

Supplement
Income Tax Act as Amended by the Finance Act, 2008
(As Applicable for Assessment Year)

Tax Rates

**The Income Tax Rates for the Assessment Year 2009-10
(Previous Year 1 April 2008 to 31 March 2009) is as follows:**

For Individuals and Hindu Undivided Families

Income	Tax Rates
Up to Rs.1,50,000	Nil
Above Rs.1,50,000 Up to Rs.3,00,000	10%
Above Rs.3,00,000 Up to Rs.5,00,000	20%
Above Rs.5,00,000	30%

For Resident Women below 65 years

Income	Tax Rates
Up to Rs.1,80,000	Nil
Above Rs.1,80,000 Up to Rs.3,00,000	10%
Above Rs.3,00,000 Up to Rs.5,00,000	20%
Above Rs.5,00,000	30%

For Senior Citizens (who are 65 years or more)

Income	Tax Rates
Up to Rs. 2,25,000	Nil
Above Rs.2,25,000 Up to Rs.3,00,000	10%
Above Rs.3,00,000 Up to Rs.5,00,000	20%
Above Rs.5,00,000	30%

For Partnership Firms

Tax shall be levied at a flat rate of 30% of total income.

For Local Authorities

Tax shall be levied at a flat rate of 30% of total income.

For Co-operative Societies

Income	Tax Rates
Up to Rs.10,000	10%
Above Rs.10,000 Up to Rs.20,000	20%
Above Rs.20,000	30%

For Companies

In case of a Domestic company	30%
In case of a Foreign company	40%

(However, for certain royalty or fee for rendering technical services, the rate of tax in case of a foreign company is 50%).

Minimum Alternate Tax (Section 115JB)

The rate of Minimum Alternate Tax (MAT) is 10% on the book profits computed in accordance with Section 115JB of the Act.

Companies enjoying 100% tax holidays under Section 10A/10B, are now liable to pay MAT on their book profits. Tax shall be paid @ 10% on the book profits.

Calculation of Book Profit [section 115JB] [the amendment will apply retrospectively apply from assessment year 2001-02]

Section 115JB provides for levy of MAT on the basis of book profits of a company. The section is amended to provide that

‘Book profit’ to be increased by following items, if debited to profit and loss account, for the purpose of Minimum Alternate Tax (MAT).

- Deferred tax and provision thereof
- Dividend Distribution Tax (DDT)
- Tax on distributed income to unit holders
- Interest chargeable under income-tax law
- Surcharge levied by Central Acts
- Education cess on income-tax and
- Secondary and higher education cess on income-tax

Tax on Dividends Distributed by Domestic Companies (Corporate Dividend Tax)

Dividend Distribution Tax by domestic companies 15%.

Tax on Dividends Distributed by a Mutual Fund

Type of Income	Tax Rate
Income distributed by a money market mutual fund or a liquid mutual fund to	
– an Individual or a HUF	25%
– Others	25%
Income distributed by a mutual fund other than a money market mutual fund or a liquid mutual fund to	
– an Individual or a HUF	12.5%
– Others	20%

Relief in Dividend Distribution Tax (DDT)

From A.Y 2009-10, Domestic company will not have to pay DDT on dividend distributed to its shareholders to the extent of dividend received from its subsidiary if:

- Subsidiary has paid DDT on such dividend received and
- Such domestic company is not a subsidiary of any other company

A company would be subsidiary of another company if such company holds more than half in nominal value of equity share capital of the company.

Surcharge for Assessment Year 2009-10

1. In Case of Individuals, HUF, AOP (other than Co-operative Societies)

No Surcharge if the total income does not exceed Rs.10,00,000.

Where the total income exceeds Rs.10,00,000, surcharge will be levied @ 10% of the income tax payable.

Marginal Relief

In cases where the total income exceeds Rs.10,00,000, the total amount payable as income-tax and surcharge on such income shall not exceed the amount by which the income exceeds Rs.10,00,000.

2. In Case of Firms and Domestic Companies

Surcharge is @ 10% if income is in excess of Rs.1,00,00,000 (Rs.1 crore).

