Budget Highlights 2010

CA Alpesh Tated

CA Arpit Verma

Income Tax

Slab Rates

- Individuals, HUF, AOP/BOI & Artificial Judicial Person

Existing		Proposed	
Income (INR)	Rate of tax (%)	Income (INR)	Rate of tax (%)
Upto 1,60,000	Nil	Upto 1,60,000#	Nil
From 1,60,001 To 3,00,000	10	From 1,60,001 To 5,00,000	10
From 3,00,001 To 5,00,000	20	From 5,00,001 To 8,00,000	20
Exceeding 5,00,000	30	Exceeding 8,00,000	30

#For Women below 65 yrs – Rs 1,90,000

#For Senior Citizens – Rs 2,40,000

- Surcharge shall be Nil
- Education Cess & Secondary Higher Education Cess shall be continued to levied

Slab Rates

- For Companies

Particulars	Existing		Proposed	
	Tax Rate	Surcharge*	Tax Rate	Surcharge*
Domestic Company	30	10	30	7.5
Foreign Company	40	2.5	40	2.5
Minimum Alternate Tax #	15	10 / 2.5	18	7.5 / 2.5

#MAT credit allowed to be c/f & s/o upto 10 AYs

*SC if Total Income exceeds Rs 1 Crore

- For Partnership Firms [including LLP]

  Tax Rate – 30%
  Surcharge – Nil

Education Cess & Secondary Higher Education Cess shall continued to be levied

Deductions

- For Individual / HUF

Section	Particulars	Proposed
80-CCF	Notified LT Infrastructure Bonds	Max. Rs. 20,000 #
80-D	Medical Insurance Premium	Contribution to CG Health Scheme

Over & above the existing limit of Rs. 1 Lac u/s 80C/ 80CCC/ 80CCD

Deductions

- For Specified Industrial Undertakings

Particulars	Conditions	Existing	Proposed
Specified Housing Projects approved before 31-03-08	Completion Period	4 yrs	5 yrs
	Max. Built-up area	5 % of Total BUA or 2000 sq.ft.(↓)	3 % of Aggregate BUA or 5000 sq.ft.(↑)
Hotel or Convention Centre (In Specified Areas)	Hotel– Starts functioning CC– Constructed	Before 31-03-10	Before 31-07-10

CHARITABLE PURPOSE

Advancement of "any other object of General Public Utility"

In the nature of trade, commerce or business for any Consideration

Total Receipts > Rs. 10 Lacs

Not Covered under Charitable Purpose

Total Receipts ≤ Rs. 10 Lacs

Continue to be for CP wref 01.04.09

Other Activities

Covered under Charitable Purpose

- Power of CIT to cancel registration obtained u/s 12A – w.e.f. 01-06-10

Weighted Deduction for Scientific Research

Nature of Expenditure	Section	Existing	Proposed
Contribution to an approved research association, university, college or other institution [Research in Social Science and Statistical Research proposed to be added]#	35(1)(ii)	125%	175%
Payment to a National Laboratory, University, IIT or specified person for scientific research	35(2AA)	125%	175%
In-house research by a person engaged in business of Bio Technology or any business of manufacture of any article or thing other than those specified in Schedule XI	35(2AB)	150%	200%

#Income of such associations proposed to be exempt u/s 10(21)

#Donation to such associations proposed to be allowed as deduction u/s 80GGA

Investment Linked Deduction

- 100% deduction shall be allowed in respect of any ***capital*** expenditure [other than on land, goodwill or financial instrument] incurred for the purposes of specified business.

- The list of specified business has been extended to include the business of building and operating a new hotel of 2 star category or above, anywhere in India, which starts functioning after 1.4.2010.

Conversion of Company Into LLP

- Not regarded as Transfer u/s 47 subject to fulfillment of certain specified conditions, hence no CG u/s 45.
- Withdrawal of exemption u/s 47A on failure to comply with the above referred conditions.
- Carry forward & Set off of Business Loss & Unabsorbed Depreciation of Co. allowed to LLP
- MAT credit u/s 115JA not allowed to LLP
- Actual cost for LLP in Books – WDV in Co's Books
- COA for LLP – Actual COA to Co

Definition of Property – Individual/HUF

- Include "bullion" w.e.f. 01.06.10.
- Exclude w.r.e.f. 01.10.09, the property which is in nature of Inventory of any business of the recepients. i.e. Restricted only to property which is in the nature of capital asset in the hands of recipient.

