GUIDE TO UNION BUDGET 2012-13

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Direct Tax

1. **Salary**

Individual and HUF (irrespective of Gender)	Tax Rate
Upto 2,00,000	NIL
2,00,000 to 5,00,000	10%
5,00,000 to 10,00,000	20%
10,00,000 to above	30%

Senior Citizen (as at 60 years and above 60 years but below 80 years)	
Upto 2,50,000	NIL
2,50,000 to 5,00,000	10%
5,00,000 to 10,00,000	20%
10,00,000 to above	30%

Super Senior Citizen (as at 80 years and above 80 years)	
Upto 5,00,000	NIL
5,00,000 to 10,00,000	20%
10,00,000 to above	30%

(a) E Cess and S.H Cess will be 2% and 1%
(b) No Surcharge for Individual Tax Payer
(c) The category of Women below 65 years has been removed

2. **U/S 80D (Mediclaim Insurance Premium)** - Age of Senior Citizen reduced to 60 Years from 65 Years (Payment can be made cheque or Cash) - Additional 5000/- being introduced with existing 15,000/-

3. **U/S 80 DDB (Medical Treatment)** - Age of Senior Citizen reduced to 60 years from 65 years (earlier)

4. **U/S 80C (Deduction in respect to Life Insurance Policy)** - Eligible for deduction in respect to Insurance Policy, 10% of actual capital sum assured , existing was 20%

5. **Rajiv Gandhi Equity Saving Scheme** - Allow income tax deduction to retail investor on investing in Equities, Exemption upto 50% for people having income below 10 lakh in a financial year

6. Senior Citizen without business Income will be exempted for Advance Payment Tax

7. New Section 115BBE under IT Act - Total Income includes any amount Specified U/s 68, 69, 69A, 69B, 69C and 69D are taxable @30%. And these amounts are required to be deducted from total Income.

8. U/S 80TTA – this is proposed to be introduced to provide deduction to an individual or a Hindu undivided family in respect of interest received on deposits (not being time deposits) in a savings account banks, cooperative banks and post office. The deduction is restricted to Rs 10,000.

9. Deduction U/S 80G and 80GGA will not be allowed, if donation made in cash exceeding Rs 10,000/-

10. Where Compensation or Consideration is paid in excess of Rs 2,00,000/- (Earlier 1,00,000/-) TDS to be deducted @10% under section 194 LA

11. TDS of 10% to be deducted on payment to Directors under 194J, If it is not in the nature of Salary

12. In case of Purchase of Jwellery in cash exceeding Rs 2,00,000/- the Jeweler will collect tax @1% as TCS whether this is purchased by manufacturer, trader or ultimate consumer

13. TDS in case of Transfer of Immovable property other than Argi land is @ 1% if
- **(a) the consideration exceeds 50 lakh where the property is situated in specific urban agglomeration**
- **(b) the consideration exceeds 20 lakh where the property is situated at any other place**

14. AMT (Alternate Minimum Tax) is also applicable to person other than company, if the assessee is claiming deduction under Chapter IV under head Capital Gain and U/S 10AA

However, if adjusted total income of assessee being Individual, HUF, AOP or BOI whether incorporated or not to an artificial judicial person does not exceed 25 lakh then MAT will not apply

15. In order to Curve the Practice of laundering of unaccounted money by taking advantage of basic exemption limit. It is proposed to tax unexplained credit money invested, expenditure @30% plus surcharge, cess as applicable.

16. Penal provision being introduced Even if the assessee admits undisclosed income during the course of Search.

17. Shares Issued at premium in case of fair market value, the excess will be treated as income in the hands of the Issuing co.

18. Turnover Limit for Audit under Section 44AB raised from 60 Lakh to 1 Crore in case of business and 15 lakh to 25 lakh incase of Professional. The same limit is applicable to U/S 44AD

19. Earlier section 80L has been replaced by section 80TTA allowing deduction of interest on Saving bank account upto Rs10k

20. Exemption from Long Term Capital Gain arising from sales of residential house property or plot of land, if the sales consideration is invested in the equity of SME engagement in the manufacturing sector or if such SME utilized such equity fund in purchase of its new plant and machinery subject to certain condition

21. Fees and Penalty for delay in filling TDS statement, Fees of Rs 200/- per day and additional penalty of Rs 10,000/- to Rs 1,00,000/-

22. Even if TDS not deducted or short deducted by the payer or any sum on which tax is required to be deducted, he will not be treated as assessee in default, if the payee filled his return of income within due date taken into consideration the sum so received from the payer and discharge his tax liability on the due date. Then payer will not consider as assessee in default under section 201(1).However, the payer has to collect a certificate from Certified Accountant regarding the filling of return and discharge of liability of the payee. (Amendment in U/S 40)

23. Changes proposed in Provision of TDS

U/S – 193 – Payment to HUF also exempted under certain condition
5,000 substituted in place of 2,500
Debenture issued by public ltd co. irrespective of listed in Stock exchange
Will be effective from 01.07.2012

U/S – 194E- addition of entertainer
Rate of deduction enhanced to 20% from 10%
Will be effective from 01.07.2012

U/S – 194J- addition of director's remuneration/fees/commission
Will be effective from 01.07.2012

