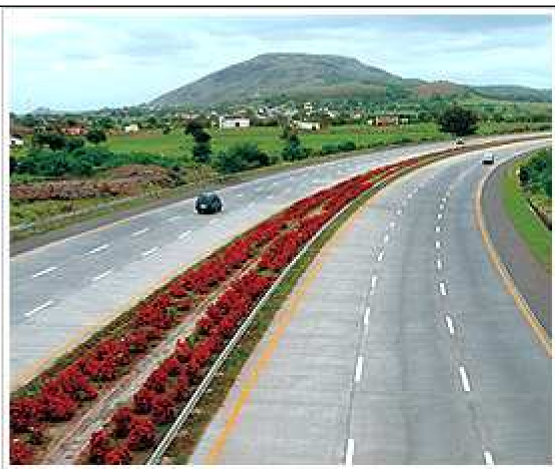
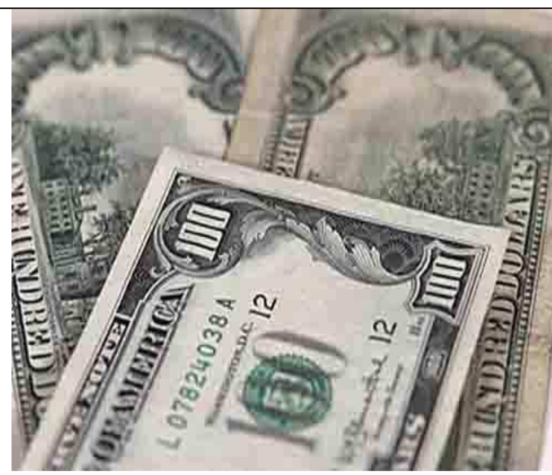
Highlights of Union Budget 2008



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Budget Fast Facts –

a) <u>Direct Taxes –</u>

I. Personal Income Tax

A. Threshold limit of exemption from personal income tax in the case of all assesses has been increased to Rs. 1,50, 000. The slabs and rates of tax are: -

Income Tax Slabs	Rate of Tax
Up to Rs.1,50,000	NIL
Rs.1,50,001 to Rs.3,00,000	10%
Rs.3,00,001 to Rs.5,00,000	20%
Rs.5,00,001 and above	30%

In case of a woman assessee, the threshold limit increased from Rs.1,45,000 to Rs.1,80,000; for a senior citizens, the threshold limit increased from Rs.195,000 to Rs.2,25,000

B. No change in the rate of surcharge.

C. **<u>Scope of eligible savings instruments enlarged</u>** - The following saving instruments have been inserted for being eligible for deduction **U/s 80C** of Income Tax Act, 1961 -
   - Senior Citizen Saving Scheme 2004
   - Post Office Time Deposit Account

D. Existing Section 80D shall now be substituted with a **new Section 80D** to provide for ***an additional deduction of Rs.15,000*** to an individual paying medical insurance premium for his/her parent or parents.

E. With effect from 1st April, 2008 Income Tax Act to be amended to provide that ***Reverse Mortgage*** would not amount to "transfer"; and the stream of revenue received by the senior citizen would not be "income" in his/her hands.

F. With effect from 1st April, 2009 Tax income arising from saplings or seedlings grown in a nursery shall be exempted.

G. With effect from the 1st day of April, 2009 Rate of tax on **Short Term Capital Gains** on sale of STT paid Equity Shares/Units has been increased to **15%** as against existing rate of 10%.

II. Corporate Tax/ Tax on business or profession -

A. No change in the corporate income tax rates.

B. No change in the rate of surcharge.

C. **Advancement in the due date of filing of Corporate Tax Returns -** W.e.f 1st April, 2008 the due date for filing return of income in the case of a company or a person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force, or a working partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, **has been advanced to 30th September of the assessment year** as compared to the existing due date of 31st October of the assessment year.

D. W.e.f. Assessment Year 2009-10 and subsequent assessment years, Entities carrying on regular trade, commerce or business or providing services in relation to advancement of any other object of general public utility for a cess or fee or any other consideration shall be excluded from claiming that their purposes also fall under "charitable purpose"; Genuine charitable organizations not to be affected.

E. Section 35D has been amended to provide benefit of amortization of specified post commencement preliminary expenses to all sectors for the extension of an undertaking or the setting up of a new unit. (applicable w.e.f. 1st April, 2009). Presently, this benefit is not available to Service Sector.

F. Securities Transactions Tax(STT) paid to be treated like any other deductible expenditure against business income if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

G. Business of production of seeds and manufacture of agricultural implements added to the list of companies allowed weighted deduction of 150% on any expenditure on in-house scientific research.

