Overview of the Union Budget 2013-14

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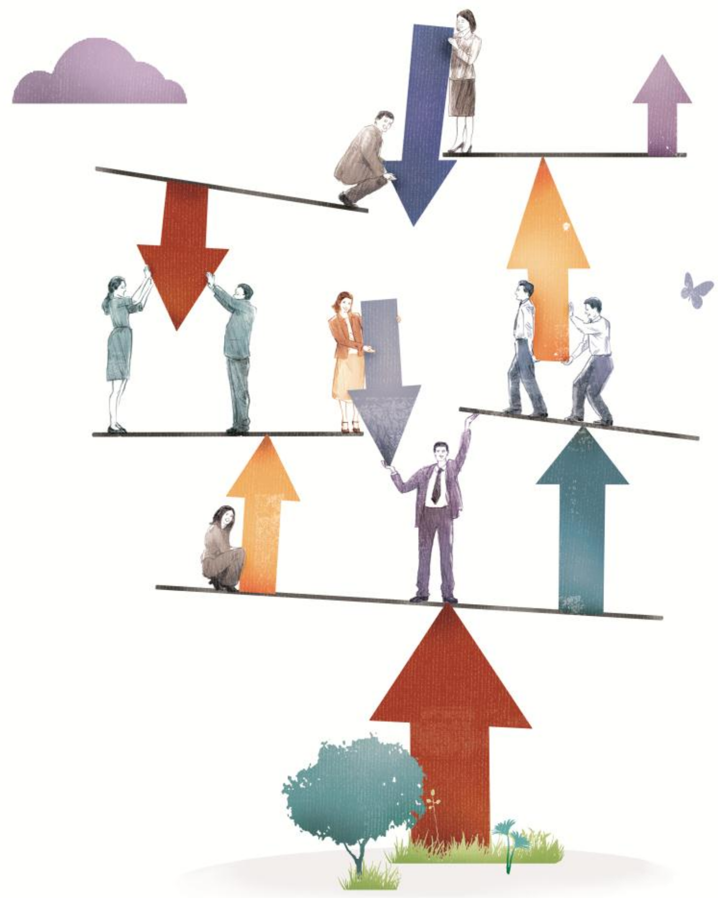

Without growth, there will be neither development nor inclusiveness, the finance minister rightly acknowledged it in his Budget speech by stating that Foreign Direct Investment is not a matter of choice, it's an imperative. Inclusive growth and sustainable development may sound like economic terms meant for intense, intellectual debates and discussions, but they impact the lives of more than 1.2 billion citizens of this country.

The years of +8% growth are over. In the current fiscal year, our economy is estimated to grow at 5-5.5%. We are still the third fastest growing economy in the world, next only to China and Indonesia. This clearly indicates how tough the global economic environment is. There is no reason to be pessimistic but at the same time there is no ground for being complacent.

Growth in the Indian economy has been largely driven by a concerted effort in the services sector which unlocked the potential of millions of people. However the recent slowdown reveals that growth through domestic consumption-driven factors cannot be sustained for long. It has to be equally driven by investment-driven engines of growth. To attract investment, domestic and foreign, the finance minister says doing business in India must be seen as easy, friendly and mutually beneficial. In Grant Thornton Global Dynamism Index 2012, India's business operating environment has been ranked 46th out of 50 large countries. Doing Business Index of the World Bank also tells a similar story – India ranked at 132, in terms of business environment, out of 185 economies. Clearly the government will need to walk the talk to give India Inc. the sense of clarity and stability it is looking for in Tax policy and its implementation.

A continued focus on infrastructure, manufacturing and agriculture sector is a welcome step indeed. Base tax rates have been kept intact, yet the effective tax rates have been increased by imposing an additional surcharge for one year on individuals declaring taxable income over Rs 1 Crore and Companies with taxable income over Rs 10 Crores. While the Finance Minister articulated that tax proposals need to be non-adversarial and provide a stable tax regime, burning issues like taxation of indirect transfers, measures to reduce transfer pricing litigation did not find any mention in the Budget. In all, it is a Budget with something for everybody, but wary of aggressive moves amidst uncertainty in global and local economic environment, and an eye on elections.

This report will further provide you information and analysis on the key Budget provisions and we hope that you find it useful.

Tax & Regulatory Services Team

Grant Thornton India LLP

"The finance minister has made a major pronouncement on India's need for Foreign investment with added candour to say it's no longer a matter of choice but an imperative. He has proposed to set up a Tax administration Reform commission to review tax policies and align them with global best practices to ensure that Doing business in India is seen as easy, friendly and mutually beneficial. It's the right tone and tenor but the global investor community is all eyes on India to see the way forward on the clarity needed on the retrospective taxation of indirect transfers, the recent Transfer Pricing litigation around taxing of issue of shares and intangibles like Advertising & Marketing expenses. The Bill is curiously silent on all these critical issues but the onus now lies on the Government to walk the talk."

Pallavi J Bakhru

Budget estimates

- **Total expenditures** budgeted at Rs 1,665,297 Crores and 30% hike in plan expenditure at Rs 555,322 Crores for the financial year (FY) 2013-14

Rationalisation of key policies

- Recommendations on the **Direct Taxes Code (DTC)** being examined by the Ministry of Finance and bill to be brought back to the House before the end of the budget session
- Set up of **Tax Administration Reform Commission** to review the application of tax policies and tax laws and submit periodic reports to strengthen the capacity of tax system
- Proposal to set up India's first **Women's Bank** as a public sector bank with a provision of Rs 1,000 Crores as initial capital
- Introduction of **Commodities Transaction Tax** on non-agricultural commodities futures contracts at the same rate as on equity futures (0.01% of the price of the trade)
- The present criteria for determining **backwardness** are based on terrain, density of population and length of international borders. Proposal to use measure like the distance of the State from the national average under criteria such as per capita income, literacy and other human development indicators
- **Voluntary Compliance Encouragement Scheme** launched for recovering service tax dues
- Modified provisions of **GAAR** to come into effect from 01 April 2015 (Assessment Year (AY) 2016-17)
- Rs 9,000 Crores earmarked as first instalment of balance of **CST compensation** to different States/Union Territories

Agriculture sector

- Rs 27,049 Crores (including Rs 3,415 Crores towards research) allocated to the **Ministry of Agriculture**
- Target for **agriculture credit flow** to increase by Rs 125,000 Crores to Rs 700,000 Crores during FY 2013-14
- **Interest subvention scheme** for short-term crop loans to continue in FY 2013-14 and credit of 4% available for timely payments. The said scheme to extend to private sector scheduled commercial banks
- Rs 9,954 Crores provided to **Rashtriya Krishi Vikas Yojana** for mobilising higher investments in agriculture

Micro, Small and Medium Enterprises (MSME)

- Enhanced the refinancing capability of **Small Industries Development Bank of India** from Rs 5,000 Crores to Rs 10,000 Crores per year
- **Non-tax benefits** or preferences enjoyed by MSMEs to continue upto 3 years after they graduate to higher category

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Healthcare

- Allocation of Rs 37,330 Crores to the **Ministry of Health and Family Welfare**
- Ayurveda, Unani, Siddha and Homeopathy mainstreamed through the **National Health Mission.** Allocation of Rs 1,069 Crores to the **Department of Ayush**
- Rs 4,727 Crores allocated for **medical education, training and research**

Employment

- National Skill Development Corporation be set-up to develop curriculum and standards for training in different skills
- Rs 1,000 Crores allotted for **skill development** of 10 Lakh youth to enhance their employability and productivity

Social security

- Rs 1,000 Crores allotted for **Nirbhaya Fund** set-up to empower women and keep them safe and secure
- Rs 1,400 Crores towards setting up **water purification plants**
- Rs 10,000 Crores for **National Food Security Bill** towards the incremental costs

