TAX PROPOSALS IN FINANCIAL BUDGET 2013-14

DIRECT TAXES

- Relief to the tax payers in the first bracket of ₹2 lakh to ₹5 lakh., a tax credit of ₹2,000 to every person who has a total income upto ₹5 lakh.

- Individuals, HUFs, firms and entities with similar tax status now have to pay a surcharge of 10 percent on taxable income exceeds ₹1 crore per year. .

- Increase the surcharge from 5 percent to 10 percent on domestic companies whose taxable income exceeds ₹10 crore per year. In the case of foreign companies, who pay the higher rate of corporate tax, the surcharge will increase from 2 percent to 5 percent.

- In all other cases where surcharage is levied , such as dividend distribution tax or tax on distributed income, increase in the current surcharge of 5 percent to 10 percent. The additional surcharges will be in force for only one year, that is Financial Year 2013-14.

- The tax benefit to the first-home buyer who takes a loan for an amount not exceeding ₹25,00,000. I propose to allow such home buyers an additional deduction of interest of ₹100,000 to be claimed in AY 2014-15. If the limit is not exhausted, the balance may be claimed in AY 2015-16. E.g. If ₹1,20,000 paid during AY 2014-15, ₹1,00,000 deductuin in same year & balance ₹20,000 in AY 2015-16 but Max. ₹1,00,000. This deduction will be over and above the deduction of ₹150,000 allowed for self-occupied properties under section 24 of the Income-tax Act.

- For persons suffering from disability or certain ailments by increasing the permissible premium rate from 10 percent to 15 percent of the sum assured. This relaxation shall be available in respect of policies issued on or after 1.4.2013.

- Contributions made to the Central Government Health Scheme are eligible for deduction under section 80D of the Income-tax Act. Extention the same benefit to similar schemes of the Central Government and State Governments.

- Donations made to the National Children's Fund will now be eligible for 100 percent deduction.

- To provide an investment allowance at the rate of 15 percent to a manufacturing company that invests more than ₹100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.

- Extention in the 'eligible date' for projects in the power sector to avail of the benefit under section 80-IA of the Income-tax Act, from 31.3.2013 to 31.3.2014.

- Continue of benefit for one more year for the concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary. Further, the Indian company shall not be liable to pay dividend distribution tax on the distribution to its shareholders of that portion of the income received from its foreign subsidiary.

- ❖ With a view to attract investment in long term infrastructure bonds in foreign currency, the rate of tax on interest paid to non-resident investors was reduced last year from 20 percent to 5 percent. Extention of the same benefit to investment made through a designated bank account in rupee-denominated long term infrastructure bonds.

- ❖ Exemption to the Securitisation Trust from income tax. Tax shall be levied only at the time of distribution of income by the Securitisation Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF. No further tax will be levied on the income received by the investors from the Securitisation Trust.

- ❖ Investor Protection Fund set up by a depository for the protection of interest of beneficial owners will be exempt from income tax.

- ❖ Modification in the Rajiv Gandhi Equity Saving Scheme, enabling the first time investor to invest in mutual funds as well as listed shares and she can do so, not in one year alone, but in three successive years. The income limit will be raised from ₹10,00,000 to ₹12,00,000;

- ❖ TDS at the rate of one percent on the value of the transfer of immovable property where the consideration exceeds ₹50 lakhs. However, agricultural land will be exempt.

- ❖ Levy of withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.

- ❖ Increase in the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent. However, the applicable rate will be the rate of tax stipulated in the DTAA.

- ❖ <u>Changes in the Securities Transaction Tax (STT):</u>
  Equity futures: from 0.017 to 0.01 percent
  MF/ETF redemptions at fund counters: from 0.25 to 0.001 percent
  MF/ETF purchase/sale on exchanges: from 0.1 to 0.001 percent, only on the seller

- ❖ Commodities Transaction Tax (CTT) to be levied on non-agricultural commodities futures contracts at the same rate as on equity futures that is at 0.01 percent of the price of the trade. Trading in commodity derivatives will not be considered as a ‘speculative transaction’ and CTT shall be allowed as deduction if the income from such transaction forms part of business income.

- ❖ Modified provisions of GAAR will come into effect from 1.4.2016.

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Indirect Taxes

- Extention of the period of concession now available for specified parts of electric and hybrid vehicles upto 31.3.2015.

- Reducation in the duty on specified machinery for manufacture of leather and leather goods, including footwear, from 7.5 percent to 5 percent.

- Reducation in the duty on pre-forms of precious and semi-precious stones from 10 percent to 2 percent.

- Export duty on de-oiled rice bran oil cake has made our exports uncompetitive. Hence, I propose to withdraw the said duty

- Duty of 10 percent on export of unprocessed ilmenite and 5 percent on export of upgraded ilmenite.

- Domestic production of set top boxes as well as value addition, increase in the duty from 5 percent to 10 percent.

- To increase the duty on raw silk from 5 percent to 15 percent.

- Change in Custom Duty Rate of Steam coal and Bituminous coal to 2 percent customs duty and 2 percent CVD.

- The Import Duty on motor vehicles from 75 percent to 100 percent; on motorcycles with engine capacity of 800cc or more from 60 percent to 75 percent; and on yachts and similar vessels from 10 percent to 25 percent.

- The baggage rules permitting eligible passengers to bring jewellery, the duty-free limit is increased to ₹50,000 in the case of a male passenger and ₹100,000 in the case of a female passenger, subject to the usual conditions.

- In the case of cotton, there will be zero duty at the fibre stage also and, in the case of spun yarn, there will be a duty of 12 percent at the fibre stage. The ‘zero excise duty route’ will be in addition to the CENVAT route now available.

- Totally exemption to handmade carpets and textile floor coverings of coir or jute from excise duty.

- Exemption to ships and vessels from excise duty. Consequently, there will be no CVD on imported ships and vessels.

- Increase in the specific excise duty on cigarettes by about 18 percent. Similar increases are proposed on cigars, cheroots and cigarillos.

- Increase in the excise duty on SUVs from 27 percent to 30 percent. However, the increase will not apply to SUVs registered as taxis.

- Increase in the Excise duty from ₹30 per sq. mtr to ₹ 60 per sq mtr. on Marbles.

- Levy of 4 percent excise duty on silver manufactured from smelting zinc or lead, to bring the rate on par with the excise duty applicable to silver obtained from copper ores and concentrates.

- Mobile phones enjoy a concessional excise duty of one percent. Raise in the excise duty to 6 Percent on mobile phones priced at more than ₹2000.

- MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine. There will be an abatement of 35 percent on same.

- Two services included in the negative list. One being, vocational courses offered by institutes affiliated to the State Council of Vocational Training and second being testing activities in relation to agriculture and agricultural produce.

- Full exemption of service tax was granted on copyright on cinematography. The benefit of exemption to films exhibited in cinema halls.

- Levy of service tax on all air conditioned restaurants.

- Homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of ₹1 crore or more are high-end constructions where the component of 'service' is greater. Hence, I propose to reduce the rate of abatement for this class of buildings from 75 percent to 70 percent. Existing exemptions from service tax for low cost housing and single residential units will continue.

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