H. A new sub-section (1A) shall be inserted in existing Section 115 –O, w.e.f. 1st April, 2008 to allow a domestic company to set off the dividend received from its subsidiary company against dividend distributed by such company; provided that the subsidiary company has paid DDT and the parent company is not a subsidiary of another company.

I. Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from TDS.

III. Fringe Benefits Tax

A. W.e.f. Assessment Year 2009-10, following expenditures incurred by the employer shall be excluded from the purview of FBT provisions –

- Crèche facilities for the children of the employee;
- Sponsorship of an employee-sportsperson,
- Organizing sports events for employees and
- Guest houses expenses
- Any expenditure on or payment through non-transferable pre-paid electronic meal card usable only at eating joints or outlets and which fulfils such other conditions as may be prescribed, shall also be excluded from the hospitality expenditure for calculation of fringe benefit tax.

B. Rationalization of value of Fringe Benefits in case of expenditure on Festival Celebrations - W.e.f. Assessment Year 2009-10, only **20%** of the expenditure on Festival Celebrations shall be deemed to be the value of fringe benefit as against the existing rate of 50%.

C. W.e.f 1st April, 2008 all FBT returns filed as per the provisions of Section 115WD shall be processed on the same footing as return of income is processed u/s 143(1).

IV. Banking Cash Transactions Tax [BCTT]

A. Banking Cash Transaction Tax (BCTT) being withdrawn with effect from April 1, 2009.

V. Commodities Transaction Tax [CTT]

A. Commodities Transaction Tax (CTT) to be introduced on the same lines as STT on options and futures.

B. Commodities Transactions Tax(CTT) paid to be treated like any other deductible expenditure against business income if the income arising from such taxable commodities transactions is included in the income computed under the head "Profits and gains of business or profession".

b) Indirect Taxes –

I. Service Tax –

A. **Increase in threshold exemption limit for small service providers -** With effect from 01.04.2008, the annual threshold limit of service tax exemption for small service providers is being increased from Rs.8 lakh to **Rs.10 lakh.** Accordingly, the annual turnover limit for obtaining service tax registration shall also be increased from Rs.7 lakh to **Rs.9 lakh**

B. **Four new taxable services** have been added under the existing service tax net –

a) Management of investment under Unit Linked Insurance Plan (ULIP) service,
b) Services provided by stock/commodity exchanges and clearing houses;
c) Right to use goods, in cases where VAT is not payable; and
d) Customized software, to bring it on par with packaged software and other IT services.

C. **Revision of Time Limit for filing a revised Service Tax Return:** - Rule 7B of Service Tax Rules, 1994 provides facility to file revised return to correct mistake or omission, within a period of 60 days from the date of submission of the return. This rule is being amended to increase the said time limit from 60 days to **90 days.**

D. Rule 6 of CENVAT Credit Rules, 2004 is being amended to provide the following options to a provider of output services, using common inputs or input services for providing taxable as well as exempted services and opting not to maintain separate accounts, namely:-

(i) either reverse the credit attributable (to be worked out in a manner prescribed in the rule) to the inputs and input services used for providing exempted service, or
(ii) pay 8% amount of the value (to be determined in accordance with section 67 of the Finance Act, 1994) of the exempted service;

II. Central Sales Tax (CST) -

Central Sales Tax rate to be reduced from 3 per cent to **2 per cent from April 1, 2008.**

III. Customs duties –

A. No change in the peak rate of customs duty.

B. The rate of customs duty has been reduced /increased in following cases –

Sr. No.	Item/s	Existing Rate (%)	Proposed Rate (%)	
1	Steel melting scrap and Aluminum scrap	5	**NIL**	☺
2	Specified life saving drugs	10	**5**	☺
3	Basic customs duty on project imports	7.5	**5**	☺
4	Vitamin premixes and mineral mixtures	30	**20**	☺
5	Convergence products	10	**5**	☺
6	Crude and unrefined Sulphur	5	**2**	☺
7	Specified raw materials for tyre industry	10	**5**	

IV. Excise duty –

The rate of excise duty has been reduced /increased in following cases –

Sr. No.	Item/s	Existing Rate (%)	Proposed Rate (%)	
1	General Rate of excise duty (CENVAT)	16	**14**	☺
2	Drugs and Pharmaceuticals	16	**8**	☺
3	Buses and their chassis	16	**12**	☺
4	Small Cars	16	**12**	☺
5	Two wheelers and three wheelers	16	**12**	☺
6	Composting machines, wireless data cards, packaged coconut water, tea and coffee mixes, and puffed rice.	16	**NIL**	☺
7	Water purification devices, veneers and flush doors, sterile dressing pads etc. specified packaging material and breakfast cereals.	16	**8**	☺
8	Packaged software	8	**12**	☹