3. In Case of Foreign Companies

Surcharge is @ 2.5% if income is in excess of Rs.1,00,00,000 (Rs.1 crore).

4. In case of Local Authorities and Co-operative Societies

No surcharge shall be levied.

4. In Case of CDT and MAT

- Surcharge @ 10% shall be levied on the Corporate Dividend Tax ('CDT') and Mutual funds irrespective of whether the total income of the company/firm is up to Rs.1,00,00,000 or more.
- Surcharge @ 10% in case of domestic companies if adjusted book profits are in excess of Rs.1,00,00,000.

Education Cess

Education Cess of 3% (Education cess @ 2% + Secondary and higher education cess @ 3%) is to be levied on the total tax (including surcharge) payable by all the assesseees (whether resident or non-resident).

Basic Concepts and Exemptions

Section 10A/10B

No extension of tax holiday currently enjoyed by Software Technology Park (STP) Units and Export Oriented Units (EOUs) under section 10A / 10B of the Income Tax beyond March 31 2009. Currently a deduction of 100% would be available for First 10 years upto financial year 2008-09. From A.Y 2009-10 this deduction will not be available.

Definition of Charitable Purpose [Section 2(15)]

The existing provisions of section 2(15) of the IT Act defines "charitable purpose" to include relief of the poor, education, medical relief and the advancement of any other object of general public utility.

This section is amended so as to provide that "the advancement of any other object of general public utility" shall not be a charitable purpose if it involves carrying on of –

- any activity in the nature of trade, commerce or business or
- any activity of rendering of any service in relation to any trade, commerce or business

Income from Business or Profession

Definition of Written down value (WDV) in respect of assets acquired during the period when income was exempt [Explanation 6 to section 43(6), applicable from the A.Y 2003-04 onwards]

Where a taxpayer was exempt from tax in earlier years preceding the year when his income is chargeable to tax, written down value of the asset in such year will

be the actual cost of the asset less depreciation provided in the books of account in earlier years. For this purpose, revaluation of asset and depreciation thereon has to be ignored.

Amortization of Preliminary Expenses [Section 35D]: Benefit of Amortization of Certain Preliminary Expenses Allowed to Assessee in the Services Sector

Deduction is available u/s 35D from the A.Y 2009-10 onwards for

- i. Expenditure on issue of shares (not being bonus shares) incurred by an existing concern after commencement of business and such expenditure is incurred in connection with extension or in connection with setting up a non-industrial undertaking (assessee engaged in service sector)
- ii. Any other expenditure specified u/s 35D (2).

Weighted Deduction for sum paid to a Company for Scientific Research Purpose: Section 35(1)(iia)

New section 35(1)(iia) of the IT Act has been inserted to allow a weighted deduction of 125% of the amount paid by a person to a company to be used for scientific research, if such company

- Is registered in India
- Has as its main object the scientific research and development
- Is for the time being approved by the prescribed authority in the prescribed manner and
- Fulfills such other conditions as may be prescribed

It is further provided that to avoid multiple claim for deduction, the payee company cannot claim weighted deduction u/s 35(2AB). However, u/s 35(1) it can continue to claim a deduction to the extent of 100% of the sum spent as revenue or capital expenditure.

Expenditure on In-house Research and Development Facility: [Section 35(2AB)]

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

Deduction in Respect of Banking Cash Transaction Tax, Securities Transaction Tax and Commodities Transaction Tax: Section 36

This section has now been amended to allow deduction in respect of securities transaction tax and commodities transaction tax paid from the A.Y 2009-10 onwards.

Earlier the amount of securities transaction tax (STT) paid was allowed as rebate under section 88E of the IT Act. Now the rebate available to such assessee U/S 88E has been discontinued. Hence, no rebate under section 88E shall be allowed to the assessee in, or after, the assessment year beginning on 1 April 2009.

From the A.Y 2009-10, it provides that any amount of securities transaction tax (STT) and commodities transaction tax (CTT) paid by the assessee during the year in respect of taxable securities or commodities transactions entered into in the course of business shall be allowed as deduction U/S 36, subject to the condition that such income from taxable securities transactions or commodities transactions is included under the head 'profits and gains of business or profession'.

