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Implications Of BUDGET 2010 On

Individuals

- No change in tax rates. Tax slabs changed resulting in lower taxes for individuals
- Additional deduction upto Rs. 20000 for investment in approved infrastructure bonds
- Contribution to Central Govt. Health Scheme to qualify for deduction U/S 80D
- Simplied Saral Form to be notified

Business Income

- No change in corporate tax. MAT rate increased from 15% to 18%
- Surcharge reduced from 10% to 7.5%
- Threshold limit for tax audit increased from 40 Lacs to 60 Lacs
- No capital gains on conversion to LLP
- Benefit of investment linked deduction to new 2 star hotels

TDS/TCS

- Threshold limits for deduction of TDS increased w.e.f. 1-07-2010
- Interest on delayed deposit of TDS increased from 1% to 1.5% p.m. Interest on delayed deduction remains @ 1% p.m.
- Demat plan of TDS Certificates shelved
- Deposit TDS before due date of filing return to claim expenditure in the same year

Service Tax

- No change in service tax rates. Introduction of 8 new taxable services
- Taxability of Renting of Immovable Property Service confirmed w.e.f. 1-6-2007
- Service Tax on Builder on booking advance before receipt of completion certificate from the competent authority w.e.f. notified date
- Software packages exempt from service tax subject to specified conditions

Others

- Goods and service tax (GST) to be implemented from 1-4-2011
- General increase in excise duty from 8% to 10% for non petroleum products
- 100% credit of excise duty paid on capital goods for small scale industries
- Exemption from additional duties of customs on goods imported in pre-packaged form for retail sale

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Income Tax Slabs for Individuals:

Personal Income tax rates slabs is proposed to be changed. Though the basic exemption is not proposed to be changed, the slabs for 10% tax and above has increased. The table below shows the proposed tax slabs for 3 categories of individuals.

Tax Rates	General	Women	Sr. Citizens
Exemption Limit	Rs. 1,60,000	Rs. 1,90,000	Rs. 2,40,000
10%	1,60,001 - 5,00,000	1,90,001 - 5,00,000	2,40,001 - 5,00,000
20%	5,00,001 -8,00,000	5,00,001 - 8,00,000	5,00,001 - 8,00,000
30%	8,00,000 +	8,00,000 +	8,00,000 +

The Educations Cess of 3% remains as it is. Table below shows the savings at different slabs for the individual male below 65 years of age:

Income	Old Tax	New Tax	Savings in Tax	Savings %
Rs 2,00,000	Rs. 4,120	Rs. 4,120	Rs. 0.00	00.00
Rs 5,50,000	Rs. 71,070	Rs. 45,320	Rs. 25,750	36.25
Rs 8,50,000	Rs. 1,63,770	Rs. 1,12,270	Rs. 51,500	31.45
Rs 11,00,000	Rs. 2,41,020	Rs. 1,89,520	Rs. 51,500	21.37

New Section 80CCF:

- If the assessee is an individual or a Hindu Undivided Family and has invested during the year in 'Long-term Infrastructure Bonds' for the purposes of this section, be notified by the Central Government, he would be allowed additional deduction of maximum to Rs. 20,000.00.

Amendment in Section 80D:

- The contribution made to “Central Government Health Scheme” is proposed to be allowed as deduction under section 80D.

New Saral Form:

- New Saral Form II is being introduced for filing the return, which would be simpler for the assessee to fill and file the return.

Join NPS, get Rs 1,000:

- New Pension Scheme (NPS) was announced last year.
- A new initiative, ‘Swavalamban’, will be implemented for those who join the NPS with a minimum contribution of Rs 1,000 and a maximum contribution of Rs. 12,000 per annum during financial year 2010-11, wherein the government will contribute Rs. 1,000 per year to each NPS account opened in FY 2010-11.
- The finance minster has made an allocation of Rs 100 crore for this. The move will reduce costs for investors.