Education

- Allocation of Rs 65,867 Crores (17% increase) to the **Ministry of Human Resource Development** for education
- Rs 13,215 Crores provided for **Mid-Day Meal Scheme**

Defence

- Provision of Rs 203,672 Crores for **defence services** (including Rs 86,741 Crores towards capital expenditure)

Financial sector

- Rs 14,000 Crores provided to **public sector banks** for capital infusion during FY 2013-14
- **The Insurance Laws (Amendment) Bill** and the **Pension Fund Regulatory and Development Authority Bill** to be introduced
- Clarification on an investor having stake of 10% or less in a company to be treated as **Foreign Institutional Investor** and where an investor having stake of more than 10% will be treated as **Foreign Direct Investment**
- Towns with a population of 10,000 or more to have an office of **LIC** and an office of atleast one **public sector general insurance company** by 31 March 2014

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Infrastructure sector

- **Investment of Rs 5,500,000 Crores** projected during the 12th Plan in infrastructure
- Government to encourage **Infrastructure Debt Fund** and allow institutions to issue tax free bonds upto Rs 50,000 Crores
- **Credit enhancement** offered by India Infrastructure Finance Corporation Limited in partnership with the Asian Development Bank to infrastructure companies to access the bond market

Textile sector

- **Technology Upgradation Fund Scheme** continued in the 12th Plan with an investment target of Rs 151,000 Crores
- **Apparel parks** to be set up under Scheme for Integrated Textile Parks to house apparel manufacturing units
- New scheme with an outlay of Rs 500 Crores named as the **Integrated Processing Development Scheme** to address environmental concerns of the textile industry

Transport sector

- The **Jawaharlal Nehru National Urban Renewal Mission** to receive Rs 14,873 Crores
- Government decided to constitute a **regulatory authority for the road sector**
- Two new **major ports** be established in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity
- A new harbour to be developed in VOC port at Thoothukkudi, Tamil Nadu through **Public Private Partnership** (PPP) at estimated cost of Rs 7,500 Crores

Oil and Gas, Power and Coal sector

- Proposal to move from the present profit sharing mechanism to **revenue sharing**
- **National Gas Pricing Policy** to be reviewed and a policy to encourage exploration and production of shale gas to be announced
- State Governments to prepare financial restructuring plans under a scheme approved for the **financial restructuring of DISCOMS** to restore health of power sector
- **Generation-based incentive** for wind energy projects to be reintroduced
- A **PPP Policy** framework with Coal India Limited as one of the partners to be devised to increase coal production

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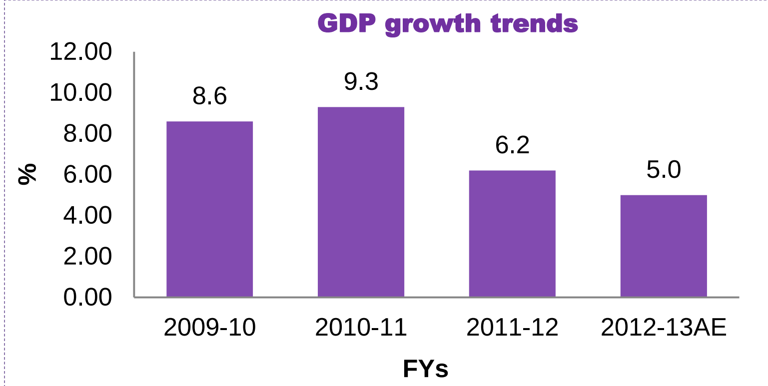
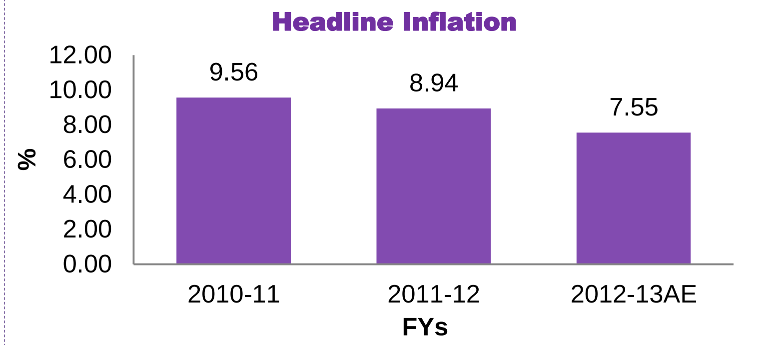
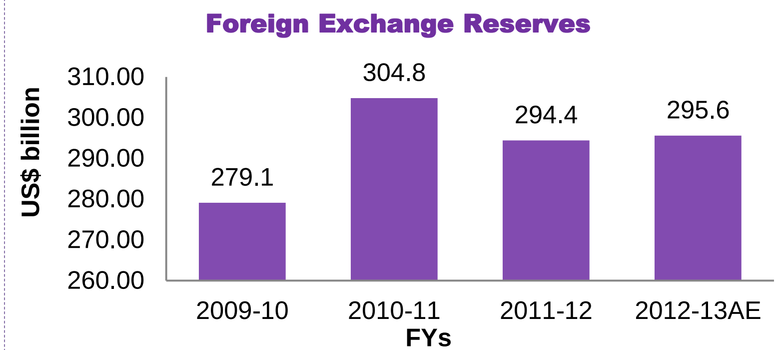
- **Headline rates** for Customs, Excise and Service Tax unchanged
- CST rate remains unchanged at 2%
- Goods & Services Tax (GST) introduction reiterated. The agreement between Centre and States to compensate for loss of CST, implemented with first installment of revenue compensation of Rs 9,000 Crores allocated to the States
- The finance minister remains silent on key promises made in the last Budget, particularly for
    - Common legislation and compliances for Service Tax and Central Excise promised to be implemented by October 2012
    - Setting up GST network as a National information utility by August 2012
- Legislative changes primarily aimed at augmenting penal provisions and introducing additional provisions for recovery of unpaid/ disputed liabilities
- For garment sector, position as it existed prior to 2011-12 Budget restored

Economic growth

- **Gross Domestic Product (GDP)** growth rate decelerated to 5.0% during FY 2012-13 as compared to 6.2% during FY 2011-12. High rates and policy constraints adversely impacted investments and triggered this fall in GDP
- Growth rate of s**ervices sector** declined to 6.6% during FY 2012-13 as against 8.2% in FY 2012-13. Its contribution to GDP is estimated at 56.5% (64.8% including construction)
- Growth rate of **Manufacturing sector** declined to 1.9% during FY 2012-13 as compared to 2.7% during FY 2011-12
- **Exports** growth in dollar terms stand negative at -4.9% during FY 2012-13 (Apr-Jan) as against 21.3% during FY 2011-12 (full year). In rupee terms, exports grew at 9.1% during FY 2012-13 as compared to 28.3% during FY 2011-12
- **Wholesale Price Index inflation (WPI)** averaged 8.94% during 2011-2012 contracted to 7.55 % in the first nine months of FY 2012-13 (Apr-Dec). The moderation has largely been due to deceleration in the rate of inflation of non–food manufactured products. The headline WPI may decline to 6.2%-6.6% in March 2013 with moderation in non-food manufacturing sector and global commodity prices
- **Foreign exchange reserves** indicated a marginal increase of US$1.2 billion from US$294.4 billion at the end of March 2012 to US$295.6 at the end of December 2012







Fiscal deficit

- **Fiscal deficit** targeted to be contained at 5.3% and 4.8% of GDP for FY 2012-13 and FY 2013-14 respectively. Further, a correction of 0.6% each year is projected to reduce the fiscal deficit to 3.0% of GDP till FY 2016-17

