

27th February 2010



Salient features of Union Budget 2010

Introduction

The Hon 'able Finance Minister Mr. Pranab Mukerjee presented the Finance Bill 2010 on 26th February 2010 in the Parliament. This budget update summarizes salient features of Union Budget 2010.

General

The Budget Speech seeks to address the three challenges facing the economy –

- to quickly revert to the high GDP growth rate of 9 per cent per annum and then find the means to cross the 'double digit growth barrier',
- to harness economic growth to consolidate the recent gains in making development more inclusive, and
- to address the weakness in government systems, structures and institutions at different levels of governance.

The Budget estimates 2010-11 provide for a total expenditure of Rs. 1108749 crore, an increase of 8.6% from last year. Out of it, Rs. 735657 crore is non-Plan expenditure and Rs. 373092 crore is Plan expenditure. The gross tax receipts are budgeted at Rs. 682212 crore, higher than last year. The fiscal deficit is estimated to be 5.5%.

DIRECT TAX PROPOSALS

- **RATES OF INCOME-TAX FOR THE ASSESSMENT YEAR 2011-12**

- Tax slab rates have been changed for individuals and HUF, which is given by way of a chart below:

Tax Rates	Individual & HUF	Women Resident	Senior Citizens
0%	Below 1,60,000/-	Below 1,90,000/-	Below 2,40,000/-
10%	Between 1,60,001/- and 5,00,000/-	Between 1,90,001/- and 5,00,000/-	Between 2,40,001/- and 5,00,000/-
20%	Between 5,00,001/- and 8,00,000/-	Between 5,00,001/- and 8,00,000/-	Between 5,00,001/- and 8,00,000/-
30%	Above 8,00,000/-	Above 8,00,000/-	Above 8,00,000/-

No surcharge is applicable; however education cesses as in last assessment year would apply.

- *Firms*
There is no change in the rate of tax for firms.
- *Companies*
The rates of income tax are the same as compared to the last year for the assessment year 2010-11. However, the **surcharge shall be reduced from 10% to 7.5%** in the case of domestic companies having total income exceeding Rs. One Crore.
- *MAT u/s 115JB* – Minimum Alternative Tax (MAT) on companies has been proposed to increase from **15% to 18%**.

- **AMENDMENTS RELATING TO TDS AND RELATED PROVISIONS**

- *Sec 40 (a) (ia)* – It is proposed to amend this section retrospectively from A.Y. 2010-11 to provide that an **expenditure would not be disallowed** if tax deducted (TDS) during the previous year is paid on or before the due date of filing of return of income. This is a welcome relief for all deductors.
- *Sec. 201(1A)* – The rate of **interest for late deposit of TDS** is proposed to be increased from 12% p.a. to 18% p.a. This amendment would be effective from 1st July 2010.
- The **threshold limits** for deduction of tax under various heads is proposed to be increased w.e.f. 1st July 2010, these are:

S. No.	Section	Nature of payment	Existing limit	Revised Limits
1	194B	Winning from lottery or crossword puzzle	5000	10000
2	194BB	Winning from horse race	2500	5000
3	194C	Payment to Contractors	20000 (single transaction)	30000 (single transaction)
			50000 (aggregate transactions during the year)	75000 (aggregate transactions during the year)
4	194D	Insurance Commission	5000	20000
5	194H	Commission or Brokerage	2500	5000
6	194I	Rent	120000	180000
7	194J	Fees for professional or technical services	20000	30000

- *Sec. 203(3) & 206(C)(5)* – **TDS / TCS certificates** would be continued to be issued by the deductor even after 1st April 2010. Earlier as per the provision there was no requirement that the deductor was to issue TDS certificate after 1st April 2010.
- **TAXATION OF CONVERSION OF COMPANIES INTO LLP**
 - *Sec 47(xiii b)* – New section is proposed to be introduced to make conversion of a private limited company or a unlisted public limited company into a Limited Liability Partnership (LLP) **exempt from capital gains** subject to the following conditions:
 - Total turnover/receipts of the company does not exceed Rs. 60 Lacs in any of the three preceding years;
 - The shareholders of the company become partners of the LLP in the same proportion as their shareholding in the company;
 - No consideration other than share in profit and capital contribution in the LLP arises to partners;
 - The erstwhile shareholders of the company continue to be entitled to receive at least 50 per cent of the profits of the LLP for 5 years from the date of conversion;
 - All assets & liabilities of the company become the assets & liabilities of the LLP; and
 - No amount is paid, either directly or indirectly, to any partner out of the accumulated profit of the company for a period of 3 years from the date of conversion.
 - *Sec 72A(6A)* - It is proposed to **allow carry forward and set-off of business loss** and unabsorbed depreciation to the successor LLP which fulfills the conditions u/s 47(xiii b).
 - *Sec 47A(4)* - It is proposed that if the conditions stipulated in section 47(xiii b) are not complied with, the benefit availed by the company shall be **deemed to be the profit** of the successor LLP in the previous year in which the requirements are not complied with.
 - *Fifth Proviso to Sec 32(1)* - It is proposed that the aggregate **depreciation** allowable to the predecessor company and successor LLP shall not exceed, the depreciation allowable as if the conversion had not taken place.
 - *Explanation 2C to Sec 43 (6)* - It is proposed that the **actual cost of the block of assets** in the case of the successor LLP shall be the WDV of the block of assets as in the case of the predecessor company on the date of conversion.
 - *Sec 49 (1)(iii)(e)* - It is proposed that the **cost of acquisition of the capital asset** for the successor LLP shall be deemed to be the cost for which the predecessor company acquired it.
 - *Sec 115JAA* - It is proposed to clarify that the **tax credit** u/s 115JAA shall not be allowed to the successor LLP.
 - *Sec 35DDA* – In case of conversion, amortization of expense on **Voluntary Retirement Scheme (VRS)** shall continue in the hands of the converted LLP as if there was no conversion.
- **EXEMPTIONS**
 - Definition of “**Charitable Purpose**” amended with retrospective effect from A.Y. 2009-10 to partially reduce the hardship. It is proposed that “the advancement of any other object of general public utility” shall continue to be a “charitable purpose” if the total receipts from any activity in the nature of trade, commerce or business, or any activity of rendering any service do **not exceed Rs.10 Lacs** in the previous year.
 - *Section 12AA* – It is proposed to amend sec 12AA so as to provide that the Commissioner can also **cancel the registration** obtained under section 12A as it stood before amendment by Finance (No.2) Act, 1996.

