

UNION BUDGET 2014-15

DIRECT TAXES PROPOSALS

- * 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 and exemption limit raised from Rs. 2.5 lakh to Rs. 3 lakh in the case of senior citizens.
- * Investment limit under section 80C of the Income-tax Act raised from Rs. 1 lakh to Rs. 1.5 lakh.
- * 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.
- * Conducive tax regime to Infrastructure Investment Trusts and Real Estate Investment Trusts to be set up in accordance with regulations of the Securities and Exchange Board of India.
- * 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.
- * Investment linked deduction extended to two new sectors, namely, slurry pipelines for the transportation of iron ore, and semi-conductor wafer fabrication manufacturing units.
- * 10 year tax holiday extended to the undertakings which begin generation, distribution and transmission of power by 31.03.2017.
- * Income arising to foreign portfolio investors from transaction in securities to be treated as capital gains.
- * Concessional rate of 15 percent on foreign dividends without any sunset date to be continued.

- * 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.
- * Introduction of a “Roll Back” provision in the Advanced Pricing Agreement (APA) scheme so that an APA entered into for future transactions is also applicable to international transactions undertaken in previous four years in specified circumstances.
- * Introduction of range concept for determination of arm’s length price in transfer pricing regulations.
- * To allow use of multiple year data for comparability analysis under transfer pricing regulations.
- * 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.
- * Income and dividend distribution tax to be levied on gross amount instead of amount paid net of taxes.
- * In case of non deduction of tax on payments, 30% of such payments will be disallowed instead of 100 percent.
- * Government to review the DTC in its present shape and take a view in the whole matter.

INDIRECT TAXES PROPOSALS

Custom Duty

- * To boost domestic manufacture and to address the issue of inverted duties, basic customs duty (BCD) reduced on certain items.
- * To encourage new investment and capacity addition in the chemicals and petrochemicals sector, basic customs duty reduced on certain items.

- * Steps taken to boost domestic production of electronic items and reduce our dependence on imports. These include imposition of basic customs duty on certain items falling outside the purview of IT Agreement, exemption from SAD on inputs/components for PC manufacturing, imposition of education cess on imported electronic products for parity etc.
- * Colour picture tubes exempted from basic customs duty to make cathode ray TVs cheaper and more affordable to weaker sections.
- * To encourage production of LCD and LED TVs below 19 inches in India, basic customs duty on LCD and LED TV panels of below 19 inches reduced from 10 percent to Nil.
- * To give an impetus to the stainless steel industry, increase in basic customs duty on imported flat-rolled products of stainless steel from 5 percent to 7.5 percent.
- * Concessional basic customs duty of 5 percent extended to machinery and equipment required for setting up of a project for solar energy production.
- * Specified inputs for use in the manufacture of EVA sheets and back sheets and flat copper wire for the manufacture of PV ribbons exempted from basic customs duty.
- * Reduction in basic customs duty from 10 percent to 5 percent on forged steel rings used in the manufacture of bearings of wind operated electricity generators. Exemption from SAD of 4 percent on parts and raw materials required for the manufacture of wind operated generators.
- * Concessional basic customs duty of 5 percent on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).
- * Anthracite coal, bituminous coal, coking coal, steam coal and other coal to attract 2.5 per cent basic customs duty and 2 per cent CVD to eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.

- * Basic customs duty on metallurgical coke increased from Nil to 2.5 percent in line with the duty on coking coal.
- * Duty on ship breaking scrap and melting scrap of iron or steel rationalized by reducing the basic customs duty on ships imported for breaking up from 5 percent to 2.5 percent.
- * To prevent mis-use and avoid assessment disputes, basic customs duty on semiprocessed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones rationalized at 2.5 percent.
- * To encourage exports, pre-forms of precious and semi-precious stones exempted from basic customs duty.
- * Duty free entitlement for import of trimmings, embellishments and other specified items increased from 3 percent to 5 percent of the value of their export, for readymade garments.
- * Export duty on bauxite increased from 10 percent to 20 percent.
- * For passenger facilitation, free baggage allowance increased from Rs. 35,000 to Rs. .45,000.

Excise Duty

- * To incentivize expansion of processing capacity, reduction in excise duty on specified food processing and packaging machinery from 10 percent to 6 percent.
- * Reduction in the excise duty from 12 percent to 6 percent on footwear of retail price exceeding Rs. 500 per pair but not exceeding Rs. 1,000 per pair.
- * Withdraw concessional excise duty (2 percent without Cenvat benefit and 6 percent with Cenvat benefit) on smart cards and a uniform excise duty at 12 percent.
- * To develop renewable energy, various items exempted from excise duty.

- * Exemption to PSF and PFY manufactured from plastic waste and scrap including PET bottles from excise duty with effect from 29th June, 2010 to 7th May, 2012.
- * Prospective levy of a nominal duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on such PSF and PFY.
- * Concessional excise duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on sports gloves.
- * Specific rates of excise duty increased on cigarettes in the range of 11 per cent to 72 per cent.
- * Excise duty increased from 12 percent to 16 percent on pan masala, from 50 percent to 55 percent on unmanufactured tobacco and from 60 percent to 70 percent on gutkha and chewing tobacco.
- * Levy of an additional duty of excise at 5 percent on aerated waters containing added sugar.
- * To finance Clean Environment initiatives, Clean Energy Cess increased from Rs. 50 per tonne to Rs. 100 per tonne.

Service tax.

- * To broaden the tax base in Service Tax, sale of space or time for advertisements in broadcast media, extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media however would remain excluded from service tax. Service provided by radio-taxis brought under service tax.
- * Services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants brought under service tax.
- * Provision of services rules to be amended and tax incidence to be reduced on transport of goods through coastal vessels to promote Indian Shipping industry.

- * Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India to be taken out of the tax net and Cenvat credit for services of rent-a-cab and tour operators to be allowed to promote tourism.
- * Service tax exempted on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled.
- * Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 exempted, from service tax.
- * Exemption available for specified micro insurance schemes expanded to cover all life micro-insurance schemes where the sum assured does not exceed Rs. 50, 000 per life insured.
- * For safe disposal of medical and clinical wastes, services provided by common biomedical waste treatment facilities exempted.