Budget Highlights 2014

Budget Highlights – Direct Taxes

Budget Highlights – Indirect Taxes

For any information / assistance

CA Ayush Agrawal
"The Professional Platform"
CaGalaxy Group
Kolkata | Mumbai | Chennai | Delhi
Pune | Bangalore | Aurangabad | Hyderabad
Cell:- +91 98740 11766
ayushagrawal@rediffmail.com
http://ayushagrawal.caclubindia.com
http://ayushagrawal.wordpress.com

Disclaimer: These are a few of the Highlights of the Union Budget – 2014. Expert advice and user discretion is recommended prior to application of the contents of this document to specific situations

Budget Highlights - Direct taxes

Individual Taxation

- Income Tax rates remain the same
- Basic Exemption limit increased
  - By Rs 50000 to Rs 250000
  - To Rs 300000 for senior resident individual citizens (> 60 to 80 years)
  - To Rs 500000 for senior resident individual citizens (> 80 years)
- Surcharge of 10% and Education cess of 3% continue to be in force on personal income exceeding Rs 1 Crore
- Sec 80C deductions on savings and investments increased by Rs 50000 to Rs 150000.
- Deductions for interest on housing loan for self-occupied house property increased to Rs 200000.

Corporate taxation

- Tax rates remain the same for domestic and foreign companies.
- CSR expenditure not deductible in computing taxable income.

Dividend

- DDT to be paid after grossing up net profits distributed by the company.
- Concessional tax rate of 15% on dividend received by Indian companies from specified foreign companies (shareholding of 26 per cent or more) continues without any sunset clause.

Returns

Annual Information return will henceforth be called Statement of financial transaction or reportable account.

Tax deducted at source

- Concessional rate of withholding tax on interest on (ECB) overseas borrowings extended to all long term borrowings.
- Disallowance on account of non/late deduction and deposition of Tax at source under Sec 40(a) (i) is now extended to cover all categories of payments to a resident on which tax is deductible. Amount of disallowance to be restricted to
  30% of amount of expenditure
- Section 200 & 201 amended to allow the deductor to file correction statements

Capital Gains

- Unlisted securities and mutual funds to be treated as LT Capital assets if they are held for a period of more than 36 months.
- Capital gain exemption on investment in a residential house property is available only if such investment is made in a residential house in India.
- Money received as advance for transfer of a capital asset will be chargeable to tax under **Income from other sources** if the advance stands forfeited.
- The concessional tax rate of 10% on LTCG would **not** be available to units of Mutual funds not linked to equity
- Mode of computing Cost inflation Index changed
- Sec 54EC restricted only to 50 lacs despite time available for two AYs

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Trusts

- Any trust or institution registered under sec 12 AA cannot claim exemption under section 10 except under Sec 10 (23C).
- Registration under sec 12AA is permissible for claiming tax exemption for earlier years also
- Sec 12AA widened to give more power to commissioner to cancel approval.

International Transaction and Transfer Pricing

- Transactions with a resident also deemed as international transaction
- Roll back provisions introduced for APAs. It is proposed that the APA may also cover four years preceding the years covered by the APA, subject to the rules that will be framed in this regard.
- Power to levy penalty u/s 271G granted to the TPOs.

Budget Highlights - Indirect taxes

Customs Duty

- **Peak rate of Basic Customs Duty remains unchanged at 10%.**
- Mandatory pre deposit prescribed as 7.5 or 10% on the stage of appeal. This is a first time under this law
- Advance ruling option made available to resident private limited companies.
- Free baggage allowance increased from Rs 35000 to Rs 45000.

Service Tax

- **No change in effective tax rate of 12.36%**
- Advance ruling option made available to resident private limited companies
- Amendments in negative list and exempt services.
- Sale of space/time on media such as internet, films, billboards, etc. made, subject to service tax
- Mandatory pre deposit prescribed as 7.5% or 10% depending on stage of appeal.
- Location of service provider to be the place of supply for an intermediary of goods. This provision is of importance as the tax net would be widened
- Graded increase in interest rates for delay beyond 6 months from 24% & 30%. 18% upto 6 months

Excise Duty

- **No change in effective tax rate of 12.36%**
- Advance ruling option made available to resident private limited companies
- Mandatory pre deposit prescribed as 7.5% or 10% depending on stage of appeal.
- Valuation of Excisable goods sold at a price below manufacturing cost and profit to be on the basis of 'transaction value' for excise duty, if no additional consideration flows directly or indirectly to the seller.
- Applicability of excise duty on packing/repacking/labelling activities on specified goods widened

CENVAT Credit

- Timeline of six months prescribed for availing CENVAT credit on inputs and input services from date of invoice or challan or other relevant documents.
- Inter unit Transfer of credit by large taxpayer not allowed from 11 Jul 2014.

Others

- No changes in CST rate.
- No specific announcement on implementation of GST. Pending issues likely to be resolved during the year
- Section 32E(1) is also being amended to allow filing of applications of settlement before the Settlement Commission in cases where the applicant has not filed the returns after recording reasons for the same.
- Section 35B(1) is being amended so as to increase the discretionary powers of the Tribunal to refuse admission of appeal from the existing Rs.50,000 to Rs.2 lakh.