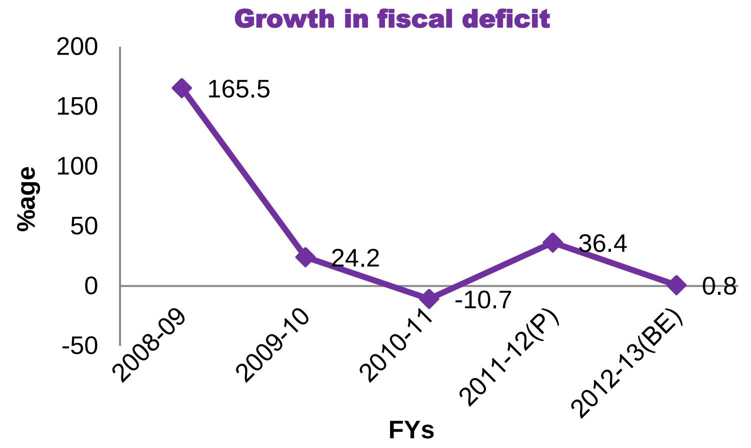
- **Current Account Deficit (CAD)** widened to US$78.2 billion (4.2% of GDP) during FY 2011-12 as compared to US$48.1 billion (2.8% of GDP) during FY 2010-11. CAD continues to be high because of excessive dependence on oil imports, high volume of coal imports and the slow down in exports. Financing of CAD for FY 2012-13 to require over US$75 billion

Key initiatives

- **National Food Security Bill** referred to Parliamentary Standing Committee. Post wide-ranging consultations, the Committee submitted its report to the Speaker, Lok Sabha on 17 January 2013 pending concerned Ministries / departments consultation prior to enactment

- **FDI Policy** progressively liberalised to include FDI in multi-brand retail trading up to 51% subject to specified conditions

- Effective January 2013, introduction of **Direct Benefit Transfer Scheme** ensured the benefits were directly transferred into the beneficiaries' bank accounts in 43 identified districts across respective states and union territories



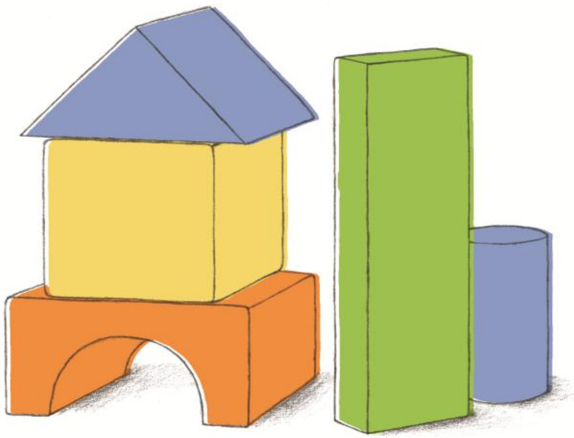
Direct tax proposals

- No change in corporate tax rate, slab rates, minimum alternate tax rate (MAT) and education cess
- Applicability of **surcharge** on all assessees other than company in case taxable income exceeds Rs 1 Crore
- **Surcharge at a higher rate** on domestic and foreign companies applicable as under:

Type of company	Income range Rs 1 – 10 Crore	Income above Rs 10 Crores
Domestic	5%	10%
Foreign	2%	5%

- **Investment allowance of 15%** to manufacturing companies that invest more than Rs 100 Crore in plant and machinery during the period 1 April.2013 to 31 March 2015
- Sunset clause for power generation and distribution companies extended to 31 March 2014
- Tax payers in the first income bracket of Rs 2 Lakhs to Rs 5 Lakhs entitled to tax credit of Rs 2,000
- Additional benefit up to Rs 1 Lakh on interest on loan upto Rs 25 Lakhs taken by first time home buyers for acquisition of Residential House Property of the value not exceeding Rs 40 Lakhs
- Disallowance of certain fee, charge etc. paid by state government undertaking to the state government
- **Commodities Transaction Tax** to be levied on the lines of Securities Transaction Tax
- Special provisions for computation of income under the head profits and gains from business and profession for transfer of immovable property (other than capital asset)
- 100% deduction for donations made to National Children Fund
- Concessional rate of tax of 15 % on dividend received by an Indian company from its foreign subsidiary to be continued for one more year
- Deduction under Section 80CCG to be allowed in respect of investment in listed units of an equity oriented fund
- Amended GAAR to take effect from AY 2016-2017
- Rate of tax on payments in the nature of royalty or FTS to non-residents to be increased to 25% from the existing rate of 10%
- Removal of cascading effect of dividend distribution tax applicable to dividends received by domestic companies from foreign subsidiaries
- Benefit of concessional rate of tax where a non-resident deposits foreign currency in a designated bank account and such money as converted in rupees is utilised for the subscription to long-term infrastructure bond issued by an Indian company
- TDS @ 1% on sale of immovable property of Rs. 50 Lakhs or more
- Withholding tax at the rate of 20% on profits distributed by unlisted companies to shareholders through buyback of shares

- Securitisation trust to be exempted from income tax. Tax to be levied at specified rates only at the time of distribution of income for companies, individual or HUF etc.
- Taxability of income in respect of immovable property received for inadequate consideration received by an individual or HUF
- Submission of TRC containing prescribed particulars is not a sufficient condition for claiming the benefits of a DTAA



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No change in the standard customs duty, excise duty and service tax rates

Service tax

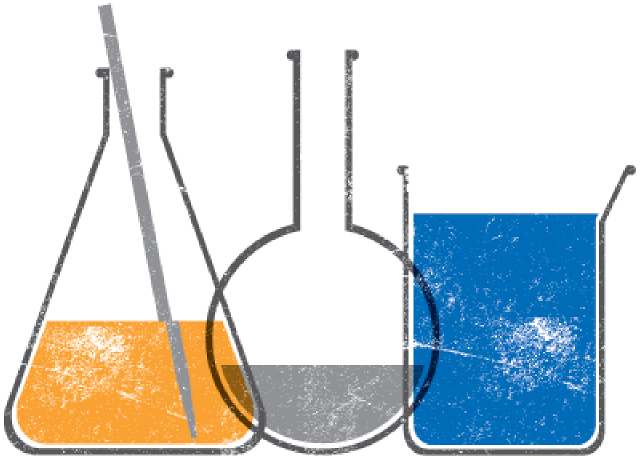
- Abatement of construction service for specified luxury apartments reduced to 70%
- Service tax exemption extended to processing of products subject to excise duty under Medicinal and Toilet Preparations Act, 1955
- Scope of advance ruling extended to resident public limited companies
- Amnesty scheme introduced with waiver of interest, penalty and prosecution

Central excise

- Branded ayurveda, unani, homeopathy and bio-chemic system medicaments assessable under MRP based valuation

Customs

- Customs duty rate for luxury goods such as cars, yachts, cigars etc. enhanced
- Alignment of customs duty structure for steam coal and bituminous coal



Income tax rates - individuals

- Personal income-tax slabs are as under:

Existing Slab (Rs)	Revised Slab (Rs)	Tax Rate (%)
Up to 200,000	Up to 200,000	NIL
200,001 to 5,00,000	200,001 to 500,000	10
500,001 to 1,000,000	500,001 to 1,000,000	20
Above 1,000,000	Above 1,000,000	30

- Minimum exemption limit for women remains unchanged at Rs 200,000
- Limits remain unchanged for senior citizens (age of 60 years and above but less than 80 years) at Rs 250,000
- Limits remain unchanged for very senior citizen (age of 80 years and above) at Rs 500,000
- Education cess and Secondary and Higher Education cess at 2% and 1% respectively to continue

Income tax rates - individuals

- The Finance Bill 2013 proposes tax relief for Individual Tax Payers in the first **income** bracket of Rs 2 Lakhs to Rs 5 Lakhs by providing for a tax credit of Rs 2,000 to every person with total income up to Rs 5 Lakhs
- The Finance Bill 2013 proposes to levy a surcharge at the rate of 10% in case in case of individuals having taxable income exceeding Rs 1 Crore
- Education cess and Secondary and Higher Education cess at 2% and 1% respectively to continue

