

Union Budget Highlights 2014-15

10th July 2014

Income Tax Proposals

- ✓ Income Tax exemption limit increases from Rs. 2 lacs to Rs. 2.5 lacs in the case of individual taxpayers who are below the age of 60 years.
- ✓ Income Tax exemption limit increases from Rs. 2.5 lacs to Rs. 3 lacs in the case of senior citizens.
- ✓ Deduction of investments made under section 80C increases from Rs. 1 lacs to Rs. 1.50 Lacs.
- ✓ Investment allowance of 15% to a manufacturing company will be given who invests more than Rs. 25 Crore in any year in new plant & machinery. This benefit will be available for three years i.e. for investments made upto 31.03.2017.
- ✓ Extention of Investment linked deductions to new sectors namely, slurry pipelines for the transportation of iron ore, and semi-conductor water facbrication manufacturing units.
- ✓ Deduction of Interest on housing loan increases to Rs. 2 Lacs from Rs. 1.50 Lacs in the last year.
- ✓ Extention of 10 years tax holiday to power companies which begins generation, distribution and transmission of power by 31st March'2017.
- ✓ Increase in ceiling limit of PPF investment to Rs. 1.50 Lacs from Rs. 1.00 Lacs.
- ✓ Government will review Direct Tax Code Bill, 2011 and take view in the related matter of introduction.
- ✓ Tax deducted at source (TDS), not deducted on specified payments to residents will now be disallowed to the extent of only 30 percent while computing taxable income.
- ✓ Mutual funds other than equity oriented funds will attract rate of tax of 20 percent on long term capital gains as compared to 10 percent prevailing. Budget also proposes to increase period of holding of such units to 36 months from 12 months.
- ✓ Corporates and Mutual funds are now required to pay income distribution tax on gross income distributed.
- ✓ Budget speech clears that Government will not ordinarily bring about any changes in tax regime retrospectively which creates a fresh liability. all fresh cases arising out of the retrospective amendments of 2012 in respect of indirect transfers and coming to the notice of the Assessing Officers will be scrutinized by a High Level Committee to be constituted by the CBDT before any action is initiated in such cases.

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Excise Duty Proposals

- ✓ Excise Duty on cigarettes, cigars and cigarillos increased in the range of 11 percent to 72 percent.
- ✓ Excise Duty on pan masala increased from 12 percent to 16 percent.
- ✓ Excise Duty on Guthka and chewing tobacco increased from 60 percent to 70 percent.
- ✓ Excise Duty on specified food processing and packaging machinery reduced to 6 percent from 10 percent.
- ✓ Footwears having retail selling price ranging between Rs. 501 to Rs. 1000 will be levied duty @ 6 percent as compared to 12 percent presently charged. Footwears having retail selling price upto Rs. 500 will remain exempt from duty.
- ✓ Excise Duty on unmanufactured tobacco increased from 50 percent to 55 percent.
- ✓ Exemption provided from Excise Duty to the below mentioned products:
 - o EVA sheets and solar back sheets and specified inputs used in their manufacture.
 - o Solar tempered glass used in the manufacture of solar photovoltaic cells and modules.
 - o Flat copper wire for the manufacture of PV ribbons for use in solar cells and modules.
 - o Machinery & Equipments required for setting up of a solar energy production project.
 - o Forged steel rings used in the manufacture of bearings of wind operated generators.
 - o Machinery & Equipments required for setting up of compressed biogas plants(Bio-CNG)
- ✓ Government exempts duty on PSF and PFY manufactured from plastic bottles, for the period 29th June, 2010 to 7th May, 2012. Now PSF and PFY will attract duty @ 2 percent without and @6 percent with Cenvat benefits on such products.
- ✓ Sportsgloves will now attract duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefits on such products.

Service Tax Proposals

- ✓ Now, online and mobile advertisements of sale of space or time for advertisements will also be covered under purview of Service Tax.
- ✓ Service provided by radio-taxis will also attract service tax with rent a cab service. (Applicable w.e.f. date of passing of Bill by president)
- ✓ Services by Air Conditioned Contract Carriages & technical testing of newly developed drugs on human participants to be taxable.
- ✓ Micro Insurance Scheme will also include all life insurance schemes where the sum assured does not exceed Rs. 50000 per life insured. Micro Insurance Scheme is covered under exemption list therefore it does not attract Service Tax.