Discontinuation of Banking Cash Transaction Tax (BCTT)

BCTT was introduced by the Finance Act, 2005. It provides for a levy of tax @ 0.1% on the taxable banking transaction. It is provided that no BCTT shall be charged in respect of any taxable banking transaction after 31 March 2009. Hence Banking cash transaction tax is withdrawn from 1st April' 2009 onwards.

Cash Payment in Excess of Rs.20,000: Section 40A(3)

From the assessment year 2008-09, Section 40A(3) provided for 100% disallowance of payments which are made in violation of its provisions.

From the A.Y 2009-10, where a payment or aggregate of payments made to the same person in a single day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeds Rs.20,000, the entire expenditure shall be disallowed.

Audit of Accounts of Certain Persons [Section 44AB]

In the case of a person who carries on business or profession and who is required by or under any law to get his accounts audited, the Due date for getting the books audited and submission of audit report is September 30th of the assessment year (earlier it was October 31st).

Income from Capital Gains

Cost Inflation Index (CII)

The Central Board of Direct Taxes (CBDT) has pegged the cost inflation index for the financial year 2008-09 at '582'.

Tax on Short-term Capital Gains in Certain Cases: [Section 111A]

Under the existing provisions, short term capital gains on transfer of equity shares or units in equity-oriented mutual fund, where such transaction is chargeable to STT was taxable at 10%. From A.Y 2009-10, short term capital gains will be taxable at 15%.

Transfer of Capital Asset in a Transaction of Reverse Mortgage: [Section 47(xvi)]

Reverse mortgage scheme for senior citizens was introduced by the National Housing Bank. It is provided that any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government, shall *not* be regarded as a transfer and therefore shall *not* attract capital gains tax.

Further, with a view to providing certainty in the tax regime to the senior citizen, it is provided that any amount received by an individual as a loan, either in lump sum or installment, in a transaction of reverse mortgage will also not be included in total income.

Consequent to these amendments, a borrower, under a reverse mortgage scheme, will be liable to income tax (in the nature of tax on capital gains) only at the point of alienation of the mortgaged property by the mortgagee for the purposes of recovering the loan.

The amendment will apply in relation to assessment year 2008-09 and subsequent assessment years.

Conversion of Foreign Convertible Exchangeable Bonds (FCEBs) into Shares or Debentures [will Apply Retrospectively from the Assessment Year 2008-09]

Conversion of Foreign Convertible Exchangeable Bonds (FCEBs) into shares or debentures of any company will not be treated as transfer for the purpose of capital gains. The cost of acquisition of such shares or debentures will be price at which FCEBs were acquired.

Exemption of Capital Gain on Transfer of Capital assets in Case of Shifting of Industrial Undertaking from Urban Area to any SEZ (Section 54GA)

This exemption is available to an individual, HUF, company or any other person who transfers the capital assets (being plant, machinery, land or building or any right in the land or building) being used for the purpose of shifting of industrial undertaking situated in an urban area to a Special Economic Zone (SEZ).

The assessee purchases within one year before or 3 years after the date of transfer:

- i. Purchases plant or machinery for the purpose of business of industrial undertaking in the area to which the said undertaking has shifted,
- ii. Acquires building or land or constructed building for the purpose of his business in the said area,
- iii. Shifts the original asset and transferred the establishment in the said area, and
- iv. Incurs expenses on such other purpose as may be specified in a scheme framed by Central Government for the purpose of this section.

Amount of exemption: if the above conditions are satisfied, then the amount of exemption is equal to lower of

- i. the amount of capital gain generated on transfer of capital assets in the case of shifting industrial undertaking or
- ii. the cost and expenses incurred in relation to all or any of the purposes mentioned in (i) to (iv) (such cost and expenses being hereafter referred to as the new asset)

Deductions from Gross Total Income

Deduction under Section 80C

Investment in Senior Citizen Saving Scheme 2004 and the Post Office Time Deposit Account is included in the list of permissible investments under section 80C. This is applicable from A.Y 2008-09.