Although not clear from the Finance Bill, 2013, the finance minister in his speech has stated that the burden of surcharge will be in force only for one year i.e. FY 2013-14

Income-tax rates - others

Co – Operative societies/ firm/ local authorities

- No changes in tax rates – 30% rate to continue
- Surcharge at the rate of 10% in case the taxable income exceeds Rs 1 Crore
- Education Cess and Secondary and Higher Education Cess at 2% and 1% respectively to continue

Companies

- No change in corporate tax rate
  - 30% rate for domestic companies
  - 40% rate for foreign companies
- No change in MAT rate (18.5%)
- Surcharge at the rate of 2% and 5% in case of foreign and domestic companies respectively, if the taxable income exceeds Rs 1 Crore but remains less than Rs 10 Crores
- Surcharge at the rate of 10 % on domestic companies whose taxable income exceed Rs 10 Crores
- Surcharge at the rate of 5% on foreign companies whose taxable income exceeds Rs 10 Crores
- Surcharge in case of dividend distribution tax or tax on distributed income to be increased from 5 to 10%
- Education Cess and Secondary and Higher Education Cess at 2% and 1% respectively to continue

- No change with respect to excluding Education Cess and Secondary and Higher Cess on tax deducted or collected at source, in case of domestic companies and other resident persons
- Reduction in STT rates as under :

S No	Nature of taxable security transaction	Payable by	Existing rate	Proposed rate
1	Delivery based purchase of units of equity oriented fund entered into in a recognised stock exchange	Purchaser	0.1	NIL
2	Delivery based sale of units of equity oriented fund entered into in a recognised stock exchange	Seller	0.1	0.001
3	Sale of futures in securities	Seller	0.017	0.01
4	Sale of unit of an equity oriented fund to the mutual fund	Seller	0.25	0.001

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Amendment in definition of capital asset

- Presently, the definition of 'capital asset' excludes agriculture land i.e. land situated
  - in a municipality or cantonment board which has a population of less than 10,000 or
  - beyond 8 kilometres from the local limits of any municipality or a cantonment board
- The scope of agriculture land to include any land situated in any area within the distance (measured aerially)
  - beyond 2 kilometres of any municipality or cantonment board where population exceeds 10,000 but not exceeding 1 Lakh or
  - beyond 6 kilometres of any municipality or cantonment board where the population exceeds 1 Lakh but not exceeding 10 Lakhs or
  - beyond 8 kilometres of any municipality or cantonment board where the population exceeds 10 Lakhs
- Similar amendments have been proposed in the definition of 'agricultural income' under Section 2(1A) of the Income Tax Act, 1961 (IT Act) and in the definition of 'urban land' under the Wealth-tax Act

Relaxed limit of eligible premium for life insurance policies of persons with disability/disease

- Under the existing provisions, any sum received by a person under a life insurance policy is exempt from tax provided the premium paid for such policy in a year does not exceed 10% of actual capital sum assured (Section 10D). Similarly the deduction for premium paid is also allowed up to 10% of actual capital sum assured (Section 80C)
- The Finance Bill, 2013 proposes to enhance the eligibility limit for premium paid to 15% of the actual capital sum assured on the life of persons with disability/severe disability or those suffering from any prescribed diseases/ailment
- Corresponding amendment is also proposed under Section 80C of the IT Act
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

Plugging loophole in keyman insurance policy

- Under the existing provisions of the IT Act, in certain cases policies taken as keyman insurance policy are assigned to the keyman before its maturity. The keyman pays premium and claims exemption in respect of sum received on the ground that the policy is no longer a keyman insurance policy
- To plug this loophole and to check avoidance of taxes, the Finance Bill, 2013 proposes to provide that keyman insurance policy assigned to any person during its term will continue to be treated as keyman insurance policy
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

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Investor Protection Fund of depositories exempt from Income-tax in some cases

- Consequent to the recent amendment in the SEBI (Depositories and Participants) Regulations which makes it mandatory for the depositories to set up an Investor Protection Fund (IPF), Finance Bill 2013 proposes to introduce Section 10(23ED) to exempt income of such IPF set up by a depository. This is in line with the Section 10(23EA) of the IT Act, as applicable in case of the income of an IPF set-up by a Recognised Stock Exchange
- Accordingly, the proposed section exempts any income, by way of contributions by a depository, to an Investor Protection Fund (IPF) set up by such depository in accordance with the prescribed SEBI guidelines
- Further, the proviso to the said Section 10(23ED) proposes to tax such exempt income in the hands of the IPF in the year in which the whole or any part of such amount standing to the credit of the Fund, is shared with the depository
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

Clarification for amount to be eligible for deduction as bad debts in case of banks

- A new explanation is proposed to be inserted in clause (vii) of Section 36(1) of the IT Act to clarify that the amount of deduction in respect of the bad debts actually written off under section 36(1)(vii) of the IT Act shall be available to the amount by which such bad debts exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia) of the IT Act without any distinction between rural advances and other advances

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Incentive for investment in new plant and machinery

- A new Section 32AC is proposed to be introduced in IT Act whereby a company engaged in the business of manufacture of an article and thing, shall be entitled to a deduction in the following manner
  - for AY 2014-15 – 15% of the aggregate amount of new plant and machinery acquired and installed during the FY 2013-14 if actual cost of such assets exceeds Rs 100 Crores and
  - for AY 2015-16 – 15% of the aggregate amount of new plant and machinery acquired and installed during the period 1 April 2013 to 31 March 2015, as reduced by the amount of deduction, if any already allowed in AY 2014-15
- A lock-in period of five years from the date of installation is prescribed for holding such new plant and machinery (except in case of the amalgamation and merger)
- In case of amalgamation or demerger within a period of 5 years, the restriction shall apply to the amalgamated company or the resulting company
- New plant and machinery does not include
  - any plant and machinery which was used either within or outside India by any other person or
  - any plant or machinery installed in any office premises or any residential accommodation (including guest house) or
  - any office appliances including computers or computer software
  - any vehicle or
  - any plant or machinery, the whole of the actual cost of which is allowed as deduction in computing the income of any previous year
- This provision will take effect from AY 2014-15 (FY 2013-14)

Disallowance of certain fee, charge etc. in the case of state government undertaking

- The Finance Bill 2013 proposes to disallow any amount
  - paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge, by whatever name called, which is levied exclusively on or
  - which is appropriated directly or indirectly from

  a state government undertaking by the state government
- This provision will take effect from AY 2014-15 (FY 2013-14)

Computation of income for transfer of immovable property in certain cases

- The Finance Bill 2013 proposes to introduce a new provision similar to Section 50C of the IT Act. The proposed section provides that where the consideration for the transfer of an asset (other than capital asset), being land or building or both, is less than the stamp duty value, stamp duty value shall be deemed to be the full value of consideration for the purposes of computing income under the head 'Profits and gains of business of profession' (PGBP)
- Where the date of an agreement fixing the value of consideration for the transfer of the asset and the date of registration of the transfer of the asset are not same, the stamp duty value may be taken as on the date of the agreement for transfer and not as on the date of registration for such transfer. This exception shall apply only in cases where amount of consideration or a part thereof for the transfer has been received by any mode other than cash on or before the date of the agreement
- The provision of sub-section (2) and sub-section (3) of Section 50C in relation to the reference made to valuation officer are also proposed to be made applicable
- This will take effect from AY 2014-15 (FY 2013-14)

Taxability of income in respect of immovable property received for inadequate consideration

- The Finance Bill 2013 proposes to amend section 56 of the IT Act to provide that where any immovable property is received by an individual or HUF for consideration which is less than the stamp duty value of the property by an amount exceeding Rs 50,000, the stamp duty value of such property as exceeding the amount of consideration shall be taxable as income from other sources
- Where there is a time gap between date of agreement and date of registration, the stamp duty value on the date of agreement may be considered. However, this will be applicable only when the consideration has been paid otherwise than by cash on or before the date of agreement fixing the consideration
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

