UNION BUDGET 2014

INDIA

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Growing Future

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Budget Highlights

Infrastructure, Port, Rail, Road

- Schemes for development of airports in tier 1 and 2 cities via AAI and PPP
- 16 new port projects to be awarded this year
- Alloted over 11,000 crore for Tuticorin, Kandla and other ports
- Relaxation of cash reserve ratio (CRR) and statutory liquidity ratio (SLR) norms for **long-term money from banks for infrastructure financing**
- Development of **Metro rails in PPP mode**; Rs. 100 cr set aside for metro scheme in Ahmedabad and Lucknow
- **3 more Industrial Corridors** connecting Chennai and Bengaluru, Bengaluru and Mumbai & Amritsar and Kolkata are under different stages of preparatory works
- A project on the river Ganga called **'Jal Marg Vikas'** for inland waterways between Allahabad and Haldia
- Target of **NH construction of 8500 km** will be achieved in current financial year

Housing Infrastructure

- Proposes 40 billion rupees for affordable housing through national housing bank and extends tax incentives for housing loans

Education and Health

- To set up Jai Prakash Narayan National Centre for Excellence in Humanities in Madhya Pradesh
- To set up **five more IITs** in Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala
- To set up **five more IIMs** in Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra
- To set up **four more AIIMS** in Andhra Pradesh, West Bengal, Vidharbha and Purvanchal

Foreign Direct Investment

- Raises limit on foreign direct investment in **defence manufacturing** from 26 percent to 49 percent with full Indian management and control through the FIPB route
- Raises FDI limit in **insurance sector** to 49 percent
- Current Account Deficit: CAD will be inevitable for some more years which can be financed only by foreign investment. Hence, there is no room for any aversion to foreign investment

Manufacturing & Financial Sector

- Manufacturing units will be allowed to sell their products through retail and e-commerce
- Rs 11,300 crore is proposed to be provided for Capital infusion in Public Sector Banks.
- Equity in PSU banks to be raised through share sale to the public
- Government in favour of consolidation of PSU Banks.
- Considering giving greater autonomy to PSU banks while making them accountable.
- 19 Oil and Gas blocks were given out for exploration

- Proposal to Introduce **single demat account** for all types of financial transactions
- Proposal to Introduce Standardized KYC Norms and **single KYC across financial sector**
- **20 new industrial clusters** announced
- Modern monetary policy framework; liberalize ADR, GDR regime; revamp Indian Depository Reciepts
- **Bhartia Mahila Bank** has been established
- LIC and the four public sector general insurance companies have opened around 3000 offices in towns with a population of 10,000 or more to serve peri-urban and rural areas.
- Liberalization of rupee denominated corporate bond market.
- Currency Derivatives Market to be deepened and strengthened to enable Indian Companies to fully hedge against foreign currency risk
- MSME sector - 10,000 crore rupee fund by way of attracting further private equity
- To enable **smoother clearing and settlement for international investors** looking to invest in Indian bonds
- **Infrastructure Investment Trusts and Real Estate Investment Trusts** to be set up in accordance with regulations of the Securities and Exchange Board of India

Direct Tax Reforms

- **60 more Ayakar Sewa Kendras** to be set up in the country
- Income Tax Department is expected to function not only for enforcement but also as a facilitator
- All pending cases of retrospective tax for indirect transfers to be examined by a high-level committee before action is taken
- The scheme of **Advance Ruling in indirect taxes is being expanded to cover resident private limited companies.** This will allow these companies to seek advance ruling in respect of new activities being proposed to be undertaken by them
- REITS which will have pass through for the purpose of taxation. These instruments would attract long term finance from foreign and domestic sources including the NRIs
- Net effect of direct tax proposal is Revenue loss of Rs 22,200 crore

Indirect Tax Reforms

- To find a solution in the course of this year and approve the legislative scheme which enables the introduction of **GST**
- Excise duty concessions extended already
- What's going to be **cheaper** :
    - Food processing and footwear
    - CRT TVs (Small colour TV) exempted from customs duty to help poor
    - Certain solar equipment
    - Soaps
    - Desktop, Laptop, Tablet, ebook reader
    - LED Lights & Lamps
    - RO Based water purifiers

- What's going to be **costlier** :
  - Cigarettes, cheroots, cigarillos, chewing tobacco, Gutkha and Pan masala and aerated water containing added sugar
  - Imported electronics goods
  - Radio Taxi Service
  - Imported Electronic product
  - Online and mobile advertising
- Government announces pruning of negative and exemption list of service tax to widen tax base.
- Government exempts loading/unloading and transportation of cotton from service tax
- Extend the existing 24x7 customs clearance facility to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.
- Proposed to implement an '**Indian Customs Single Window Project**' to facilitate trade. Under this, importers and exporters would lodge their clearance documents at a single point only. Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies.
- Indirect taxes side are estimated to yield Rs 7,525 crore