Further, if any amount is withdrawn from such account before the expiry of a period of 5 years from the date of its deposit, the amount so withdrawn shall be deemed to be income of the assessee and shall be liable to tax in the previous year in which the amount is withdrawn.

The proposed amendment shall apply to investments made during the financial year 2007-08 and subsequent years.

Deduction in Respect of Medical Insurance Premia (Section 80D)

From the Assessment Year 2009-10, Additional deduction of Rs.15,000 (Rs.20,000 in case of senior citizens) is allowed under Section 80D to an individual paying medical insurance premium for his/her parent or parents.

This deduction shall be in addition to the existing deduction of Rs.15,000 available to the individual assessee on medical insurance for himself, his spouse and dependent children.

Deduction for Refining of Mineral Oil under Section 80-IB(9)

The existing provisions of section 80-IB(9) provides for a 100% deduction of profits and gains derived from commercial production or refining of mineral oil. For the purpose of this section, the term 'mineral oil' does not include petroleum and natural gas.

The deduction is available to an undertaking for a period of 7 consecutive assessment years including the initial assessment year:

- in which the commercial production under a production sharing contract
- has first started or in which the refining of mineral oil has begun

New proviso has been inserted in section 80-IB(9), to provide that no deduction under this sub-section shall be allowed to an undertaking engaged in refining of mineral oil, if it begins refining on or after 1 April 2009.

Deduction for Hospitals Located Hospitals Anywhere in India, other than the Excluded Area [Section 80-IB (11)]

The existing provisions of section 80IB (11B) provides a tax holiday for 5 consecutive assessment years to an undertaking deriving profits from the business of operating and maintaining a hospital in a rural area and the tax holiday is available to the hospitals constructed before the end of 31 March 2008.

5 years tax holiday extended to hospitals anywhere in India, other than the excluded area which are constructed and start functioning at any time during the period beginning on the 1 April 2008 and ending on 31 March 2013.

- The excluded area shall mean an area comprising the urban agglomerations of Greater Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Bangalore and Ahmedabad, the districts of Faridabad, Gurgaon, Ghaziabad, Gautam Budh Nagar and Gandhinagar and the city of Secunderabad
- The area comprising an urban agglomeration shall be the area included in such urban agglomeration on the basis of the 2001 Census

Deduction for Hotels Located Specified Districts having a World Heritage Site [Section 80-ID]

The existing provisions of section 80-ID provides for a tax holiday to new hotels of two, three and four star categories and convention centres constructed and has started or starts functioning at any time during the period beginning on 1 April 2007 and ending on 31 March 2010.

5 years tax holiday extended to new two-star, three-star or four-star category hotels located in specified districts having UNESCO-declared World Heritage Sites, and which have been constructed and start functioning at any time during the period beginning from 1 April 2008 and ending on 31 March 2013.

Section 88E

No rebate under Section 88E allowable from Assessment Year 2009-10 onwards.

Assessment Procedures

Due Date for Filing of Tax Returns [Section 139] (w.e.f. A.Y 2008-09)

Advancement of due date for filing of tax returns and FBT returns from 31 October to 30 September in case of companies and other non-corporate assesses whose accounts are required to be audited under the Income Tax Act.

Extension of time by the Assessing Officer suo motu: [Section 142(2A)] (w.e.f. A.Y 2008-09)

In addition to the power granted to the assessing officer for extension of time for furnishing the audit report on an application made by the assessee, w.e.f April 1, 2008 the assessing officer is also been empowered to extend the period of furnishing of special audit report suo motu (grant such extension on his own).