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- ✓ Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India is not taxable.
- ✓ Cenvat Credit will be allowed to service providers of rent-a-cab, tour operators and same line of business.
- ✓ Services of loading, unloading, storage, warehousing & transportation of cotton, whether grinned or baled is being exempted
- ✓ Services provided by common bio-medical waste treatment facilities are being exempted.
- ✓ Following changes will be noted in respect of reverse charge mechanism (RCM) of Service Tax:

Description of Service	SP portion Earlier	SP portion Now	SR portion Earlier	SR portion Now
In respect of services provided or agreed to be provided by a recovery agent to a banking company or a financial institution or a non-banking financial company	--	Nil	--	100%
In respect of services provided or	60%	50%	40%	50%

agreed to be provided by way of renting of a motor vehicle designed to carry passengers on non abated value to any person who is not engaged in the similar line of business				
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- ✓ Following changes are made in valuation rules of Service Tax w.r.t. works contract service:

Description of Service	Taxable portion Earlier	Taxable portion Now
In case of works contract, not covered under sub-clause (A), including works contract entered into for- (i) maintenance or repair or reconditioning or restoration or servicing of any goods	70%	70%
In case of works contract, not covered under sub-clause (A), including works contract entered into for- (ii) maintenance or repair or completion and finishing services such as glazing or plastering or floor and wall tiling or installation of electrical fittings of immovable property	60%	70%

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- ✓ Changed mechanism of interest payable for delayed payment of Service Tax are as under:

S.No.	Period of delay	Rate of simple interest
1	Up to six months	18 per cent.
2	More than six months and up to one year	18 per cent for the first six months of delay and 24 per cent for the delay beyond six months.
3	More than one year	18 per cent for the first six months of delay 24 per cent for the period beyond six months up to one year and 30 per cent for any delay beyond one year.

- ✓ Service Tax payment will be made through internet banking by every assessee w.e.f. 01st Oct, 2014. (Exceptional permission from AC/DC will be required for otherwise payment mode)

Custom Duty Proposals

- ✓ Basic Custom Duty (BCD) reduced on below mentioned products:
 - o Fatty acids, crude palm stearin, RBD and other palm stearin, specified industrial grade crude oils from 7.5 percent to Nil for manufacture of soaps and oleo-chemicals.
 - o Crude glycerin from 12.5 percent to 7.5 percent and crude glycerine used in the manufacture of soaps from 12.5 percent to Nil.
 - o Steel grade limestone and steel grade dolomite from 5 percent to 2.5 percent. Battery waste and battery scrap from 10 percent to 5 percent. Coal tar pitch from 10 percent to 5 percent.
 - o Specified inputs for manufacture of spandex yarn from 5 percent to Nil.

- ✓ Imposition of Basic Customs Duty at 10 percent on specified telecommunication products that are outside the purview of the Information Technology Agreement and education cess on imported electronic products.

- ✓ Exemption of 4 percent special additional duty (SAD) for all inputs/components used in the manufacture of personal computers and on PVC sheet and ribbon used for the manufacture of smart cards.

- ✓ BCD reduced from 10 percent to Nil on LCD and LED TV panels of below 19 inches.

- ✓ BCD increased on imported flat-rolled products of stainless steel from 5 percent to 7.5 percent.

- ✓ Increase in duty free entitlement for import of trimmings, embellishments and other specified items from 3 percent to 5 percent of the value of their exports.

- ✓ Free baggage allowance increased to Rs. 45000 from Rs. 35000.

Other Important Announcements

- ✓ Government will set up a High Level Committee to interact with industry on a regular basis and ascertain areas where clarity in tax laws is required. Based on the recommendations of the Committee, the Central Board of Direct Taxes and the Central Board of Excise and Customs shall issue appropriate clarifications, wherever considered necessary, on the tax issues within a period of two months.

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- ✓ Indian Accounting Standards (Ind AS) will be adopted by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis.
- ✓ Budget reintroduces Kissan Vikas Patra (KVP) instrument to encourage people, who may have banked and unbanked savings to invest in this instrument.
- ✓ Budget also proposes extend a liberalized facility of 5% withholding tax to all bonds issued by Indian corporate abroad for all sectors and extend the validity of the scheme to 30.06.2017.
- ✓ Budget recommends to follow single "Know Your Customer" norms for all financial services in the country.
- ✓ Budget recommends to use single "Demat Account" for all financial transaction.
- ✓ Budget proposes 49 percent FDI in insurance sector through FIPB.
- ✓ Clean energy cess increased from Rs. 50 per tonne to Rs. 100 per tonne on coal, peat and lignite.
- ✓ Government will look after for a solution which enables introduction of Goods & Service Tax (GST) by this year.

Disclaimer: These highlights have been extracted from budget speech. This is an attempt to spread awareness about the new proposals made vide Finance (No. 2) Act, 2014 presented by Hon'ble Finance Minister Mr. Arun Jetli on 10th July 2014. Although

due care has been taken to elaborate the proposals made. Readers are advised to make reference to the actual law for any clarification. Sui Generis Consulting shall not be responsible for any loss or damage incurred due to use of this document.



Thanking You,

Truly Yours

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