Immovable Property – Individual/HUF

Received W/o consideration

Stamp Duty Value > Rs 50K → **Taxable#**

Stamp Duty Value $\leq$ Rs 50K → **Not Taxable**

Other Cases → **Not Taxable**

(Taxability in the hands of recipient of IMP)

AO empowered to refer to Valuation Officer

#w.r.e.f. 01-10-09

Transfer of Shares

- Shares of Closely Held Co.
- Received by Firm/Closely held Co.
- For inadequate/without consideration
- Regarded as Transfer u/s 47
- Taxable Value = FMV of Shares – Consideration Received

AO empowered to refer to Valuation Officer

w.e.f. 01-06-10

Tax Audit

Particulars	Existing (INR)	Proposed (INR)
Business – Total Turnover/Gross Receipts	40 Lacs	60 Lacs
Profession – Gross Receipts	10 Lacs	15 Lacs
Turnover/Gross Receipts u/s 44AD	40 Lacs	60 Lacs
Maximum Penalty for Non Compliance	1 Lac	1.5 Lac

w.e.f. 01-04-11

TDS

Section	Nature Of Payment	Existing (INR)	Proposed (INR)
194B	Winnings from Lottery & Crossword Puzzles	5,000	10,000
194BB	Winnings from Horse Race	2,500	5,000
194C	Payment to Contractor [for a single transactions]	20,000	30,000
	Payment to Contractor [for aggregate of transactions during the FY]	50,000	75,000
194D	Insurance Commission	5,000	20,000
194H	Commission/Brokerage	2,500	5,000
194I	Rent	1,20,000	1,80,000
194J	Fees for Professional/Technical Services	20,000	30,000

w.e.f. 01-07-10

The deductor / collector will continue to furnish TDS/TCS certificates to the deductee / collectee even after 1st April,2010. [w.e.f. 01-04-10]

TDS

Section	Nature	Existing	Proposed	Effective Date
40(a)(ia)	Disallowance of certain Expense	In case the deduction of tax is made during the month of March, no disallowance is made if the tax is deposited on or before the due date of filing of return.	No disallowance will be made if after deduction of tax during the previous year (at any time), the same has been deposited on or before the due date of filing of return of income.	01-04-10
201(1A)	Tax Not Deducted	1% for every month or part of a month	1% for every month or part of a month	01-07-10
	Tax deducted but Not deposited	1% for every month or part of a month	1.5% for every month or part of a month	

Settlement Commission

Nature	Existing	Proposed	Effective Date
"Case" which can be admitted by the Settlement Commission	Excluded proceedings for assessment or reassessment resulting from a search or requisition.	Include proceedings for assessment or reassessment resulting from search u/s 132 or as a result of requisition of books of account or other documents or any assets u/s 132A.#	01-06-10
Minimum Limit to File Application - Additional Income Tax payable	Rs. 3 Lacs	Rs. 10 Lacs	01-06-10
#Where the proceeding is pending in case of assessment or reassessment resulting from a search or requisition, then such application can be made only, if the additional amount of income – tax payable exceeds Rs. 50 lacs. [w.e.f. 01-06-10]			

Settlement Commission

- Time Limit for Passing Order

Nature	Existing	Proposed	Effective Date
For applications filed before 01.06.10	Within 12 months from the end of month in which application was made.	No Change	N.A.
For applications filed on or after 01.06.10		Within 18 months from the end of month in which application was made.	01-06-10

Non resident

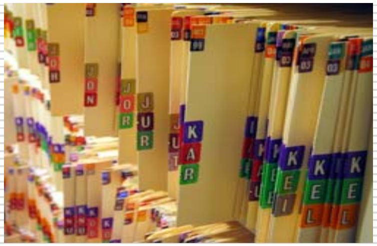
Section	Nature	Existing	Proposed	Effective Date
9(1)(v),(vi),(vii)	Deemed to Accrue or Arise in India	Inclusive of cases wherein services are provided outside India and as long as they are utilized in India	Includes in the Total Income, whether or not NR has – Place of Residence/Business Connection in India – Renered Services in India	01-06-76
44BB & 44DA	Extraction/Production of Mineral Oil	Earlier sec 44BB included income covered u/s 44DA also	Now Excludes the income covered u/s 44DA	01-04-11

Miscellaneous

- Condonation of delay in Filing Appeal before HC
  - Proposed to insert Sec 260A(2A) to specifically provide that HC may admit an appeal even after the expiry of the period of 120 days, if it is satisfied that there was sufficient cause for not filing an appeal within such period. [w.r.e.f. 01-10-98]