Other Key measures

- To launch '**Digital India**' programme to ensure broad band connectivity at village level
- **Kisan Vikas Patra to be reintroduce** for planned and unplanned savings under small savings schemes
- **Kisan TV** will be launched in the current year
- A **special small saving scheme** will be introduced encourage savings towards education & marriage of girl child
- Announces **e-visas to promote tourism** at nine airports in India where necessary infrastructure would be put in place within the next six months
- MNREGA programme to made more productive
- **EPFO to launch unified account scheme** to ensure Provident Fund portability
- **All the Government departments and ministries will be integrated through E-platform** by 31 December this year
- **Currency note with Brail signs**
- Time bound programme to provide banking services to all households
- Entrepreneurship friendly bankruptcy laws to facilitate easy exit
- Senior Citizens Pension Plan Extended Till August 2015
- Slum development to be included in the list of Corporate Social Responsibility
- Adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis
- FM announces '**Namami Ganga**' - an integrated Ganga Development Project; Rs 2037 crore set aside for this
- Total expenditure of Rs 17,94,892 crore estimated

- Gross Tax receipts of Rs 13,64,524 crore estimated
- Net to centre of Rs 9,77,258 crore estimated
- Fiscal deficit of 4.1 percent of GDP and Revenue deficit of 2.9 percent estimated
- New Statement to separately show plan allocation made for North Eastern Region. Allocation of Rs 53,706 crore for North East Regions

Direct Tax

Key Highlights in Direct tax

- Propose to **increase investment limit under Section 80C** from Rs 1 lakh to Rs 1.5 lakh
- Annual **PPF ceiling to be enhanced** to Rs 1.5 lakh, from Rs 1 lakh
- **Housing loan interest** exemption increased to Rs 2 lakh from Rs 1.5 lakh for self-occupied house property
- 10 year **tax holiday for power companies** who start production and distribution on March 31, 2017
- In order to simplify this presumptive taxation scheme, it is proposed to provide for a uniform amount of **presumptive income** of Rs.7,500 for every month (or part of a month) for all types of goods carriage without any distinction between HGV and vehicle other than HGV
- Resident taxpayers can obtain an **advance ruling** in respect of their income tax liability above a defined threshold
- **Long Term Capital Gain tax on Mutual Funds** (other than equity oriented fund) increased from 10 percent to 20 percent and period of holding in respect of such units from 12 months to 36 months for this purpose
- To encourage investment from **Small Entrepreneur 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. This benefit will be available for three years i.e. for investments upto 31.03.2017
- Income arising to **Foreign Portfolio Investors** from transaction in securities will be treated as Capital gain
- Concessional rate of 15 percent on **dividends received by Indian companies from their foreign subsidiaries** has resulted in enhanced repatriation of funds from abroad. Hence its proposed to continue with this concessional rate of 15 percent on foreign dividends without any sunset date
- **Low cost long term foreign borrowings for Indian companies** in foreign currency extended from 30.06.2016 to 30.06.2017 for a concessional tax rate of 5 percent on interest payments
- **Transfer Pricing Regulation**:
    - Introduction of range concept in determination of Arm Length Price, however Arithmetic mean will continue to apply where number of comparable is inadequate
    - Currently only one year data is allowed to be used for comparable analysis with some exception, now its amended to allow use of multiple year data
- Where an assessee fails to deduct and pay tax on specified payments to residents, 100 percent of such payments are not allowed as deduction while computing his income. This has caused undue hardship to taxpayers, particularly where the rate of tax is only 1 to 10 percent. Hence, its proposed to provide that instead of 100 percent, only 30 percent of such payments will be disallowed

- If a person willfully fails to produce accounts and documents as required in any notice issued under section 142(1) or willfully fails to comply with a direction issued to him under section 142(2A), he shall be punishable with rigorous imprisonment for a term which may extend to one year and with fine
- For set-off or carry forward and set-off of losses, business of trade in shares excluded from the definition of **speculation business**
- Expenditure on the corporate social responsibility (CSR) will not ordinarily be allowed as deduction
- Special taxation regime for **REITs and Infrastructure Investment Trust** introduced - Units to be listed on the recognized stock exchange. Pass through status accorded to such trusts
- Interest distributed by above trust would be subject to withholding tax @ 5 percent in case of non-residents and @10 percent in case of residents
- Mutual Funds, Securitization trusts and Venture Capital Companies or Venture Capital Funds obligated to file **return of income**
- Sums received under **life insurance policy** exceeding Rs. 100,000 which are not exempted, will now be subject to withholding tax @ 2 percent

Income Tax

Individual [1]

	Individual	Senior Citizen[2]	Super Senior Citizen[3]
Nil	Upto 2,50,000	Upto 3,00,000	Upto 5,00,000
10 percent	2,50,001 - 5,00,000	3,00,001 - 5,00,000	
20 percent	5,00,001 – 10,00,000	5,00,001 – 10,00,000	5,00,001 – 10,00,000
30 percent	Above 10,00,000	Above 10,00,000	Above 10,00,000