Two-stage assessment of returns re-introduced [Section 143(1)] (w.e.f. A.Y 2008-09)

- First stage assessment -At this stage, no verification of the income is undertaken. It would require computerized processing (without any human interface) which would make adjustments for any arithmetical error or incorrect claims based on information apparent in the return.
- Second stage assessment- At this stage, the tax administration is concerned with the verification of the income. Certain percentage of the tax returns are selected for scrutiny/audit on the basis of the probability of detecting tax evasion.
- Further, the total income of the assessee shall be computed u/s 143(1) after making the adjustments for any arithmetical error or an incorrect claim apparent from any information in the return. After the aforesaid corrections an Intimation shall be sent to the assessee within one year from the end of the financial year in which the return is made specifying the sum determined to be payable by or the amount of refund due to the assessee.
- Where there is no such corrections or adjustments as specified above the acknowledgement of the return shall be deemed to be the intimation.
- The term “an incorrect claim apparent from any information in the return” means such claim on the basis of an entry, in the return –
 - i. Of an item, which is inconsistent with another entry of the same or some other item in such return.
 - ii. In respect of which, information required to be furnished to substantiate such entry, has not been furnished under the Act or
 - iii. In respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or a fraction.

Notice for Scrutiny Assessment [Section 143(2)] (w.e.f. A.Y 2008-09)

- Notice for scrutiny assessment shall be served on the assessee within a period of 6 months from the end of the financial year in which the return is furnished instead of 12 months from the end of the month of filing return under the existing provision.
- **[Section 282A] (w.e.f. June 1, 2008)**
Where any notice or other document is required to be issued, served or given by the income tax authorities, it shall be deemed to have been authenticated if the name and office of a designated income-tax authority is printed, stamped or otherwise written thereon.
- **Section 292BB inserted (w.e.f April 1, 2008)**
Non-service of notice or service of notice in an inappropriate manner would not be considered as valid grounds for objecting to any proceedings of assessment or reassessment if the assessee appears in such proceedings or co-operated in any enquiry related to such proceedings. Similar amendment made under the Wealthtax Act.

Reassessment [Section 147] (w.e.f. A.Y 2008-09)

- An assessment order which is subject matter of an appeal can be reopened for assessing / reassessing any income which is believed to have escaped assessment other than those matters involved in the appeal. Similar amendment is made under the Wealth-tax Act.
- Explanation is introduced to provide that in case of a re-assessment proceeding, the Joint Commissioner, Commissioner or the Chief Commissioner, as the case may be, is only required to be satisfied with respect to the reasons for re-opening and not required to issue such notice. The amendment is to be effective retrospectively from 1 October 1998. Similar amendment is made under the Wealth-tax Act.

Power of Commissioner (Appeals) [Section 251] (w.e.f. April 1, 2008)

In an appeal against the order of assessment in respect of which the proceeding before the settlement commission abates under section 245HA, the commissioner (Appeals) can confirm, reduce, enhance or annul the assessment after taking into consideration the following

- i. The material and other information produced by the assessee before the settlement commission
- ii. The results of the inquiry held by the settlement Commission
- iii. The evidence recorded by the Settlement Commission in the course of proceeding before it.
- iv. Such other material as may be brought on his record.

Stay Order Granted by Tribunal to be Inoperative if Appeal not Disposed of in Certain Period [Section 254(2A)] (w.e.f October 1, 2008)

The Income tax Appellate Tribunal cannot grant stay of demand for a period exceeding 365 days in aggregate even if the delay in disposing of the substantive appeal pending before the ITAT is not attributable to the tax payer.

Miscellaneous Provisions**Fringe Benefit Tax (FBT)****[The said amendments will apply from assessment year 2008-09]**

- Any expenditure incurred on or payment through non-transferable pre-paid electronic meal card usable only at eating joints or outlets is excluded from the hospitality expenditure for calculation of the value of fringe benefit.
- Expenditure incurred or payment made for the following purpose shall from now onwards excluded from the category of 'employees welfare' for valuation of fringe benefits –
 - i. provide crèche facility for the children of the employee;
 - ii. sponsor a sportsman, being an employee; or
 - iii. Organize sports events for employees, and
 - iv. expenditure on maintenance of any accommodation in the nature of guest house, other than accommodation used for training purposes
- The value of fringe benefits on account of expenditure on festival celebration shall be reduced from 50 percent to 20 percent.