Service Tax

New Services



Service	Provider	Receiver	Inclusion	Exclusion
Brand Promotion	Any person	Any person	Promotion or Marketing of '*brand*' under contract. Trade Name, Logo etc are also included if appeared in Promotional event.	Nil
Games of Chance	Any person	Any person	Promotion, Marketing or Organising such games.	Nil
Health Service	Hospital, Clinic, Nursing Home	Employee of Business Entity	Payment made by Business Entity directly to service provider.	Nil
		Person covered under Health Insurance Scheme	Payment made by Insurance co. directly to service provider.	Nil
Maintenance of Medical records	Any Person	Business Entity	Storing, keeping or maintaining Medical Records of Employees of such Business Entity.	Nil

New Services

Service	Provider	Receiver	Inclusion	Exclusion
Electricity Exchange Service	Electricity Exchange approved by CERC	Any Person	Trading, processing, clearing or settlement of any electricity related contract	Nil
IPR – ©	Any Person	Any Person	Temp. Transfer/Permission to Use or enjoy © on Cinematographic film and sound Recording Service	Rights covered u/s 13(1)(a) of © Act
Additional Services by Builders	Builder	Prospective Buyers	PLC, External / Internal development of Complex	Parking Space
Permit Commercial use of any event	Any Person	Any Person	Permit commercial use or exploitation of any event	Nil

Modification in Existing Services

Taxable Services	Amendments
Air Passenger Transport	Domestic Journeys are also included. Taxes charged by Foreign Govt. are excluded from Taxable Value.
Commercial Training or Coaching Centre	Clarification that Commercial means any training or coaching provided for any consideration. (wref 01-07-03)
Sponsorship Service	Sponsorship of sports events are now included.
Airport / Port or other Port Service	All services provided entirely within the area of A/P/OP
Auctioneer's service	'Auction by govt.' – Covers sale of Govt. Property & not when govt. acts as auctioneer for sale of pvt. Property.

Modification in Existing Services

Taxable Services	Amendments
IT Software Service	Scope expanded to cover all cases irrespective of use of IT Software. (Earlier limited to business or commercial use)
Mgt. of ULIP Service	Value of Taxable Service – Higher of a) Actual Fund Mgt. Fees charged by Service Provider, or b) Max. Fund Mgt. Charges fixed by IRDA
Renting of Immovable Property	Rent of Vacant Land when there is agreement between lessor or lessee for construction during lease term. (wref 01-06-07)
Construction Service	Any sum paid by prospective buyer to the builder before grant of Completion Certificate.

Exemptions

Services	Exemptions	Effective Date
Pre Packaged IT Software	Compliance of Certain Conditions – Documents, Duties Paid Exemption is not availed by manufacturer, duplicator.	Immediately
GTA	Scope of Exemption extended to 'food grains and pulses'	Immediately
Online Info. And Database Retrieval Service & Business Auxiliary Services	Compliance of Certain Conditions – Such agency is notified u/s 10(22B) of IT Act. Does not distribute its income to its members.	Immediately
Transmission of Electricity Service	Complete Exemption	Immediately
Erection, Commissioning or Installation Service	For following – □ Of Mechanized Food Grain Handling system □ Of Equipment for setting-up/expansion of Cold Storage □ Processing agri, apiary, horticultural, dairy, poultry, aquatic & marine products and meat	Immediately

Exemptions

Services	Exemptions	Effective Date
Technical Testing & Analysis / Technical Inspection Service	If provided by Central/State Seed Testing Lab and Central/State Certification Agency notified under Seeds Act, 1966	Immediately
Commercial Training/ Coaching Service	Restricted to vocational training courses in designated trades as notified under Apprentices Act.	Immediately
Transport of Goods by Rail	Service, the description of which is specified in Notification No. 08/2010	01-04-10

Export of Service

- "Service is provided from India & used outside India" is being deleted
- Refund to exporters including –
  - on all G&S on which CENVAT can be claimed
  - CENVAT credit is availed in prior period for which refund is claimed & eligible

Miscellaneous

- No Penalty – ST + Interest paid before issuance of Notice
- Business Entity –
  - Includes AOP/BOI/Co./Firm
  - Exclude Individual