Tax on Receipt of Gold, Silver:

- If the individual or HUF receives Gold, Silver and other precious metals on or after June 1, 2010, it would be taxed as gifts in the hands of recipient.
- However, if it is received from the relative; or on the occasion of the marriage of the individual, or under a will or by way of inheritance, or In contemplation of death of the payer it would be tax-free. Other than the situations above, it will be taxed as a normal Income

Immovable property exceeding stamp valuation of Rs 50,000:

- Individuals/HUFs receiving immovable property exceeding stamp valuation of Rs 50,000 after October 1, 2009 at lower than stamp valuation would not be taxed as gifts.
- This will withdraw the tax levied in the hands of the recipient of immovable property, purchasing the same on/after October 1, 2009 at lower than stamp valuation.
- This removes the double taxation, as the transferor (seller) was in any case subject to capital gains. If the sale value was less than the stamp value, for the purpose of capital gains the stamp value was treated as the consideration.

For example:

Mr A is the buyer of property for Rs 20 lakh, and the stamp value of the same is Rs 25 lakh. Earlier, Mr A would have to pay tax on the difference of Rs 5 lakh and at the same time, Mr B, the seller would have paid capital gains taking the value to be Rs. 25 lakh. Now only Mr B will be subject to capital gains tax. ❍

Tax Deduction at source

Rates of TDS
There is no change in rates of TDS, applicability of surcharge and education cess.

Change in threshold limit w.e.f. 01.07.2010
It is proposed to change the threshold limit for deducting tax at source. This is summarized below:

Section	Nature	Threshold	
		Present	Proposed
194B	Winning from Lotteries	5000	10000
194BB	Winning from Horse race	2500	5000
194C	Payment to Contractor (For a Single Transaction)	20000	30000
194C	Payment to Contractor (For Aggregate Off Transactions During Financial Year)	50000	75000
194D	Insurance Commission	5000	20000
194H	Commission/Brokerage	2500	5000
194I	Rent	120000	180000
194J	Professional Fees	20000	30000

Non-admissibility of exp.: Section 40(a)(ia)
Current provision

- At present non-deduction or non-payment of TDS on interest, commission or brokerage, rent, royalty ,professional fees or payment to contractors results in disallowance of sum in computation of income.
- If tax is deducted in any subsequent year, then the expenditure will be allowed as deduction in the year in which TDS is deposited
- If tax is deducted before March of the previous year the expenditure will be allowed as deduction if deposited before March. If deposited after March, it will be allowed as deduction in the year in which TDS is deposited
- If tax is deducted in March and paid before due date of filing of return of income, it will be allowed as expenditure in the same previous year. If paid after due date of filing of return of income, it will be allowed as deduction in the year in which TDS is deposited

Proposed Provision

- If the tax is deducted during previous year or subsequent year and paid before due date of filing of return of income, it will be allowed as deduction in computing income of the previous year.
- Hence, it will be sufficient if tax is deducted and deposited before due date of filing of return of income to claim the expenditure.
- If the tax is deducted during previous year or subsequent year and paid after due date of filing of return of income, it will be allowed as deduction in the year in which TDS is deposited.

Description	Existing Provision	Proposed Provision
Tax deducted before March	In the current year if deposited before 31st March. In the year of deposit if deposited after 31st March.	In the current year if deposited before due date of IT return. In the year of deposit if deposited after due date of IT return.
Tax deducted during March	In the current year if deposited before due date of IT return. In the year of deposit if deposited after due date of IT return.	

TDS / TCS Certificate:

- There was no requirement to issue TDS / Certificate in respect of deduction / collection on or after 01-04-2010
- The relevant sub sections are proposed to be omitted. Hence TDS/TCS certificates will continue to be issued as per present practice.

Interest on delayed TDS deposit
Present

- Non deduction or delayed deposit of TDS entails simple interest @ 1% p.m. for every month from date on which tax was deductible to the date on which it is actually deposited.