- Any expenditure on or payment made for maintenance of any accommodation in the nature of guest house, shall not be included for valuation of fringe benefits.
- It has been clarified that fringe benefits will include securities offered under an employee stock option plan or scheme where the employee stock options have been granted. This amendment will apply from assessment year 2008-09.
- FBT recovered by the employer from the employees with respect to allotment/ transfer of specified security or sweat equity shares shall be deemed to be tax paid by such an employee. The deeming provisions shall apply only to the extent to which the amount of recovery relates to the value of fringe benefits provided to such employee.
- The employee shall not be entitled to any refund or credit out of such deemed payment of tax against tax on any other income or any other tax liability in India.
- The relevant due date for filing a FBT return advanced to 30 September instead of 31 October.

Commodities Transaction Tax (CTT)

A new tax called Commodities Transaction Tax (CTT) is introduced on the lines of Securities Transaction Tax. CTT is proposed to be levied on taxable commodities transactions entered in a recognized association.

It is proposed to define 'Taxable commodities transaction' to mean a transaction of purchase or sale in a recognised association of

- option in goods or
- option in commodity derivative or
- any other commodity derivative

The tax is levied at the rate, given below: [The Central Government will notify a date for levy of CTT]

S No.	Taxable Commodities transaction	Rate	Payable by
1.	Sale of an option in goods or an option in commodity derivative	0.017 per cent	Seller
2.	Sale of an option in goods or an option in commodity derivative, where option is exercised.	0.125 per cent	Purchaser
3.	Sale of any other commodity derivative	0.017 per cent	Seller

CTT paid by the assessee during the year shall be allowed as deduction provided income from taxable Commodities transactions is included under the head profits and gains of business and profession.

Rationalization of Provision of Securities Transaction Tax (STT)

Currently, Security Transaction Tax (STT) is payable by the seller at the rate of 0.017 percent on sale of derivatives in a recognized stock exchange.

**The revised STT Rates on Sale of Derivates are Tabulated below:
[Amendment will apply from 1 June 2008]**

S No.	Taxable Securities Transaction	Rate	Payable by
1.	Sale of an option in securities	0.017 per cent of the	Seller

		option premium	
2.	Sale of an option in securities, where option is exercised.	0.125 per cent of settlement price	Purchaser
3.	Sale of futures in securities	0.017 per cent of sales price	Seller

STT paid by the assessee during the year shall be allowed as deduction provided income from taxable securities transactions is included under the head profits and gains of business and profession. Consequently, tax rebate for STT is withdrawn.

Wealth Tax

Due date for filing of wealth-tax returns of persons either whose accounts are required to be audited or is a working Partner of a Firm whose accounts are required to be audited has been advanced to 30 September instead of 31 October.

SIGNIFICANT CHANGES IN INDIRECT TAXES

Customs Duty (Amendments (effective from 1 March, 2008))

- No change in peak rate of Basic Customs Duty (BCD) on non-agricultural products. However, effective Customs Duty stands reduced from 34.13 percent to 31.70 percent due to reduction in Additional Duty of Customs (ADC).
- Customs duty on project imports has been reduced from 7.5 per cent to 5 per cent on specified industrial projects, power transmission, sub-transmission and distribution projects, etc.
- Exemption of ADC of 4 percent withdrawn for power generation projects (other than mega power projects), transmission, sub-transmission and distribution projects, and specified goods for high voltage transmission projects.
- Benefit of 5 percent BCD expanded to include MP3/ MP4 and MPEG player with or without audio and video reception facility.
- Specified parts of Set Top Boxes and specified raw materials for using IT/Electronic industry have been fully exempt from customs duty.
- Customs Duty on export of chromium ores and concentrates increased from Rs.2,000 Per metric tonne to Rs.3,000 Per metric tonne.
- National Calamity Contingent Duty (NCCD) of 1 percent has been imposed on mobile phones. This duty shall be levied as ADC under Section 3 (1) of Customs Tariff Act, 1975.
- NCCD of Customs removed on specified synthetic filament yarn.
- BCD on specified raw materials for use in sports goods for export exempt subject to specified conditions.
- Maximum period of re-export of leased equipment and machinery, temporarily imported for use in projects increased to 18 months. Such goods would be subject to customs duty ranging from 5 percent to 40 percent of applicable duty depending on their period of stay.
- The maximum period for duty drawback on re-export of goods reduced to 18 months.