Excise

Change in Rates

w.e.f. 27-02-10

Product	Existing	Proposed
General – Non Petroleum Products	8 %	10 %
Open Top Sanitary Cans	4 %	10 %
Goggles other than those used for correcting vision	4 %	10 %
Potato starch	8 %	4 %
Latex rubber thread	8 %	4 %
Cartons , boxes and corrugated paper or paper board	8 %	4 %
LED light	8 %	4 %
Replaceable kits of domestic water filters except those operating on RO technology	8 %	4 %
Goods covered under the Medicinal and Toilet Preparations Act	16 %	10 %
Automobiles – Components of Large cars / MUV / SUV / Chassis	20 %	22 %

Exemption Granted

w.e.f. 27-02-10

- Goods supplied to mega power projects.
- Supari other than scented supari
- Fractioned /De- terpenated mentha oil
- De – mentholised oil
- Spearmint oil
- Mentha piperita oil
- Any intermediate or by product arising in the manufacture of menthol
- Toy balloon made of natural rubber
- Specified items intended to be used for cold storage, cold room, refrigerated vehicle for preservation, storage, transportation of apiary, horticulture, dairy, poultry, aquatic and marine produce
- Parts of battery chargers and hands free headphones of mobile handsets including cellular phones
- Specified goods required for initial setting up of solar power generation projects
- Self loading and self unloading trailers and semi trailers for agricultural purposes

Exemption Withdrawn

w.e.f. 27-02-10

- Tapioca starch and maize starch
- Avgas
- Baby and clinical diapers
- Sanitary napkins
- Mosquito nets
- Umbrella panel
- Micro processor for computers (other than mother board)
- Floppy disc drive
- Hard disc drive
- Flash drive
- CVD/ DVD
- Combo drive for external use
- Electrically operated vehicles including two and three wheeled electric motor vehicle
- Blood glucose monitoring system
- Products wholly made of quilted textile material
- Specified medical equipments

Other Changes

w.e.f. 27-02-10

- **S**pecific rates - cement and cement clinkers - revised upwards.
- Excise duty rates –
  - cigarettes and **tobacco products** – increased
  - petrol and diesel - increased by Re 1 per litre.
- Clean energy cess has been proposed on mining of coal, lignite and peat.
- Process of drawing or redrawing of aluminum tubes and pipes amounts to manufacture.
- The exemption would be available in relation to the packaged software in all cases irrespective of its intended use
- Assessment of duty based on the retail sale price extended to vehicles (chassis fitted with engines). Exclusion provided for carriages for disabled, trailers, etc.

Non Tariff

- To dispense off with the pre-authentication of invoices.
- No penalty - if duty along with interest is paid before issuance of show cause notice in cases not involving fraud, collusion or willful misstatement or suppression of facts.
- In cases of removal of computer and computer peripherals from the factory after use the provisions has been amended to provide the computation of reversal of credit on the basis of accelerated depreciation as compared to other goods.
- Allow removal of jigs, fixtures, moulds and dies without reversal of credit for the purpose of use in the manufacture of goods by another manufacturer. (Earlier this facility was available only in relation to the removal of above goods to the job worker)
- CENVAT Credit on inputs used in the manufacture of goods supplied to mega power projects.
- Rule 15 of the CENVAT Credit Rules has been amended to harmonize the penal provisions for incorrect availment of CENVAT Credit of duty paid on input services with that of existing provisions applicable in relation to inputs and capital goods.

w.e.f. 01-04-10

Notification

- Tobacco falling under tariff item 2401 & 2403

S N	Retail sale price (per Pouch)	Rate of duty per packing machine per month (Rs. in lakh)			
		Unmanufactured Tobacco		Chewing tobacco	
		Pouches not containing lime tube	Pouches containing lime tube	Pouches not containing lime tube	Pouches containing lime tube
(1)	(2)	(3)	(4)	(5)	(6)
1.	Upto Rs. 1.50	8.50	8.00	12.00	11.50
2.	**From Rs. 1.51 to Rs. 2.00**	10.25	9.75	**14.25**	13.50
3.	From Rs. 2.01 to Rs. 3.00	15.25	14.50	21.50	20.25
4.	From Rs. 3.01 to Rs. 4.00	19.00	17.75	26.75	25.00
5.	From Rs. 4.01 to Rs. 5.00	23.75	22.25	33.50	31.25
6.	From Rs. 5.01 to Rs. 6.00	28.50	26.75	40.00	37.50
7.	Above Rs.6.00	28.59 + 4.51 * (MRP-6)	26.71 + 4.26 * (MRP-6)	40 + 6.33 * (MRP-6)	37.46 + 5.98 * (MRP-6)

w.e.f. 08-03-10

Industry Impact

Real Estate & Infrastructure Industry

- Positive Proposals/Impact
  - Revision of Slab Rate – benefit the employees/workers as it is labour intensive
  - Reduction in Corporate Tax to 33.99% from 33.2175%
  - Exclusion of the immovable property transactions for inadequate consideration from IFOS
  - Increase in Threshold Limit of TDS
  - Scheme of 1% interest subvention on housing loan upto Rs 10 Lacs extended to 31-03-11

