the assessment year 2016-17 instead of assessment year 2014-15.

(B) An arrangement, the main purpose of which is to obtain a tax benefit, would be considered as an impermissible avoidance arrangement. The current provision of section 96 providing that it should be "the main purpose or one of the main purposes" has been proposed to be amended accordingly.

(C) The factors like, period or time for which the arrangement had existed; the fact of payment of taxes by the assessee; and the fact that an exit route was provided by the arrangement, would be relevant but not sufficient to determine whether the arrangement is an impermissible avoidance arrangement. The current provisions of section 97 which provided that these factors would not be relevant has been proposed to be amended accordingly.

(D) An arrangement shall also be deemed to be lacking commercial substance, if it does not have a significant effect upon the business risks, or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained but for the application of Chapter X-A. The current provisions as contained in section 97 are proposed to be amended to provide that an arrangement shall also be deemed to lack commercial substance if the condition provided above is satisfied.

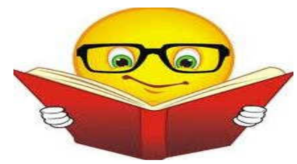
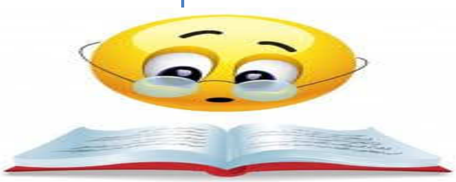
(E) The Approving Panel shall consist of a Chairperson who is or has been a Judge of a High Court; one Member of the Indian Revenue Service not below the rank of Chief Commissioner of Income- tax; and one Member who shall be an academic or scholar having special knowledge of matters such as direct taxes, business accounts and international trade practices. The current provision of section 144BA ,that the Approving Panel shall consist of not less than three members being income-tax authorities and an officer of the Indian Legal Service has been proposed to be amended accordingly.

(F) The directions issued by the Approving Panel shall be binding on the assessee as well as the Income-tax authorities and no appeal against such directions can be made under the provisions of the Act. The current provisions of section 144BA providing that the direction of the Approving Panel will be binding only on the Assessing Officer have been proposed to be amended accordingly.

(G) The Central Government may constitute one or more Approving Panels as may be necessary and the term of the Approving Panel shall be ordinarily for one year and may be extended from time to time up to a period of three years. The provisions of section 144BA have been proposed to be amended accordingly.

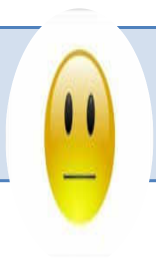
(H) The two separate definitions in the current provisions of section 102, namely, "associated person" and "connected person" will be combined and there will be only one inclusive provision defining a 'connected person'. The provisions of section 102 have been proposed to be amended accordingly. Consequential amendments in other sections relating to procedural matters are also proposed. These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

2. WEALTH TAX

Amendment 2(ea)(b) w.e.f. 1st day of April 2014.	**Definition of Urban land**	Land situated in any area within the distance , measured aerially (shortest aerial distance) (e) For Population of 10K (f) Population between 10K to 1L- 2KM (g) Population between 1L to 10L- 6KM (h) Population above 10L- 8KM From local limits of any municipality or cantonment board shall form part of urban land. 
New 14A & 14B w.e.f 1st June, 2013. 	**Power of Board to dispense with furnishing documents**	Furnishing of return of net wealth as on the valuation date in the prescribed form and verified in the prescribed manner setting forth particulars of the net wealth and such other particulars as may be prescribed. Sections 139C and 139D of the Income-tax Act contain provisions for facilitating filing of annexure-less return of income in electronic form by certain class of income-tax assessees. In order to facilitate electronic filing of annexure-less return of net wealth, it is proposed to insert new sections 14A and 14B in the Wealth-tax Act on similar lines.