The proposed section 56(2)(vii) read with section 43CA/50C results in taxation at both the ends of the transaction where transfer/sale of immovable property takes place at a value less than the stamp duty value. While seller will be charged to tax either under the head capital gains or profits and gains on business and profession tax on sale/transfer, the buyer would have to pay tax as income from other sources on the differential amount

Deduction under Chapter VI-A

Deduction for contribution to health scheme

- The Finance Bill 2013 proposes to **extend** deduction under section 80D of the IT Act in respect of contribution or payment to any other health scheme similar to Central Government Health Scheme (CGHS) notified by the Central Government
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

Deduction in respect of interest on housing loan to first time home buyers

- The Finance Bill 2013 proposes to provide additional benefit to first time home buyers by providing deduction of interest on loan taken for acquiring residential house property (section 80EE)
- The deduction would be available subject **to the** following conditions:
  - loan is sanctioned by the financial institution (bank) during the FY 2013-14
  - amount of loan sanctioned does not exceed Rs 25 Lakh
  - value of residential house property does not exceed Rs 40 Lakh
  - the individual does not own any residential house on date of sanction of loan
- The amount of deduction shall not exceed Rs 1 Lakh
- Where interest paid is less than Rs 1 Lakh in FY 2013-14, the balance shall be allowed in the next FY 2014-15
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

The additional deduction of interest on housing loan is likely to provide an impetus to affordable housing

Expansion of the scope for deduction under the Rajiv Gandhi Equity Savings Scheme

- Under the existing provisions of section 80CCG of the IT Act, an individual is allowed deduction up to 50% of the amount invested in equity shares under a notified scheme
- Rajiv Gandhi Equity Savings Scheme has been notified in this regard so as to enhance investment in equity shares
- In order to liberalise the investment in capital markets, the Finance Bill 2013 proposes following amendments in the scheme:
  - scope of scheme has been enhanced so as to include investment in listed units of equity oriented funds
  - deduction will be allowed for 3 consecutive AYs beginning with the AY in which listed equity shares/units are first acquired by new investor
  - limit of gross total income enhanced to Rs 12 Lakhs from Rs 10 Lakhs
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

100% deduction for donation to National Children's Fund

- The Finance Bill, 2013 proposes to enhance the deduction in respect of donation to National Children's Fund from 50% of sum paid to 100% of the sum paid
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

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No deduction for contribution paid to political party in cash

- Under the existing provisions, deduction is allowed to an Indian company and any other person (other than local authority or artificial juridical person)) in respect of any sum contributed to any political party or electoral trust (Section 80GGB and 80GGC). There is no specific mode provided for making such contribution
- With a view to discourage cash payments, the Finance Bill 2013 proposes that no deduction would be allowed in respect of any sum contributed to any political party or electoral trust in cash
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

Extension of sunset clause for power companies

The terminal date of availing deduction for the undertaking engaged in business of generation and distribution of power, transmission or distribution of power by laying network of transmission and distribution lines, undertaking renovation or modernisation of existing transmission/distribution lines is proposed to be extended from 31 March 2013 to 31 March 2014

Restriction of deduction for additional wages

- Under the existing provisions deduction is allowed @ 30% for additional wages paid to new regular workmen employed by an Indian company in its **undertaking** engaged in manufacture/production of goods or articles (Section 80JJAA)
- The Finance Bill 2013 proposes **to substitute the word 'undertaking' with 'factory'**
- The amount of deduction is 30% of additional wages paid to new regular workmen employed in factory. The deduction would be available for three AYs including the AY in which employment is provided
- The proposed amendment will take effect from AY 2014-15 (FY 2013-14)

The deduction under section 80JJAA was introduced to enhance the employment of blue collared employees in the manufacturing sector. However, it was noticed that companies are claiming the benefit for other employees in other sectors as well. The restriction in the scope of deduction is in line with the true intent with which the benefit was introduced

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Tax residency certificate (TRC)

- Under the existing provisions, a non resident person / a foreign company is required to obtain a TRC from the tax authorities in their country of residence/incorporation so as to avail the benefits of the double taxation avoidance agreements (DTAA) entered into by India with other countries referred to Section 90 and Section 90A
- The Finance Bill 2013 proposes to amend Section 90 and 90A to provide that submission of TRC containing prescribed particulars is a necessary but not a sufficient condition for claiming the benefits of the DTAA
- The proposed amendment will take effect retrospectively from AY 2013-14 (FY 2012-13)

Taxation of income by way of Royalty or Fee for technical services (FTS) paid to non-residents

- The Finance Bill 2013 proposes to increase the rate of income-tax on payments in the nature of royalty or FTS to non-residents covered under section 115A of the IT Act to 25% from the existing rate of 10%
- The proposed amendment has been introduced in order to bridge the gap between the rate at which such royalties and FTS are taxed under the existing provisions of section 115A of the IT Act vis-à-vis rate prescribed under various tax treaties entered into between India and other countries
- The proposed amendment will take effect from AY 2014-15

Tax on dividends received from foreign companies

- A new Section 115BBD was inserted by Finance Act 2011 as per which dividends received by an Indian company from its foreign subsidiaries are subject to tax at a concessional rate of 15%. This window was initially available for one year which was later extended for one more year by Finance Act 2012
- Finance Bill 2013 proposes to further extend the benefit of concessional rate of taxation for one year
- Accordingly, such dividends are proposed to be taxed @15% for AY 2014-15

Removal of cascading effect of Dividend Distribution Tax (DDT)

- Existing provisions of Section 115-O of the IT Act exclude dividends received by Indian companies from their domestic subsidiaries (where such subsidiaries have paid DDT on the dividends so distributed) for the purpose of levy of DDT
- To bring the foreign subsidiaries on par with the domestic subsidiaries, Finance Bill 2013 proposes to amend Section 115-O of the IT Act to exclude dividends received by domestic companies from their foreign subsidiaries from the levy of DDT where such dividends are taxable at a concessional rate of 15% as per Section 115BD of the IT Act
- The proposed amendment will take effect from 1 June 2013

Special provisions relating to tax on distributed income of domestic company for buy back of shares

- Under the existing provisions of the IT Act, income arising to shareholders on account of buy-back of shares is taxable as capital gains in their hands. Further more, consideration for buy-back has been excluded from the definition of dividend, even under the deeming provisions under section 2(22) of the IT Act and is accordingly not subject to any dividend distribution tax in hands of the company
- With a view to shift the incidence of tax on the company, Finance Bill 2013 proposes a levy a 20% on distribution of income by an unlisted company to its shareholders through buy back of shares
- The tax paid under this chapter would be final tax in lines with the dividend distribution tax
- Further, such income received from the company would be exempt in the hands of the shareholders under section 10(34A) of the IT Act
- The proposed amendment would take effect from 1 June 2013

The stated rationale of the amendment is that unlisted companies have been seen to be resorting to buy-back of shares instead of payment of dividend in order to avoid incidence of dividend distribution tax, particularly where capital gains to shareholders on account of such buy back are either not chargeable to tax, or are taxable at a lower rate. This provision is targeted to plug this loophole.