- Negative Proposals/Impact
  - 'Construction Complex Service' – Activity of Construction -Taxable Service
  - Hike in Excise Duty on Cement & Cement Clinkers
  - Amendment in 'Renting of Immovable Property'
  - Additional Services by Builders

Entertainment & Media Industry

- **Positive Proposals/Impact**
  - Service Tax exemption to Indian News Agencies
  - Exemption is provided on movies / motion pictures recorded on cinematographic films or CD / DVDs etc, whereby customs duty would be charged only on the cost of the carrier medium and the freight and insurance.
  - Promotional material like trailors, making of films etc. imported free of cost in the form of electronic promotion kits (EPK) or beta-cams are being fully exempted from basic customs duty and CVD.
  - Project imports status is being accorded to 'Setting up of Digital Head End' with 5% confessional basic customs duty and Nil special additional duty of customs.
  - Reduction in Corporate Tax Rate

- **Negative Proposals/Impact**
  - Services of permitting commercial use or exploitation of any event organized.
  - Proposed to bring copyrights on cinematographic films and sound recording within the ambit of service tax.
  - 'Sponsorship service', related to sports is being included.

Way Ahead

Goods & Service Tax

- The proposed date of introduction - April 1, 2011.
- Increase in the level of excise duty to 10% signifying a single rate of tax for goods and services
- Rationalization of duties and broadening of the tax base by way of introduction of new taxable services
- The Budget 2010 not only brings clarity on the introduction of GST but marks the Government's commitment to expedite its introduction

Direct Tax Code

- The Government will be in a position to implement the DTC from 1 April 2011

State Budget

Rajasthan VAT

- Limit for Compulsory Registration increased to Rs 10 Lacs from Rs 5 Lacs.
- Rates u/sch IV increased to 5% from 4% (other than items for which max. rate specified under CST Act is 4%)
- Applicability of VAT47 now removed for 8 items
- VAT on hotels & restaurants (below 3*) lowered to 5% from 14%
- Due date for VAT Audit extended to 31st Jan from 31st Dec
- ITC Refund now directly transfer to Assessee’s Bank A/c

VAT Return & WCT

- Quarterly Return
  - Simplified (now only 3 Annexures instead of 9)
  - Filing exempt for persons paying Annual VAT ≤ Rs 20K in PPY

- e- Return
  - Compulsory for assessee paying VAT ≥ Rs 5 Lacs pa (earlier Rs 10 Lacs)
  - No hard copy if Digital Signature affixed
  - Due Date for e-filing extended by 15 days as compared to manual filing
- WCT – Composition Scheme
  - Registered Contractors can now apply within 2 yrs (from award of contract) after filing late fees
  - Material Cost ≤ 5% of CV → Tax @ 0.25%

Miscellaneous

- Composition Scheme
  - Turnover ≤ Rs 50 Lacs
  - Rate increased to 0.50% from 0.25%

- 1st Appeal
  - Order to be passed within 1 year
  - Pre deposit - 10 % of tax only(not interest & penalty)