U/S – 194LA- consideration limit enhanced to 2,00,000 from 1,00,000
Will be effective 01.07.2012

U/S – 194LLA- This is new section
Will be effective from 01.10.2012
Tax deduction at source from payment for immovable property in certain cases

U/S – 194LC- this is new section
Will be effective from 01.07.2012
Tax deduction at source from payment of interest to a non-resident by an Indian company

U/S – 195- Determination of appropriate proportion of sum chargeable to tax
Will be effective from 01.07.2012

U/S- 197A- reduce the age limit from 65 to 60
Declaration Form 15H to be furnished
Will be effective from 01.07.2012

23. No Change in Tax rate for Corporate

24. No Change in Tax for Partnership Firm, Local Authorities, Co-operation Society
25. DTC has been deferred for the Time being

26. STT being reduced to 0.1% on delivery

27. 1% Interest subvention on home loan amount upto Rs 15 lakh

28. Changes proposed in transfer pricing

(a) Advance Pricing Agreement (APA) Introduced –

Earlier – No such provision was there (The APAs were Proposed to be introduced in the DTC 2010, however given delay in introducing the DTC, the same has been proposed in the Finance Bill 2012)

Introduction of New Section 92CC and 92CD to providing framework fro APA under the Act

(b) Proposes to amend definition of international transaction to elaborately explain the tangible/intangible property , services, financing transaction

(c) Inclusion of specified domestic transaction within transfer pricing provision. Proposed to cover the transaction referred to in section 40A, 80A, sub-section 8 of section 80IA, Sub-section 10 of Section 80IA of the Act.

(d) 5% Variation reduced and not available as Standard deduction - The finance Bill 2012 has substituted 5% with 3% with effect from 1.04.2013. This amendment is applicable to all assessment or re-assessment proceedings pending before AO as on 1st day of October, 2009

(e) Appeal against the direction of Dispute Resolution Panel (DRP) – This revised provision will now provide the Income tax department the right to appeal against the direction given by DRP. It will be effective on/after 01.07.2012

(f) Power of DRP to enhance variation – it has been explained in the provision of section 144C and will accordingly apply to assessment year 2009-10 and subsequent assessment year.

(g) Transfer Pricing Officer has legal Jurisprudence in case of transaction that have not been reported in accountant report

(h) Penalty for failure to report international transaction or furnishing incorrect information and document

(i) Completion of Assessment in search cases referred to DRP – with this provision, the time limit for issuing the final order by the AO in case of Search and Seizure assessment would be one month from the receipt of direction from DRP.

29. Return filling is mandatory for persons having assets abroad.
Even if a resident assessee is not liable to file his return of income since his taxable income is below the basic exemption limit it would be mandatory for him to file a return of his income (or loss) in India

- **if he has any asset located outside India including any financial interest in any entity outside India (not necessarily an earning asset)**
- **if he is signing any accounts of entities incorporated outside India would also have to file their return in India**

30. Extension of time for completion of assessment and reassessment

Limitation of time

S. No.	Proceedings under section	Current time allowed	Proposed Period
(1)	143 – Scrutiny Assessment	21 months from end of AY	24 months
(2)	143 & 92CA – Scrutiny Assessment & Transfer Pricing Assessment	33 months from end of AY	36 months
(3)	148 – Income Escaping Assessment	9 months from end of FY in which notice issued	12 months
(4)	148 & 92CA - Income Escaping Assessment & Transfer Pricing Assessment	21 months from the end of FY in which notice issued	24 months
(5)	250 - Appellate Proceedings 254 - Appellate Tribunal 263 – Revision of orders prejudicial to revenue	9 months from end of FY in which notice issued	12 months
(6)	250 - Appellate Proceedings 254 – Appellate Tribunal 263 – Revision of orders prejudicial to revenue 92CA – Transfer Pricing	21 months from end of FY in which notice issued	24 months

Similar amendments in the provisions of section 17A of the Wealth-tax Act for increasing the time limit by three months for completion of assessment/reassessment proceedings.

These amendments will take effect from 1st July, 2012.

31. Re-assessment of Income in relation to any asset located outside India

No notice under section 148 shall be issued for the relevant assessment year, if four years, but not more than sixteen years, have elapsed from the end of the relevant assessment year unless the income in relation to any asset (including financial interest in any entity) located outside India, chargeable to tax, has escaped assessment.

A notice under section 148 served to a person treated as the agent of a non-resident under section 163 and the assessment, reassessment or re-computation to be made in pursuance of the notice is to be made on him as the agent of such non-resident, the notice shall not be issued after the expiry of a period of six years from the end of the relevant assessment year

32. Removal of Cascading effect of Dividend Distribution Tax (DDT)

The companies with multi–tier structure could not reduce the dividend on which DDT was paid by their subsidiaries if such companies were subsidiaries of other companies. Thus, the benefit was available only to holding companies in a two-tier corporate structure.

An amendment is proposed in Sec. 115-O(1A) by omission of the clause that the domestic company receiving dividend from its subsidiaries could not be a subsidiary of any other company for availing the benefit of reduction of dividend so received while calculating DDT on its own dividends paid or declared

33. General Anti Avoidance Rule being introduced to counter aggressive tax avoidance

Note: - It will be appreciable if you bring to notice any wrong input for correction and also thanks for your time in line professional guidance.