Other than Individual

	Co-operative Society	Firms / Local Authority	Company
10 percent	Upto 10,000		
20 percent	10,001 – 20,000		
30 percent	Above 20,000	Any Income	Any Income

Surcharge

In cases of **persons** referred to in this paragraph, having income above one crore rupees, shall be levied at the rate of ten per cent

In the case of **domestic companies** having total income above one crore rupees but not above ten crore rupees shall be levied at the rate of five per cent. In the case total income above ten crore rupees, surcharge shall be levied at the rate of ten per cent

In the case of **companies other than domestic companies** having total income above one crore rupees but not above ten crore rupees shall be levied at the rate of two per cent. In the case total income above ten crore rupees, surcharge shall be levied at the rate of five per cent

Cess

Education Cess at the rate of two per cent and Secondary and Higher Education Cess at the rate of one per cent

[1] Individual include Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person
[2] Aged sixty year or more but less than eighty years
[3] Aged more than eighty year

Indirect Tax

Custom Duty

- Basic custom duty on **LCD and LEDs below 19 inch** reduced to zero from 10 per cent
- Basic Customs Duty on colour picture tubes for manufacture of cathode ray **TVs** is being reduced from 10 percent to NIL
- Full exemption from customs duty is being provided for **HIV/AIDS drugs and diagnostic kits** imported to Fight AIDS, TB and Malaria
- Basic customs duty on imported **flat-rolled products of stainless steel** from 5 percent to 7.5 percent
- Basic customs duty on **metallurgical coke** is being increased from Nil to 2.5 percent in line with the duty on coking coal
- Basic customs duty on **semi-processed, half cut or broken diamonds**, cut and polished diamonds and coloured gemstones is being rationalized at 2.5 percent
- To encourage exports, pre-forms of precious and semi-precious stones are being fully exempted from basic customs duty
- Increase the export duty on **bauxite** from 10 percent to 20 percent
- **Baggage Rule:**
    - Increase the free baggage allowance from Rs 35,000 to Rs 45,000
    - Reduce the duty free allowance of cigarettes from 200 to 100, of cigars from 50 to 25 and of tobacco from 250 gms to 125 gms

Excise Duty

- **Clean energy cess** increased from Rs. 50 per tonne to Rs. 100 per tonne
- **Tobacco & others:**
    - Excise duty on pan masala increased to 16 percent from 12 percent
    - Excise duty on unmanufactured tobacco increased to 55 percent from 50 percent
    - Excise duty on gutkha and chewing tobacco increased to 70 percent from 60 percent
    - Specific excise duty on cigarettes, cigar and cigarillos raised in the range to 11 to 72 per cent
    - Additional excise duty of 5 per cent levied on aerated waters containing added sugar
- To encourage domestic production of **mobile handsets**, the excise duties for all categories of mobile handsets is restructured. The rates will be 6 percent with Cenvat credit or 1 percent without Cenvat credit
- Reduce the excise duty on specified **food processing and packaging machinery** from 10 percent to 6 percent
- Reduce 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. Footwear of retail price up to Rs 500 per pair will continue to remain exempted

- Concessional excise duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on **sports gloves**
- Central Excise duty on **Branded Petrol** is being reduced from Rs.7.50 per litre to Rs. 2.35 per litre
- Optional excise duty of 2 percent (without CENVAT)/6 percent (with CENVAT) on **writing and printing paper** for printing of educational textbooks is being withdrawn and instead a uniform excise duty of 6 percent with CENVAT is being levied
- Increase the discretionary powers of the Tribunal to refuse admission of appeal from the existing Rs 50,000 to Rs 2 lakh

Service Tax

- Proposed on the service provided by radio-taxis to place them on par with **rent-a-cab service**
- Currently service tax leviable on **sale of space or time for advertisements in broadcast media**, is being extended to cover such sales on other segments like online and mobile advertising
- Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India is being taken out of the tax net
- Service tax on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled, is being exempted to bring it on par with certain other agricultural produce
- Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 is being exempted
- **Life micro-insurance schemes** for the poor, approved by IRDA, where sum assured does not exceed Rupees Fifty Thousand to be exempted from service tax
- Transport of organic manure by vessel, rail or road (by GTA) is being exempted
- **E-payment of service tax** mandatory from 1 October 2014
- Reverse charge mechanism extended to include recovery agent services provided to banks, NBFC's and other financial institutions
- Simple interest rates per annum payable under section 75, to vary on the basis of extent of **delay in payment of service tax.** This will come into force on 1st October 2014

Extent of delay	Simple interest rate per annum
Up to six months	18 percent
From six months and upto one year	24 percent
More than one year	30 percent

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