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General Anti-Avoidance Rule (GAAR)

- Existing GAAR provisions (under Chapter X-A of the IT Act) are proposed to be amended to give effect to the major recommendations by Expert Committee headed by Dr. Parthasarathi Shome
- Salient features of the amended provisions are:
  - GAAR provisions to take effect from 1April 2016
  - Impermissible avoidance arrangement to include only arrangements "the main purpose" of which is to obtain a tax benefit (subject to other prescribed conditions) as against the present provision which includes any arrangement "the main purpose or *one of the main purposes*" of which is to obtain a tax benefit as an impermissible avoidance arrangement
  - Following may be relevant but *shall not be sufficient* for determining whether an arrangement lacks commercial substance or not:
    - the period or time for which the arrangement (including operations therein) exists;
    - the fact of payment of taxes, directly or indirectly, under the arrangement
    - the fact that an exit route (including transfer of any activity or business or operations) is provided by the arrangement
  - An arrangement shall be deemed to be lacking commercial substance, if it does not have a significant effect upon the business risks, or net cash flows of any party to the arrangement
- The constitution of Approving Panel under the existing provisions comprises of not less than three members, being:
  - income- tax authorities not below the rank of Commissioner and
  - an officer of the Indian Legal Service not below the rank of Joint Secretary to the Government of India

  In order to form an independent and more broad based Approving Panel, the Finance Bill 2013 provides that the constitution of the Approving Panel shall consist of:
  - a Chairperson who is or has been a Judge of a High Court
  - one Member of the Indian Revenue Service not below the rank of Chief Commissioner of Income-tax
  - one Member who shall be an academic or scholar having special knowledge of direct-taxes, business accounts and international trade practices
- The Bill further proposes that the Approving Panel shall issue directions within a period of six months from the end of the month in which reference from the Commissioner was received
- Direction of the Approving Panel shall be binding on the assessee and the income- tax authorities

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GAAR

- Procedural provisions relating to mechanism for invocation of GAAR, constitution of Approval Panel, passing of assessment order etc. are also proposed to be amended
  - Section 144C(14A): Provisions pertaining to reference to dispute resolution panel not applicable for impermissible avoidance arrangement
  - Section 246A – Order passed under GAAR cannot be appealed before the Commissioner of Income Tax (Appeals)
  - Section 253 - Order passed under GAAR to be appealed before the Appellant Tribunal
  - Section 245N / 245R – Advance ruling by authority whether an arrangement undertaken by the assessee is an impermissible arrangement (w.e.f. 1 April 2015)
- The Finance Bill 2013 proposes to empower the Central Board of Direct Taxes (CBDT) to make rules regarding GAAR including remuneration of the chairperson and members of the Approving Panel , manner for constitution, functioning etc. (Section 295)

Amendments proposed are a welcome move in light of the Expert Committee's recommendation. However, the following key recommendations have not been given effect:

- To ensure that the same income is not taxed twice in the hands of same tax payer in same/ different assessment years
- Grandfathering of investments made before 30 August 2010
- Fixation of monetary threshold of Rs 3 Crores of tax benefit in order to invoke GAAR
- GAAR to be restricted to the tax consequence of that part which is impermissible and not to the whole arrangement
- On one hand it is proposed that the directions of Approval Panel are binding both on assessee and the tax authorities, at the same time order passed in pursuance of GAAR has been appealable under made Section 253.
- The Appeal perhaps would lie on issues other than the direction of Approval Panel, otherwise this would lead to conflicting situation. However, further clarification on this is desired.

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Concessional rate of withholding tax on interest in case of rupee denominated long-term infrastructure bonds

- Under the existing provisions (Section 194LC) interest payable to a non-resident, for monies borrowed in foreign currency from a source outside India either under a loan agreement or by way of issue of long term infrastructure bonds would be subject to a concessional rate of 5%
- In order to facilitate subscription by a non-resident in the long term infrastructure bonds issued by an Indian company in India (rupee denominated bond), it is proposed to amend the section so as to provide that where a non-resident deposits foreign currency in a designated bank account and such money as converted in rupees is utilised for the subscription to long-term infrastructure bond issued by an Indian company, then for the purpose of this section, the borrowing by the company shall be deemed to be in foreign currency and the benefit of reduced rate of tax of 5% on the interest payment to the non-resident would be available subject to other conditions provided in the section
- The proposed amendment will take effect from 1 June 2013

TDS on transfer of certain immovable properties (other than agricultural land)

- In order to have a reporting mechanism of transactions in the real estate sector and also to collect tax at the earliest point of time, deduction of tax at source on transfer of Immovable property by a resident has been proposed under Section 194 – IA
- Every transferee, at the time of making payment as consideration for transfer of immovable property (other than agricultural land) to a resident transferor, shall deduct tax, at the rate of 1% of such sum
- No deduction of tax under this provision shall be made where the total amount of consideration is less than Rs 50 Lakhs
- This amendment will take effect from 1 June, 2013

It is to be noted that the similar provision was introduced in the Finance Bill, 2012. however, the same was later dropped from the final Finance Act, 2012. The reintroduction of the provision is likely to cause compliance burden on the deductor specially when the deductor is an individual.

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Non-payment of self assessment tax - Defective return of income (139(9))

- The Finance Bill 2013 proposes that the return of income shall be regarded as defective unless the tax together with interest, if any, payable under section 140A has been paid on or before the date of furnishing the return
- This amendment will take effect from 1 June 2013

Special audit

- Scope of special audit under section 142(2A) widened. Apart from 'nature and complexity of the accounts and interests of revenue' special audit also proposed in case of 'volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions or specialised nature of business activity of the assessee'
- This amendment will take effect from 1 June 2013

Exclusion of time limit – For computing period of limitation for completion of assessments, reassessments and search assessments

Section	Existing Provisions	Proposed Amendments
Exclusion of time limit in case of Special Audit Clause(iii) of Explanation 1 to Section 153 and Clause (ii) of Explanation to Section 153B	Period commencing from the date of direction of the AO and ending with the last date for furnishing report of special audit is excluded for computing period of limitation	In addition to the existing provision, where direction of the AO is challenged before a court, the period ending with the date on which such setting aside order is received by the Commissioner is proposed to be excluded
Exclusion of time limit in case of reference for exchange of information Clause(viii) of Explanation 1 to Section 153 and Clause (viii) of Explanation to Section 153B	The period commencing from the date of reference for exchange of information and ending with the date on receipt of requested information by Commissioner	In addition to the existing provision, where more than one reference is made, the period commencing from first of the references and ending with the date of last receipt of requested information by Commissioner

The above amendment will take effect from 1 June 2013

Recovery of taxes - clarification on the phrase 'tax due'

- Existing Section 167C and 179 provides for recovery of 'tax due' from the partners of LLP and directors of private company respectively when such taxes cannot be recovered from the LLP and the private company in liquidation
- The Finance Bill, 2013 has clarified that 'tax due' shall include penalty, interest or any other sum payable under the Act
- These amendments will take effect from 1 June 2013

Penalty for non-filing of Annual Information Return (AIR) – Section 271FA

- The Finance Bill, 2013 proposes that if the person who is required to file AIR, fails to furnish such return within the prescribed time limit (31 August) he shall be leviable with a penalty @ Rs 100 per day during which the failure continues
- Further, if the person fails to furnish the AIR within the period specified in the notice, penalty @ Rs 500 per day would be leviable from the end of period specified in the notice till the date of filing of the return

Commodities Transaction Tax (CTT)

- A new tax i.e. CTT is proposed to be levied on the lines of Securities Transaction Tax (STT) on taxable commodities transactions traded at a recognised associations (RA)
- 'Taxable Commodities Transaction' is defined as a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in RA
- 'Commodity derivative' has been defined to mean
  - a contract for delivery of goods which is not a ready delivery contract or
  - a contract for differences which derives its value from prices or indices of prices
    - of such underlying goods or
    - of related services and rights, such as warehousing and freight or
    - with reference to weather and similar events and activities
- CTT is proposed to be levied at the rate of 0.01% on the value of such transaction (i.e. price at which the commodity derivative is traded) and shall be payable by the seller
- Other procedural and compliance provisions of CTT are similar to the provisions of STT
- An amendment is proposed in Section 36 of the IT Act to allow CTT paid by the seller in the course of his business as deduction while computing the income under head PGBP

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Taxability of income of a Securitisation Trust