Proposed w.e.f. 01.07.2010

- The rate of interest is
  - From the date when TDS was deductible till date of actual deduction, rate of interest continues to be 1% p.m.
  - For delayed deposit, from date of deduction till actual date of payment , rate of interest will be 1.5% p.m

Description	Existing Provision	Proposed Provision
Non Deduction	1% p.m. from date it was deductible till date of deposit	1% p.m. from date it was deductible till date of deduction
Delayed Deposit	1% p.m. from date of deduction till date of deposit	1.5% from date of deduction till date of deposit

Implications of BUDGET 2010 on Business Income

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Tax Rates

- Tax rate for firms, LLP and companies remain the same as per last year's budget.
- However surcharge in the case of domestic company gets reduced from existing 10% to 7.50% for the Financial Year 2010-2011.
- Similarly surcharge in the case of dividend distribution tax and minimum alternate tax gets reduced to 7.50 %.

MAT

- Minimum Alternate Tax (MAT) rate has been increased from 15 % to 18 %. Rate of MAT for the company on the basis of profit will be as under:-
- Book Profit exceeds Rs. 1.00 crore - 19.93%
- Book Profit upto Rs. 1.00 Crore - 18.54%

Deemed Gift

- Taxation of deemed gift has been introduced. If a company/ firm acquires shares of other unlisted company for inadequate consideration or without consideration and aggregate fair market value exceeds Rs. 50,000/. This provision will apply w.e.f. 1st June 2010.

Non Residents

- It is proposed to expand the scope of taxation of non residents.
- If a non resident earns interest , royalty or technical fees, it will be deemed to accrue or arise in India, whether or not services are rendered in India or outside India.
- This amendment is introduced to nullify the impact of judicial ruling in favour of assesee and is to be applied retrospectively from FY 1976-77.
- This provision will also have implication in case of TDS on payment to non resident

Depreciation

- It is proposed that the company and LLP will apportion the depreciation allowable under the Act in the ratio of number of days for which assets were used by them in case of conversion of private limited or public unlisted company to LLP as per the amended provisions of Act.
- Further WDV of assets in case of such LLP will be WDV of assets of company before such conversion.
- LLP can claim the benefit of unabsorbed brought forward loss and depreciation in case of conversion of company.
- However MAT credit gets lapsed in the hand of LLP in case of conversion of company.

Research

- Deduction of amount paid to research association is proposed to be enhanced to one and three fourth time of sum paid as against existing of one and one fourth time of sum paid.
- For specified businesses i.e. pharmaceutical, chemical computers, who incur expenditure on scientific research, the weighted deduction to the extent of two time of the amount spent will be allowed as against existing one and one half time of amount spent.

Hotel

- A person will be allowed to claim deduction of expenditure of capital nature incurred on a new hotel of two star and above category.
- The expenditure will be allowed in the year in which hotel commence the operation and entire capital expenditure incurred prior to commencement of hotel will be eligible for deduction.
- However the assessee will not be able to claim any other deduction in any other assessment year.

Capital gain on conversion to LLP

- It is proposed that conversion of private limited or public unlisted company to limited liability partnership will not result into transfer and capital gain on such conversion will not attract tax.
- However this clause is non starter since condition attached with such exemption is rigorous i.e. sales of company in preceding three year should not exceed 60 lacs, partners can not withdraw any money out of balance of accumulated profit standing in the accounts on the day of conversion, partners can not receive any consideration / benefit directly or indirectly from LLP after conversion during the existence of LLP etc.,

Tax Audit

- It is proposed to increase the threshold limit for the requirement of Tax Audit.
- Now Professionals are required to get the tax audit done if gross receipts exceeds Rs. 15. 00 Lacs and other business entity requires to get the tax audit done if turnover exceeds Rs. 60 Lacs.
- However penalty for non compliance of tax audit provision will attract maximum penalty of Rs. 1.50 Lacs in place of existing penalty of Rs. 1.00 lacs.

Housing Project

- Deduction for housing project approved after 1st April 2005 will be allowed in case project gets completed within five year from the end of financial year in which first approval was granted after 1/4/2005 .
- However commercial area is now restricted to 3% of total built up area in place of existing 5% of built up area or 5000 Sq. ft which ever is higher is specified for claim of deduction u/s 80IB (10) of the Act.