Changes in BCD rates

Items	Prior to 1 March 2008	w.e.f 1 March 2008
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Helicopter simulators	10%	Nil
Crude and unrefined sulphur	5%	2%
Naptha for manufacture of specified polymers	Nil	5%
Animal feed additives/ pre-mixes	30%	30%
Specified drugs/kits and bulk durgs for their manufacture	10%	5%
Iron or steel melting scrap/ aluminum scrap	5%	Nil
Cigars, cheroots and cigarillos	30%	60%
Specified raw material for tyre industry	10%	5%
Specified machinery for manufacture of sports goods	7.5%	5%

(Amendments effective from May 10, 2008)

- All Gazetted Customs officers are empowered to issue summons.
- Penalty increased from Rs.10,000 to Rs.100,000 for violations of Customs provisions not expressly mentioned in the law.
- Difference in opinion within the committee of commissioners of customs regarding appealing against an order to be referred to jurisdictional Chief Commissioner of customs for his decision.

Excise Duty**Amendments (effective from 1 March, 2008)**

- Excise duty reduced from 16 percent to 14 percent. Other ad valorem rates of 24 percent, 12 percent and 8 percent remain unchanged.
- National Calamity Contingent Duty (NCCD) of 1 percent imposed on mobile phones.
- Benefit of 8 percent Excise Duty expanded to include MP3/ MP4 and MPEG player with or without audio and video reception facility.
- Effective Excise Duty for clearances from 100 percent Export Oriented Unit ('EOU') to Domestic Tariff Area ('DTA') to be computed on 50 percent BCD and applicable ADC.
- Excise Duty on unbranded Motor Spirit changed from 6 percent (advalorem) plus Rs.13 per Litre (specific rate) to specific rate of Rs.14.35 per Litre.
- Excise Duty on unbranded High Speed Diesel changed from 6 percent (advalorem) plus Rs.3.25 per Litre (specific rate) to specific rate of Rs. 4.60 per Litre.
- Abatement rates for maximum retail price ('MRP') products realigned due to reduction in Excise Duty.
- Rules notified for determination of MRP to be applicable in specific cases.
- Excise duty reduced from 16 per cent to 8 per cent on all pharmaceutical goods manufacture.

Reduction in excise duty (effective from 1 March 2008)

Item	Prior to March 1, 2008	w.e.f March 1, 2008
Drugs and formulations	16%	8%

Small cars	16%	12%
Hybrid cars (driven by a combination of electric and internal combustion engine)	24%	14%
Electric cars	8%	Nil
Buses and other vehicle for transport of more than 13 persons	16%	12%
Two-wheelers and passenger three wheelers (upto 7 persons)	16%	12%
Specified refrigeration equipment for the installation of a cold storage, cold room or refrigerated vehicle, on endues basis	16%	Nil
Wireless data modem cards	16%	Nil
Composting machines	16%	Nil

Increase in Excise Duty (effective from 1 March 2008)

Item	Prior to March 1, 2008	w.e.f. March 1, 2008
Packaged software	8%	12%
Bulk cement	Rs.400 per tone	14% or Rs.400 per tone whichever is higher
Cement clinker	Rs.350 per tone	Rs.450 per tone

Amendments (effective from 1 April 2008)

- Manufacturer of dutiable and exempted goods has the option to take full credit and pay either 10 percent of the value of exempted goods or reverse the credit attributable to the exempted goods.

Proposed Amendments (effective from 10 May 2008)

- Explanation inserted in Section 2 of the Central Excise Act to clarify that goods include any article capable of being bought and sold and deemed to be marketable.
- Government empowered to charge duty on the basis of capacity of production for certain specified products.
- Refund of interest paid on excise duty to be made available to an assessee.
- Interest to be paid to assessee on delayed refund of pre-deposit by department.

Central Sales Tax ('CST')

- Central Sales Tax rate being reduced from 3 per cent to 2 per cent from April 1, 2008.
- Roadmap for Goods and Service Tax being prepared for introduction of GST from April 1, 2010.