- In order to facilitate the Securitisation process and provide clarity to the taxability of the incomes of trusts set-up under the Securitisation Act, the Finance Bill 2013 introduced a new chapter XII- EA on taxation of the income of the Trust
- The Finance Bill 2013 proposes to exempt the income earned by the trust under Section 10(23D) of the IT Act. The Finance Bill also proposes to levy tax at the time of distribution of income by the securitisation trust to its investors. The proposed rate are:
  - 25%, where the recipient investor is a individual or HUF,
  - 30%, in any other case.
- It is further proposed to exempt income received from the securitisation trust in the hands of the investors under Section 10(35A) of the IT Act
- The proposed amendment would take effect from 1 June 2013

Pass through status to certain Category I, Alternative Investment Funds (AIF) registered with SEBI

- The IT Act currently exempts any income of a venture capital company(VCC) or venture capital fund(VCF) from investment in a venture capital undertaking [Section 10(23FB], and provides for taxability in hands of the investors instead of VCC/VCF [Section 115U]. In effect pass through status is provided to the funds satisfying certain conditions provided under SEBI(VCF) Regulations,1996
- In lieu of the SEBI (VCF) Regulations being replaced by the SEBI (AIF) Regulations, 2012 from 21st May 2012, the benefit of pass through status is to be given to similar funds registered under the new regulations. In order to provide pass through status to the funds registered under AIF regulations, the Finance Bill 2013 proposes to amend section 10(23FB) of IT Act to provide that.
  - The existing VCFs and VCCs regulated by the erstwhile VCF Regulations, as they stood prior to getting repealed by the AIF Regulations shall continue to avail the pass through status.
  - The pass through status is extended to VCFs registered as Category-I AIF under the SEBI (AIF) Regulations, and satisfying the following conditions:
    - at least two-thirds of its investible funds are invested in unlisted equity shares or equity linked instruments of venture capital undertaking
    - No investment in made by such AIF in a VCU, whose paid-up equity share capital in excess of:
      - 10% is held by a director or a substantial shareholder in case of a VCC
      - 15% is held by a trustee or settler in case of a VCF.
    - units or shares of the AIF are not listed on any stock exchange
- This amendment is proposed to take effect retrospectively from FY beginning 1 April 2012 and would consequently apply to AY 2013-14

Amendments under Wealth-tax Act

Amendment in definition of 'urban land'

- Finance Bill 2013 proposes to amend the definition of 'urban land' under Wealth-tax Act to bring it in line with the amendment proposed under Section 2 of the IT Act. As per the proposed definition, 'urban land' means land situated within:
  - 2 kilometres of any municipality or cantonment board where population exceeds 10,000 (but not exceeding 1 Lakh); or
  - 6 kilometres of any municipality or cantonment board where the population exceeds 1 Lakh (but not exceeding 10 Lakh); or
  - 8 kilometres of any municipality or cantonment board where the population exceeds 10 Lakh
- For the above purposes, the distance to be measured aerially (shortest distance)

Electronic filing of Wealth-tax returns

- Finance Bill 2013 proposes to insert two new Sections 14A and 14B in the Wealth-tax Act in order to facilitate electronic filing of annexure-less return of net wealth. Such documents shall be produced before the Assessing Officer on demand
- Detailed rules in this regard is to be notified by Central Board of Direct Taxes in due course
- The proposed amendment will take effect from 1 June 2013

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Service Tax

No change in standard rate

- The rate of service tax retained at 12%

Expansion of Negative List

- The scope of Negative list expanded to include:
  - Vocational courses offered by the State Council for Vocational Training
  - Testing activities directly related to agricultural produce (earlier only seed testing was covered)

Expansion in exemptions

- Goods Transport Agency exemption extended to
  - Agricultural produce (earlier exemption available only to fruits, vegetables, eggs, milk, food grains or pulses)
  - Foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages
  - Chemical fertiliser and oilcakes;
  - Newspaper or magazines registered with the Registrar of Newspapers
  - Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
  - Defence or military equipments
- Service tax exemption extended to processing of products subject to excise duty under Medicinal and Toilet Preparations Act, 1955

Retrospective exemption to services provided by Indian Railways

- Retrospective exemption is provided to Indian Railways in respect of various taxable services provided by them prior to 1 July 2012

Increase in tax base

- Withdrawal of exemption earlier available to educational institution for activities of auxiliary educational services or renting of immovable property
- Blanket exemption given to cinematographic films, now restricted only to cinematograph films for exhibition in a cinema hall or cinema theatre
- Service tax leviable on all air conditioned restaurants, whether or not having liquor license
- Transportation by rail/vessel of petroleum/petroleum products falling under Tariff Heading 2710 and 2711, postal mail or mail bags, household effects made taxable
- Vehicle parking for general public made taxable
- Repair/Maintenance services in relation to aircraft provided to Government, a local authority or a governmental authority made taxable
- Definition of charitable activities restricted to exclude advancement of any other object of general public utility
- Courses run by an institute affiliated to the National Skill Development Corporation made taxable

Abatements

- Abatement in case of construction of a complex, building, civil structure or a part thereof reduced from 75% to 70% for all units except residential unit having carpet area upto 2000 sq. ft. or consideration less than Rs 1 Crore (Effective from 1 March 2013)

Other legislative changes - effect when the Bill receives the Presidential assent (unless specified otherwise)

- Notice would be deemed to be issued for 18 months only where extended period is held as not invokable by Courts/ Tribunal/ Appellate Authority
- Maximum amount of penalty for failure to register is capped at Rs 10,000
- Proposed to impose personal penalty upto Rs 1 Lakh on Director, Manager, Secretary or other Officer of the Company in case of specified events such as evasion/failure to remit tax
- Proposed to empower Tribunal to condone delay for 185 days if sufficient cause is shown
- Imprisonment upto 7 years in case of service tax collected in excess of Rs 50 Lakhs and not remitted
- Maximum imprisonment limit reduced from 18 months to one year in case of offences involving amount upto Rs 50 Lakhs
- New provision introduced to classify and distinguish cognisable and non-cognisable offences
- Except offence of failure to remit service tax collected in case amount involving in excess of Rs 50 Lakhs, all offences are classified as non-cognisable
- Ambit of advance ruling expanded to cover resident public limited companies

Cenvat Credit Rules, 2004

- Failure to reverse cenvat credit on account of removal of inputs as such or capital goods after use, the same shall be recoverable as cenvat credit wrongly taken

Amnesty scheme under Service Tax

- Amnesty scheme is proposed to encourage voluntary compliance
- Scheme applicable for persons who have pending tax dues for tax period October 2007 to December 2012, as on 1 March 2013, in respect of which no notice has been issued even for the prior period
- Benefit would not be available to the assessee who failed to pay taxes after declaring his liability in the return
- Person opting for this scheme would be required to make a declaration of tax dues to designated authority by 31st December 2013 and pay at least 50% of tax dues by that date and balance by 30 June 2014
- In case amount is not paid by 30 June 2014, it can be paid upto 31 December 2014 with interest computed w.e.f. 1 July 2013
- Proceedings covered by the period of declaration shall not be reopened before any authority/court
- In case of failure to pay tax dues by specified date or substantially false declaration, the benefit under the scheme shall not be available and tax dues will be recoverable from the assessee as if the scheme doesn't exist