Valuation of Property

- Now department can refer the valuation of property for determination of value of gift in case of transfer of property without consideration or inadequate consideration to valuation officer during the course of scrutiny assessment proceeding.

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Highlights

- Introduction of 8 new Services w.e.f. a date to be notified after enactment of Finance Bill, 2010
- Amendment in 10 Old Services w.e.f. a date to be notified after enactment of Finance Bill, 2010
- Taxability of Renting of Immovable Property Service confirmed w.e.f. 01-06-2007.
- Coaching centres run by charitable institutions would also be taxable under the category of "Commercial Training or Coaching Service", if any consideration is received for providing such services.
- Exemption from service tax to vocational training institutes is limited to ITI or ITC affiliated to National Council of Vocational Training (NCVT)
- Pre-packaged I.T. softwares, with the license for right to its use, is being exempted from service tax, subject to specified conditions.
- Service Tax will be leviable on Builder / Developer if they collect booking advance before receipt of completion certificate.
- Transportation of food grains and pulses is exempted from service tax.

1 Newly Introduced 8 Services

1.1 Services of promoting, marketing or organizing of games of chance, including lottery.

1.2 Health services, namely:
- Health check up undertaken by hospitals or medical establishments for the employees of business entities; and
- Health services provided under health insurance schemes offered by insurance companies.

1.3 Services provided for maintenance of medical records of employees of a business entity.

1.4 Services of promoting of a 'brand' of goods, services, events, business entity etc.

1.5 Services of permitting commercial use or exploitation of any event organized by a person or organization.

1.6 Services provided by Electricity Exchanges.

1.7 Services related to two types of copyrights hitherto not covered under existing taxable service 'Intellectual Property Right (IPR)', namely, those on (a) cinematographic films; and (b) sound recording.

1.8 Special services provided by a builder etc. to the prospective buyers such as providing preferential location or external or internal development of complexes on extra charges. *w.e.f. a notified date after enactment of Finance Bill, 2010*

2. Amendments in scope of 9 Old Services

2.1 The scope of the taxable service 'Air Passenger Transport Service' is being expanded to include domestic journeys, and international journeys in any class. *w.e.f. notified date after enactment of Finance Bill, 2010*

2.2 Presently the taxable service, 'Information Technology Software Service' is subjected to tax only in cases where such IT software is used for furtherance of business or commerce. The scope of the taxable service is being expanded to tax such service even if the service provided is used for purposes other than business or commerce. *w.e.f. notified date.*

2.3 An Explanation is being added in the definition of the taxable service 'Commercial Training or Coaching Service' to clarify that the term 'commercial' appearing in the relevant definitions, only means that such training or coaching is being provided for a consideration, whether or not such training or coaching is conducted with a profit motive. *This change is being given retrospective effect from 01.07.2003.*

2.4 In the definition of the taxable service 'Sponsorship Service' the exclusion relating to sponsorship pertaining to sports is being removed. *w.e.f. notified date.*

2.5 In the definition of the taxable services 'Construction of Complex service' and 'Commercial or industrial construction service'. it is being provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after issuance of completion certificate by the competent authority), the activity of construction would be deemed to be a taxable service provided by the builder/promoter/developer to the prospective buyer and the service tax would be charged accordingly. *w.e.f. notified date.*

2.6 Amendments are being made in the definition of the taxable service 'Renting of immovable property' to –
- Provide explicitly that the activity of 'renting' itself is a taxable service *This change is being given retrospective effect from 01.06.2007.*
- Provide that renting of vacant land, where the agreement or contract between the lessor and lessee provides for undertaking construction of buildings or structures on such land for furtherance of business or commerce during the tenure of the lease shall be subjected to service tax. *w.e.f. notified date.*

2.7 The definitions of the taxable services, namely the 'Airport Services', the 'Port Services' and the 'Other Port Services' are being amended to provide that,-
- all services provided entirely within the

airport/port premises would fall under these services; and

- an authorization from the airport/port authority would not be a precondition for taxing these services. *w.e.f. notified date.*