3. Custom Duty

A. Section wise analysis

Section	Amendment
11(2)(n)	Copyright include include "designs and geographical indications" so as to provide for protection of these rights. *[Clause 54]*
27(1) 	If the amount of refund claimed is less than rupees hundred, the same shall not be refunded
28	Show cause notice will not be served where the amount demanded is less than rupees one hundred. *[clause 56]*
28BA	Provisional attachment of property belonging to any person to whom notice under sub-section (4) of section 28 has been served.
28E(a)	Any new business of import or export proposed to be undertaken by the existing importer or exporter within the meaning of "activity".
29	The Board to permit landing of vessels and aircrafts at any place other than customs port or customs airport.
30 	Electronic filing of import manifest and also to provide that the Commissioner of Customs may, in cases where it is not feasible to deliver the import manifest by presenting electronically, allow the same to be delivered in any other manner.
41	Electronic filing of export manifest and also to provide that the Commissioner of Customs may, in cases where it is not feasible to deliver the export manifest by presenting electronically, allow the same to be delivered in any other manner.
47(2)	Reduce the interest free period for payment of import duty from five days to two days.
49 	Restrict the period of storage of imported goods, pending clearance, in a public or private warehouse to thirty days and to provide that the Commissioner of Customs may extend the period of storage for further period not exceeding thirty days at a time.
69	Any warehoused goods may be exported to a place outside India without payment of import duty if a shipping bill or a bill of export in prescribed form or label or declaration accompanying the goods as referred to in section 82 has been presented in respect of such goods.
104(6) 	Following specified offences punishable under section 135 shall be non-bailable, namely:- (a) Evasion or attempted evasion of duty exceeding Rs.50 Lakh; (b) Prohibited goods notified under section 11 which are also notified under sub-clause (c) of clause (i) of sub-section (1) of section 135; (c) Import or export of any goods which have not been declared in accordance with the provisions of this act and the market price of which exceeds Rs. 1 Crore; (d) 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 Rs.50 Lakh.

129B(2A)	In cases where the delay in disposing of the Appeal is not attributable to the appellant, the tribunal may extend the period of stay by a period not exceeding 185 days subject to the condition that if the appeal is not disposed of within the total period of 365 days from the date of order, the stay order shall stand vacated
129C	Enhance the monetary limit of the Single Bench of the Tribunal to hear and dispose of Appeals from Rs.10 Lakh to Rs.50 Lakh.
135(1)(i)(B) & (D)	The threshold limit for punishment in an offence relating to evasionor 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, has been increased from rs.30 lakh to rs.50 lakh.
142(d)	(i) For recovery of money due to the central government from any other person other than the defaulter after giving such other person a notice in writing, (ii) That the person to whom such notice has been issued shall be bound to comply, and (iii) That if the person to whom the notice is issued fails to comply, he shall be deemed to be a defaulter in respect of the amount specified in the notice
143A	Omitted
144(3)	Remove the duty liability on any sample of goods which is consumed or destroyed during the course of testing or examination.
146	Change the nomenclature of "customs house agents" to "customs brokers" considering the global practice and internationally accepted nomenclature.
146A	(a) Substitute the phrase "customs house agent" with the phrase "customs broker"; (b) Include any offence committed under the Finance Act, 1994 as a disqualification for person to act as an authorized representative in customs matters.
147(3)	Expand the scope of the liability of agents of the owner, importer or exporter of any goods.
Full exemption from export duty is being given retrospectively on flat rolled products of iron or non-alloy steel, plated or coated with zinc falling under headings 7210 and 7212 vide notification No. 27/2011-Customs, dated 01.03.2011 from 01.03.2011	

General

1) Baggage Rules are being amended to,-

(i) Raise the duty free allowance in respect of jewellery for an Indian passenger who has been residing abroad for over one year or a person who is transferring his residence to India from Rs.10,000 to Rs.50,000 in case of a gentleman passenger and from Rs.20,000 to Rs.1,00,000 in case of a lady passenger.

(ii) Raise the duty free allowance for crew member of vessel/ aircraft from Rs.600 to Rs.1500.