Central Excise

No change in peak rate

- The peak rate of excise duty retained at 12%

Important legislative changes

- Amount of duty evasion resulting in imprisonment upto 7 years has been increased from Rs 30 Lakhs to Rs 50 Lakhs
- Duty evasion of more than Rs 50 Lakhs would be a cognisable and non- bailable offence. In all other cases, it would be a non-cognisable offence
- Cognisable offences to be non-bailable. Release on bail or personal bond applicable only in case of non-cognisable offences
- Recovery of Government dues extended to third parties holding money on behalf of the defaulter. Earlier dues could be recovered only from the concerned person
- Service of a statement containing details of duty not paid, short paid or erroneously refunded to be treated at par with the issuance of a show-cause-notice
- To trigger on recovery of dues in time, it is proposed that the stay order by CESTAT shall be valid for a period of 365 days only and shall stand vacated if the case is not disposed
- Monetary limit of a single bench of Tribunal enhanced from Rs 10 Lakhs to Rs 50 Lakhs
- Packing, repacking, labeling or relabeling of containers, including declaration or alteration of Retail Sale Price on medicaments exclusively used in Ayurvedic, Unani, Siddha, Homeopathic or Bio-chemic systems would be deemed to be 'manufacture'
- For units covered under the Area Based Exemption Scheme in Himachal Pradesh and Uttarakhand, full exemption from excise duty on intermediate goods manufactured and captively consumed
- Validity period of concessional excise duty of 6% granted to specified parts of hybrid and electric vehicles extended by two more years upto 31 March 2015
- Any decision, order, summon or notice may be served by sending it by speed post with proof of delivery or through approved courier

Exemption from excise duty

- Exemption to tapioca sago (sabudana) and tapioca starch manufactured and consumed captively in the manufacture of tapioca sago
- Henna powder or paste used in pure form fully exempted
- Exemption granted to ships and other vessels
- Hand made carpets exempt from excise duty
- Carpets and other textile floor coverings of coir or jute, fully exempt
- Excise duty on ships, tugs and pusher craft, dredgers and other vessels being exempt

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Increased rate of excise duty

Particulars	Pre-budget rate	Post-budget rate
Marble tiles and slabs	30 square meter	60 square meter
Mobile phones (including cellular phones) of retail sale price exceeding Rs. 2000	1%	6%
SUVs of engine capacity more than 1500 cc	27%	30%
Compounded levy on stainless steel "Patta Patti"	Rs. 30,000 per machine per month	Rs. 40,000 per machine per month

* Central excise duty on cigarettes exceeding length of 65mm, cigars and cigarillos has been increased by 18%

Reduced rate of excise duty

Particulars	Pre-budget rate	Post-budget rate
Chassis of diesel motor vehicle	14%	13%
Branded readymade cotton garments	12%	6% (with CENVAT credit)
All cotton readymade garments (including branded garments)	6%	0% (without CENVAT credit)

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Customs duty

No change in peak rate

- The peak rate of duty on non-agricultural goods remains at 10%

Important legislative changes

- Definition of 'activity' under the A**dvance ruling provisions has been** amended to cover new business of import & export proposed to be undertaken
- Certain specified offences in the nature of duty evasion trigger the powers vested in Customs officers to arrest any person. This section has been amended as to make certain offence as **non-bailable**
- To trigger on **recovery of dues** in time, it is proposed that the stay order by CESTAT shall be valid for a period of 365 days only and shall stand vacated if the case is not disposed;
- It is prosed to file the Import General Manifest (IGM)/ Export General Manifest (EGM) electronically where facility is available;
- Period for interest free payment of duties at the time of import to be reduced from 5 days to 2 days
- Further the period of storage of imported goods pending clearance in a notified warehouse is restricted to 30 days that may be extended on approval of the Customs Commissioner
- Time period for consumption/ installation of parts and testing equipment imported for maintenance, repair and overhaul (MRO) of aircraft by units engaged in such activities is being increased from 3 months to 1 year
- The aforesaid BCD exemption for MRO is extended to parts and testing equipment for the overhaul of **Aircraft parts** in addition to Aircrafts
- Designs and geographical indication' to be included under section 11 for conditional import
- There is a relaxation proposed in landing of ships and airports arriving form abroad at any place other than a notified Customs port/ airport
- The relevant section is being amended to allow export of warehoused goods under **postal export document** without payment of import duty subject to documentation prescribed
- Section 143A having provisions related to duty deferment on import of goods Imports and Exports (Control) Act, 1947, have been omitted
- It is proposed that no show cause notice shall be issued and no refund shall be granted for an amount lower than Rs 100;
- Nomenclature of Customs House Agent (CHA) has been changed **to 'Customs Brokers**'

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Exemption from customs duty

- Exemption from Basic Customs Duty (BCD) to Lithium ion automotive battery for manufacture of lithium ion battery packs used in the manufacturers of hybrid and electric vehicles
- An extension of two years up to 31 March 2015 has been provided for the exemption from BCD and Special Additional Duty (SAD) along with concessional Countervailing Duty (CVD) for certain parts of electric and hybrid vehicles
- Concessional BCD of 5% is extended to certain specified goods for manufacture of catalytic converters and their parts
- Exemption from Customs education cess and Secondary and higher education cess is being withdrawn on aeroplanes, helicopters and their parts
- It has been clarified that all goods including chemicals and electronic parts used for manufacture of solar cells would qualify for the BCD exemption prescribed
- It has been clarified that LCD and LED TV **Modules** of a specified size are exempt from BCD
- CVD has been exempted on ships/ vessels by virtue of an Excise duty

Increased rate of BCD

Particulars	Pre-budget rate	Post-budget rate
Specified new passenger cars	75%	100%
Specified used cars	100%	125%
Motorcycles	60%	75%
Yachts & motor boats	10%	25%
Set top boxes	5%	10%
Raw silk	5%	15%
Steam coal	0%	2%

Reduced rate of BCD

Particulars	Pre-budget rate	Post-budget rate
Bituminous coal	5%	2%
Machinery for textiles industry and its parts	7.5%	5%
Machinery for leather and footwear industry	7.5%	5%
Pre-forms of precious and semi-precious stones	10%	2%

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Change in CVD

Particulars	Pre-budget rate	Post-budget rate
Steam coal	1%	2%
Bituminous coal	6%	2%

Export duty

- A retrospective exemption from Export duty is being provided for galvanised steel sheets. The exemption is effective from 1 March 2011
- Export duty on De-oiled rice bran oil cakes is being withdrawn; while Export duty is being levied at 10% on bauxite and unprocessed limonite

Baggage rules

There has been an increase in the value of duty free allowances prescribed for members of an aircraft/ vessel crew and Indian passengers who are transferring their residence after staying abroad for over a year

Passenger category	Permitted items	Original allowance	Proposed allowance
Crew members	Chocolates, cosmetics etc. for personal use	Rs 600	Rs 1,500
Indian passengers	Jewellery		
- Male		Rs 10,000	Rs 50,000
- Female		Rs 20,000	Rs 1,00,000

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- expatriate taxation

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- US tax

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- customs and foreign trade policy
- goods and services tax (GST)
- state industrial policy

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- foreign exchange control regulations
- securities law
- competition law

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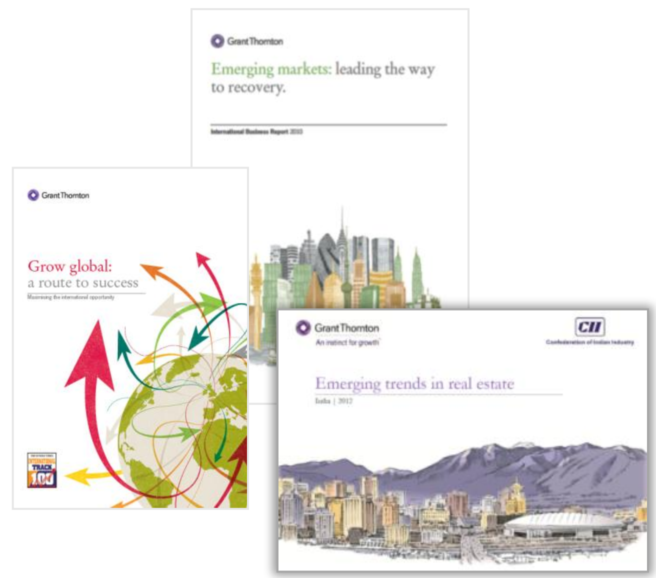

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