2.8 An explanation is being added in the definition of the taxable service 'Auctioneer's Service' to clarify that the phrase 'auction by government' means an auction involving sale of government property by any auctioneer and not when the government acts as an auctioneer for sale of the private property. *w.e.f. notified date.*

2.9 The definition of the taxable service 'Management of Investment under ULIP Service' is being amended to provide that the value of the taxable service for any year of the operation of policy shall be the actual amount charged by the insurer for management of funds under ULIP or the maximum amount of fund management charges fixed by the Insurance Regulatory & Development Authority (IRDA), whichever is higher. *w.e.f. notified date.*

3. Amendments in Finance Act, 1994

3.1 Insert an explanation in sub-section (3) of Section 73 to clarify that no penalty shall be imposed where service tax along with interest has been paid before issuance of notice by the department. *W.e.f. enactment of Finance Bill, 2010*

3.2 Provide definition of the term 'business entity' so as to include an association of persons, body of individuals, company or firm but to exclude an individual. This would be effective from a notified date after the enactment of the Finance bill, 2010. *w.e.f. notified date.*

4. Exemption from levy of Service Tax

4.1 Statutory taxes charged by any government (including foreign governments, where a passenger disembarks) on air passenger would be excluded from taxable value for the purpose of levy of service tax under the Air Passenger Transport Service. *w.e.f. 27.02.2010*

4.2 Exemption from service tax is being provided to services relating to 'Erection, Commissioning or Installation' of,-

- Mechanized Food Grain Handling Systems etc.;
- Equipment for setting up or substantial expansion of cold storage; and
- Machinery/equipment for initial setting up or substantial expansion of units for processing of agricultural, apiary, horticultural, dairy, poultry, aquatic, marine or meat products. *w.e.f. 27.02.2010*

4.3 Packaged I.T. software, pre-packed in retail packages for single use, is being exempted from service tax leviable under IT Software Service, subject to specified conditions. These conditions include that either the customs duty (in case of import) or excise duty (in case of domestic production) has been paid on the entire amount received from the buyer. *w.e.f. 27.02.2010*

4.4 At present, exemption from service tax is available to transport of fruits, vegetables, eggs or milk by road by a goods transport agency. The scope of exemption is being expanded by including food grains and pulses in the list of exempted goods.

4.5 Exemption from service tax is being provided to Indian news agencies under 'Online Information and Database Retrieval Service' and 'Business Auxiliary Service' subject to specified conditions. *w.e.f. 27.02.2010*

4.6 Exemption from service tax is being provided to the 'Technical Testing and Analysis Service' and 'Technical Inspection and certification service' provided by central and State seed testing laboratories, and central and State seed certification agencies. *w.e.f. 27.02.2010*

4.7 Exemption from service tax is being provided to the transmission of electricity. *w.e.f. 27.02.2010*

5. Withdrawals or Amendments to Existing Exemptions

5.1 Transport of Goods through Government Railways, which was till now exempted, will be liable to service tax. *w.e.f. 01.04.2010*

- Provide abatement of 70% of gross value of freight charge on goods transport by rail by amending the Notification No. 1/2006-ST *w.e.f. 01.04.2010*

5.2 The exemption from service tax to vocational training institutes is being limited only to industrial training institutes or industrial training centres affiliated to National Council of Vocational Training (NCVT). *w.e.f. 27.02.2010*

5.3 The construction and operation of installations, structures and vessels for the purposes of prospecting or extraction or production of mineral oils and natural gas in the Exclusive Economic Zone and the Continental Shelf of India and supply of any goods connected with these activities would be within the purview of the provisions of Chapter V of the Finance Act, 1994. *w.e.f. 27.02.2010*

Implications of BUDGET 2010 on Excise Duty

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The standard rate of excise duty of 8% on non-petroleum products increased to 10% except few items where concessions have been provided.