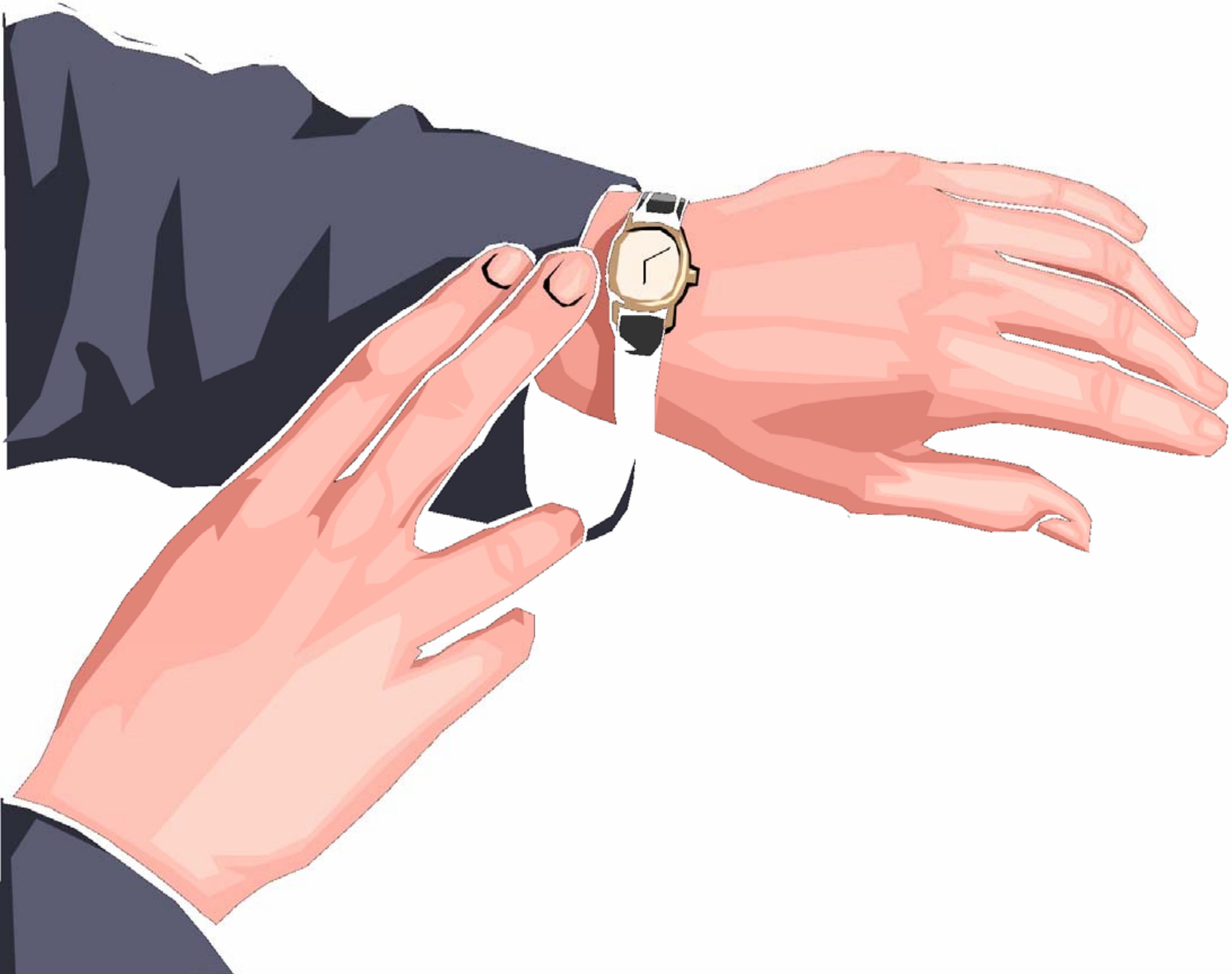
- Eligible for Self Asst. if Audit report & Annual Return are timely filed irrespective of delay in filing QR

- Only VAT-11 required (earlier VAT-10A was also required)-
  - Composition Scheme
  - Filing Audit Report

Miscellaneous

- Urban Cess @ 10 paisa/unit for Electricity consumption > 100units/month
- No Stamp Duty on
  - Affidavit for Caste/Domicile Certificate – for Academic use
  - Acquisition or Purchase of Land for setting up Power Plant.
- Stamp Duty on Family Settlement Deed reduced to 1% from 2.5% of FMV of Property
- Registry charges for HPN of Title deed reduced to 0.10% from 1%(Max. Rs 25K)

Well, TIME IS UP!!!




Thank You!

Meet The Makers

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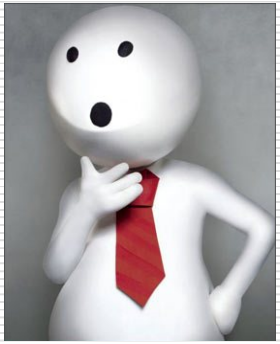

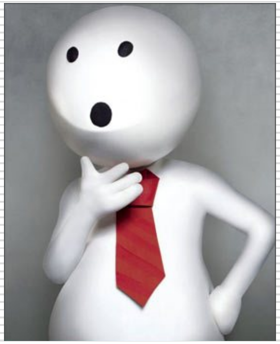

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