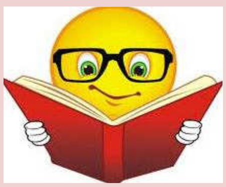
B. Proposals Involving Changes In Rates Of Duty

Sector	Item	Effect	Pre Budget Rate %	Post budget Rate %
Agri./Agro Processing/ Plantation Sector	Hazel Nuts	Reduced	30	10
	De-Hulled Oat Grain	Reduced	30	15
	Raw sugar, white or refined sugar	Exempt	20	0
Automobiles	Specific new passenger cars and other motor vehicles	Increased	75	100
	Specific Motor cycle	Increased	60	75
Metals	Ilmenite Unprocessed	Increased	0	10
	Ilmenite, Upgraded	Increased	0	5
	Bauxite	Increased	0	10
	Stainless steel wire cloth stripe	Reduced	10	5
	Wash coat for use in the manufacture of catalytic convertors and their parts	Reduced	7.5	5
	Galvanized steel sheets falling	Exempt		0
	Pre-forms of precious and semi-precious stones.	Reduced	10	2
Capital Goods/Infrastructure	Steam coal	Increased	0	2
	Bituminous coal	Reduced	5	2
	20 specified machinery for use in leather and footwear industry	Reduced	7.5	5
Aircrafts & Ships	Yachts and motor boats	Increased	10	25
	Testing equipments for maintenance, repair and overhaul of aircrafts and parts	Exempt		0
Environment protection	Lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles	Exempt		0
Textiles	Raw silk (not thrown)	Increases	5	15
	Textile machinery & parts	Reduced	7.5	5
Electronics/Hardware	Set Top Boxes for TV	Increases	5	10
Sports	Trophy Imported By National Sports Federation	Exempt		0

Withdrawal of exemption from education cess and secondary & higher education

4. Excise Duty

A. Section wise analysis

Section	Amendments
9 	An offence case involving evasion in which the duty leviable exceeds thirty lakh rupees shall be punishable with a term of imprisonment extending to seven years with fine. This section is being amended so as to substitute the amount of thirty lakh rupees with fifty lakh rupees.
9A	An offence cognizable and non-bailable where the duty liability exceeds Rs.50 lakh, And punishable under clause (b) or clause (bbbb) of sub-section (1) of section9.
11 	(i) Recovery of money due to the government from any person other than from whom money is due after giving a proper notice, if that other person holds money for or on account of the first person; (ii) The other person to whom such notice has been issued is bound to comply and (iii) if the other person to whom the notice is served fails to comply, he shall face all the consequences under this Act.
11A	Sub-section (7A) providing that service of a statement containing details of duty not paid, short levied or erroneously refunded shall be deemed to be a service of notice under sub-section (1) or (3) or (4) or (5) of this section.
11DDA	Reference to sub-section (1) in section 11DDA is being omitted
20	To make the provisions applicable only to offence which is non-cognizable.
21	To make the provisions regarding release of arrested person on bail or personal bond applicable only to offence which is non-cognizable.
23A 	To expand the definition of the term "activity" to include any new business of production or manufacture proposed to be undertaken by the existing producer or manufacturer.
23C	For the admissibility of application for advance ruling, inter alia, for credit of excise duty paid or deemed to have been paid. The scope of admissibility has been expanded to include credit of service tax paid or deemed to have been paid on input services.
23F	Reference to section 28-I in section 23F is being substituted with section 23D.
35C 	A new proviso is being inserted in sub-section (2A) of section 35C so as to provide that in cases where delay in disposing of the appeal is not attributable to the appellant, the Tribunal may extend the period of stay by a period not exceeding 185 days subject to the condition that if the appeal is not disposed of within the total period of 365 days from the date of order, the stay shall stand vacated.
35D	To enhance the monetary limit of the Single Bench of the Tribunal to hear and dispose of appeals from "ten lakh rupees" to "fifty lakh rupees".
37C	To specify additional modes of delivery of specified documents i.e. by speed post with proof of delivery or through courier approved by the Central Board of Excise & Customs.