Increase

- Duty on large cars, MUVs and SUVs and on their chassis increased from 20% to 22%.
  The specific component remains same.
- Duty on Petrol (Motor Spirit) and Diesel (HSD) increased by Rs.1 per liter.
- Duty on Cigars, cheroots and cigarillos of tobacco increased from 8% BED+"AED of 1.6% to 10% or Rs.1227 per 1000 whichever is higher BED" + "1.6% or Rs.246 per 1000 whichever is higher" AED.
- Duty on Cigars, Cheroots and cigarillos of tobacco substitute increased to BED of 10% or Rs.1473 per 1000 whichever is higher.
- Duty on branded unmanufactured tobacco and tobacco refuse increased from 42%to 50% .
- Duty on branded smoking tobacco increased from 34% to 40% and on unbranded smoking tobacco increased from 8% to 10%.
- Duty on smoking mixtures of pipes and cigarettes increased from 300% to 360%.
- Duty on cut tobacco increased from Rs.50 per kg to Rs.60 per kg.
- Duty on DTA clearances of plain gold and silver jewellery manufactured by a 100% EOU increased from Rs.500 per 10 gram to Rs.750 per 10 gram for gold jewellery and Rs 1000 per kg to Rs.1500 per kg for silver jewellery.
- Duty on refined serially numbered gold bars made from ore/concentrate revised to Rs.280 per 10 grams from the present 8% ad valorem with cenvat credit facility on inputs and capital goods.
- Duty on maize starch and tapioca starch increased from nil to 4%.
- Duty on following items increased from nil to 4%:
  a. Mosquito nets impregnated with insecticides.
  b. Av gas.
  c. Microprocessor for computers (other than motherboard), floppy disk drive, Hard disk drive, flash drive, CD/DVD and Combo Drive meant for external use.
- Duty on baby & clinical diapers and sanitary napkins increased to 10%.
- Duty on Open Tin Sanitary (OTS) cans increased to 10%.
- Duty on goggles (excluding those used for correcting vision) increased to 10%.

Reduction

- Full exemption from excise duty extended to specified equipments for preservation, storage or transport of apiary, horticultural, dairy, poultry, aquatic & marine produce and meat as well as processing thereof.
- Full exemption from excise duty extended to self loading/self-unloading trailers & semi trailers for agricultural purposes.
- Uniform concessional duty of 4% prescribed for parts required for manufacture of all categories of electrical vehicles including cars, two wheelers and three wheelers (like 'Soleckshaw'). Such vehicles shall also be charged to excise duty @4%.
- Duty on LED lights/lighting fixtures reduced from 8% to 4%.
- Full exemption from excise duty to the raw materials required for manufacture of rotor blades for wind operated electricity generators.
- Full exemption from excise duty extended to goods supplied to mega power projects from which power supply has been tied up through tariff based competitive bidding.
- Following items fully exempted from excise duty:
  a. Articles of bedding wholly made of quilted textile materials
  b. Toy balloons made of natural rubber.
  c. Betel nut product known as "Supari".
  d. Dementholised oil Deterpenated Mentha oil, Spearmint/Mentha Piperita oils and all intermediates and by-products of Menthol.
- Duty reduced from 8% to 4% on
  a. Replaceable kits for all household type water filters (except those operating on RO technology)
  b. Corrugated boxes/cartons manufactured by stand alone manufacturers.
  c. Latex rubber thread.
- Duty on goods covered under Medicinal and Toilet Preparations Act reduced from 16% to 10%.
- Duty on potato starch reduced from 8% to 4%.
- Duty on umbrellas & umbrella parts unified at 4%.

Increase in Excise Duty on Cement

Description	Mini Cement Plant		Other than Mini cement plant	
	Present	Proposed	Present	Proposed
Cleared in packaged form: Of retail price not exceeding Rs.190 per 50 kg or Rs.3800/ton	Rs.145 per ton	Rs.185 Per ton	Rs.230 per ton	Rs.290 Per ton
Of retail price exceeding Rs.190 per 50 kg or Rs.3800/ton	Rs.250 per ton	Rs.315 Per ton	8% of retail price	10% of retail price
Cleared other than in packaged form	Rs.170 per ton	Rs.215 Per ton	8% or Rs.230/ton whichever is higher	10% or Rs.290/ton whichever is higher
Cement Clinker	--	--	Rs.300 per ton	Rs.375 per ton

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