

ANALYSIS OF MAJOR PROVISIONS OF FINANCE BILL, 2014

The Finance (No. 2) Bill 2014 is introduced in the Lok Sabha today, 10.07.2014, together with the Memorandum explaining the provisions of the Bill. The Major Provisions of the Finance Bill in respect of Direct Tax is as below:-

1. Personal Income-tax exemption limit raised by Rs. 50,000/- that is, from Rs. 2 lakh to Rs. 2.5 lakh in the case of individual taxpayers, below the age of 60 years. Exemption limit raised from Rs. 2.5 lakh to Rs. 3 lakh in the case of senior citizens. This is very good initiative by the NDA Govt. since public is already suffering from the Inflation, so I think this will provide some relaxation to Middle class persons.
2. It will be more satisfactory step by the Finance Minister if he changes the Surcharge to 0% in case of individual. However there is no change in the rate of surcharge either for the corporates or the individuals, HUFs, firms etc.
3. The education cess to continue at 3 percent.
4. Investment limit under section 80C of the Income-tax Act raised from Rs. 1 lakh to Rs. 1.5 lakh which is in line with the increase in the Limit of Deposits under PPF account. Further it will provide some more benefit to the Middle class persons by saving additional 5000Rs.
5. Deduction limit on account of interest on loan in respect of self occupied house property raised from Rs.1.5 lakh to Rs.2 lakh. This is move of Finance minister to encourage the real estate business. It may be noted that a deduction of 1lac Rs. u/s80EE will be continued to be available to the assessee.
6. Investment allowance at the rate of 15 percent to a manufacturing company that invests more than Rs. 25 crore in any year in new plant and machinery. The benefit to be available for three years i.e. for investments upto 31.03.2017.
7. To ensure the growth of Slurry Pipelines business & Transportation of Iron ore, Finance minister have extended the investment linked deduction to two new sectors, namely, slurry pipelines for the transportation of iron ore, and semi-conductor wafer fabrication manufacturing units.
8. Power sector is also considered while making the budget and 10 year tax holiday extended to the undertakings which begin generation, distribution and transmission of power by 31.03.2017.
9. Income arising to foreign portfolio investors from transaction in securities to be treated as capital gains.
10. The eligible date of borrowing in foreign currency extended from 30.06.2015 to 30.06.2017 for a concessional tax rate of 5 percent on interest payments. Tax incentive extended to all types of bonds instead of only infrastructure bonds.
11. To make transfer pricing provisions more easy & practical, Finance Minister has allowed use of multiple year data for comparability analysis under transfer pricing regulations.
12. To remove tax arbitrage, rate of tax on long term capital gains increased from 10 percent to 20 percent on transfer of units of Mutual Funds, other than equity oriented funds.
13. It is clarified by the Finance Minister that income and dividend distribution tax to be levied on gross amount instead of amount paid net of taxes.

14. In case of non deduction of tax on payments, 30% of such payments will be disallowed instead of 100 percent. It's a very good initiative by the Finance Minister since there are already many provisions for penalty & prosecution in case of Non-deduction or Short Deduction of TDS. New provision will provide a major relief to the Corporates.
15. 60 more Ayakar Seva Kendras to be opened during the current financial year to promote excellence in service delivery.
16. Net Effect of the direct tax proposals to result in revenue loss of Rs.22,200 crore.