B. Proposals Involving Changes In Rates Of Duty

Sector	Item	Effect	Pre Budget Rate %/Rs	Post Budget Rate %/Rs
Agriculture/Agro Processing /Plantation Sector	Tapioca sago (sabudana) and Tapioca starch	Exempt		0
	Henna powder or paste, not mixed with any other ingredient	Exempt		0
Automobiles	SUVs	Increased	27%	30%
	Truck chassis (8706 00 42)	Decreased	14%	13%
Metals	Silver manufactured from zinc/lead smelting	Increased		4%
	Stainless steel "Patta Patti"	Increased	Rs 30,000 per machine per month	Rs 40,000 per machine per month
	Trimmed or untrimmed sheets or circles of copper	Addition	Trimmed or untrimmed sheets or circles of copper	Copper and copper alloys including brass
Aircrafts & Ships	Ships and other vessels	Exempt		0
Textiles	Hand made carpets and carpets	Exempt		0
	Other textile floor coverings of coir or jute, whether or not handmade.	Exempt		0
	Branded readymade garments and made ups	Exempt		0
	Spun yarn of man made fibres	Increased		12%
Electronics/Hardware	Mobile phones of retail sale price exceeding Rs 2000/-	Increased	1%	6%.
Miscellaneous	Cigarettes except cigarettes of length not exceeding 65 mm ,Cigars and cigarillos	Increased		18%
	Marble tiles and slabs	Increased	Rs 30 per sq. mtr	Rs 60 per sq. mtr
	Intermediate goods manufactured and consumed captively by exempted units under Area Based Exemption Scheme in Himachal Pradesh and Uttarakhand.	Exempt		0

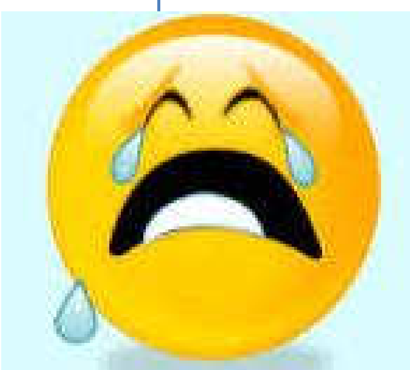
Health : Branded Ayurvedic medicaments and medicaments of Unani, Siddha, Homeopathic or bio-chemic system are being brought under MRP based assessment with abatement of 35% from MRP.

5. Service Tax

A. Section wise analysis

Section & With Effect from	Provision	Particulars
65B (11) w.e.f. 1st June, 2013.	Scope of Negative List Widened	Firstly, the words, 'or State Council of Vocational Training' (SCVT) is being inserted in (i), and secondly, entry at item serial number (iii) is being omitted, for NSDC is not an affiliating body. After the proposed amendment takes effect, courses in 'designated trades' offered by Industrial Training Institute or Industrial Training Center affiliated to State Council of Vocational Training will also be covered by the negative list;
65B(40) w.e.f. 1st June,2013	Excise extended to processes under MTPA Act, 1955	Definition 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(16 of 1955);
66BA w.e.f. 1st day of July, 2012.	Any reference to sec 66B should be read as 66	Explanation contained in Removal of Difficulty Order 2/2012 is being introduced as a separate section, namely 66BA. By the authority of this section, references to section 66 (charging section under the positive list approach) in Chapter V of the Finance Act, 1994 or any other act, will be construed as reference to section 66B (charging section under the negative list approach), with effect from the 1st day of July, 2012. Reference to section 66 appearing in the Finance (No.2) Act, 2004 and the Finance Act, 2007, in the context of education cesses will be read as 66B, in accordance with this new section;
66D(d)(i) w.e.f. 1st day of June 2013	Scope of Negative List Widened.	The word, 'seed' is being omitted from the expression 'seed testing' As a result, 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 will be covered by the negative list
73(2A) w.e.f. 1st day of June 2013	Modification in section 73	A new sub-section (2A), similar to sub-section (9) of section 11A of Central Excise Act, 1944, is being inserted to harmonize the Central Excise and Service Tax law. As a result, if a show cause notice issued under proviso to sub-section (1) of section 73, is not found sustainable by an appellate authority or tribunal or court, the same will be deemed to be a notice issued for a period of eighteen month

77(1) w.e.f. 01/06/13	Changes in provisions of Penalty	Maximum penalty imposable for failure to obtain registration will be ten thousand rupees only.
78 w.e.f. 1st day of June 2013	KMPs are also covered under penalty provisions.	To make provision for imposition of penalty on director, manager, secretary or other officer of the company, who is in any manner knowingly concerned with specified contraventions.
86(5) w.e.f. 1st day of June 2013	appellate tribunal can admit even after completion of relevant period	to insert the expression "sub-section (1) or" appropriately. Therefore, in case of assessee appeal also, appellate tribunal can admit an appeal or permit the filing of memorandum of cross objections after the expiry of the relevant period;
89 w.e.f. 1st day of June 2013 	Minimum punishment shall not be less than six months	i) in the case of an offence specified in clauses (a), (b) and (c) of sub-section (1) where the amount exceeds fifty lakh rupees, punishment shall be for a term which may extend to three years, but shall not, in any case, be less than six month (ii) in the case of failure to pay service tax collected, to the credit of the Central Government within six months, an offence specified in section 89(1)(d), if such non-payment exceeds fifty lakh rupees, punishment shall be imprisonment for a term which may extend upto seven years but not less than six months; (iii) in the case of any other offence, the punishment shall be imprisonment for a term which may extend to one year;
90 w.e.f. 1st June 2013	Offences are revised	To specify and differentiate cognizable offences from non-cognizable and bailable offences
91 w.e.f. 1st June 2013	Power to arrest has extended	To provide for power to arrest; Commissioner of Central Excise is empowered to authorize any officer of Central Excise not below the rank of Superintendent of Central Excise, to arrest a person for specified offences particularly non-payment of collected service tax.
95 w.e.f. 1st June 2013	Central Govt can remove any anomaly in this Finance Bill (Act)	To empower the Central Government for removal of difficulty in respect of amendments carried out through the Finance Act, 2013.
99 w.e.f. 1st June 2013	Indian railways can have a sigh of relief for notices issued till Budget Day	Retrospective exemption is being 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 upto the 28th day of February 2013. Section 99 is being added for this purpose, in Chapter V of the Finance Act, 1994.
66D w.e.f. 1st March, 2013 	Construction Activity	At present taxable portion for service tax purpose is prescribed as 25% uniformly for constructions where value of land is included in the amount charged from the service recipient. This is being rationalized. Accordingly, where the carpet area of residential unit is upto 2000 square feet. Or the amount charged is less than One Crore Rupees, in the case of 'construction of complex, building or civil structure, or a part thereof, intended for sale to a buyer, wholly or partly except where the entire consideration is received after issuance

		of completion certificate by the competent authority', taxable portion for service tax purpose will remain as 25%; in all other cases taxable portion for service tax purpose will be 30%.
25 w.e.f. 1st April,2013	Exemption for Charitable organizations withdrawn	Rationalization of exemption limit prescribed for charitable organizations, providing service towards any other object of general public utility. So far, the limit was 25 Lakh Rupees per annum. Now, they will be covered by the threshold exemption.
Notification 1st April, 2013	Servie tax leived on all restaurants with air-conditioning or central air heating	Exemption provided to restaurants other than those having (i) air-conditioning and (ii) license to serve liquor, is being rationalized; condition regarding 'license to serve liquor' is being omitted. Therefore, with effect from 1st April, 2013, service tax will be leviable on taxable service provided in restaurants with air-conditioning or central air heating in any part of the establishment at any time during the year
w.e.f. 1st April, 2013 	Exemptions withdrawn for few services	The following exemptions are being withdrawn: - Services provided by an educational institution by way of renting of immovable property. - Temporary transfer or permitting the use or enjoyment of a copyright relating to cinematographic films was fully exempt so far; now, this exemption will be restricted to exhibition of cinematograph films in a cinema hall or a cinema theatre. - Services by way of vehicle parking to general public. - Services provided to Government, a local authority or a governmental authority, by way of repair or maintenance of aircraft.
w.e.f. 1st June 2013 	Voluntary Compliance Encouragement Scheme	To encourage voluntary compliance and broaden the tax base, it is proposed to provide one time amnesty by way of (i) waiver of interest and penalty; and (ii) immunity from prosecution, to the stop filers, non-filers or non-registrants or service providers (who have not disclosed true liability in the returns filed by them during the period from October 2007 to December 2012) who pay the "tax dues". Details of the scheme are available in Chapter VI of the Finance Bill, 2013. The scheme will be operational from the date on which the Finance Bill, 2013 receives the assent of the President
96A(b)(iii) w.e.f. 1st March, 2013	Scope of ARA enhanced	Scope of advance ruling is being extended to cover resident public limited companies; a notification is being issued for this purpose, under section 96A (b) (iii) of the Finance Act, 1994.