- **DEDUCTIONS**

- Section 80CCF is proposed to be introduced to provide that subscription during the financial year 2010-11 made **to long-term infrastructure bonds**, to the extent of Rs. 20,000, shall be allowed as deduction in computing the income of an individual or a Hindu undivided family. This deduction will be over and above the existing overall limit of tax deduction on savings of upto Rs.1 Lac under section 80C, 80CCC and 80CCD of the Act.
- Contribution made to ‘Central Government Health Scheme’ (**CGHS**) shall be eligible for deduction **u/s 80D** within the specified monetary limits.
- It is proposed to increase the period allowed for completion of a **housing project** in order to qualify for availing the tax benefit u/s **80(1B)(10)**, from the existing 4 years to 5 years from the end of the financial year in which the housing project is approved by the local authority. This extension will be available for housing projects approved on or after 1.4. 2005. Further, it is also proposed to enhance the current norms for **built-up area of shops and other commercial establishments** in housing projects in order to enable basic facilities for the residents to 3% of the aggregate built-up area of the housing project or 5000 sq. ft., whichever is higher. This benefit will be available to projects approved on or after the 1.4.2005, which are pending for completion, in respect of their income relating to assessment year 2010-11 and subsequent years.
- It is proposed to amend clauses (i) and (ii) of section 80-ID to extend the date by which the **hotel (2 star to 4 star)** in NCR has to start functioning or the convention centre has to be constructed, from the present 31st March, 2010 to 31st July, 2010 to have 100 % deduction of profits for 5 years.
- The investment-linked tax incentive u/s 35AD allows 100 per cent deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred, for the purposes of the “specified business”. Currently, such “specified business” means the business of setting up and operating cold chain facilities, warehousing facilities for storage of agricultural produce and laying and operating a cross-country natural gas or crude or petroleum oil pipeline network. It is now proposed to include the business of building and operating a **new hotel of two-star or above category**, anywhere in India, which starts functioning after 1.4.2010 within the purview of “specified business”.
- Section 80A & Section 35AD(3) is proposed to be amended to provide that if any deduction is claimed u/s allowed in respect of the specified business for any assessment year, **no deduction shall be allowed under Chapter VI-A** in relation to such specified business
- In order to rationalise the existing condition regarding common carrier capacity, it is proposed to amend sub-section (2) of section 35AD to provide that the proportion of the **total pipeline capacity** to be made available for use on common carrier basis should be as specified by the said regulations.
- Sections 10 (21) and section 35 (1) (iii) amended to exempt income of an assessee engaged in undertaking **research in social science or statistical research** covered by the provisions of section 35(1)(iii). Also donations to such association is proposed to be allowed as deduction u/s 80GGA
- It is proposed to increase the weighted deduction u/s **35(2AB)** from **150 % to 200 %** of the expenditure incurred on scientific research of an approved in-house R & D facility.
- It is proposed to increase the weighted deduction u/s **35(1) (ii)** from **125 % to 175 %** of any sum paid to an approved scientific research association or to an approved university, college or other institution to be used for scientific research.
- It is proposed to increase the weighted deduction u/s **35(2AA)** from **125 % to 175 %** of any sum paid to a National Laboratory or a university or an Indian Institute of Technology (IIT) or a specified person for the purpose of an approved scientific research programme.

- **NON-RESIDENTS**

- Explanation to section 9(2) substituted retrospectively w.e.f. 1st June 1976 to clarify that income from **interest, royalty and fees for technical services** shall be deemed to accrue or arise in India under clause (v) or clause (vi) or clause (vii) of sub-section (1) of section 9 and shall be included in his total income, whether or not,
 - (a) the non-resident has a residence or place of business or business connection in India; or
 - (b) the non-resident has rendered services in India.
- Combined effect of the provisions of sections 44BB, 44DA and 115A is that if the income of a non-resident is in the nature of fee for technical services, it shall be taxable under the provisions of either **section 44DA** or section 115A irrespective of the business to which it relates. **Section 44BB** applies only in a case where consideration is for services and other facilities relating to exploration activity which are not in the nature of technical services. In order to remove doubts, it is proposed to amend the proviso to section 44BB so as to exclude the applicability of section 44BB to the income which is covered under section 44DA. Similarly, section 44DA is also proposed to be amended to provide that provisions of section 44BB shall not apply to the income covered under section 44DA.

- **TAX AUDIT AND PRESUMPTIVE INCOME TURNOVER LIMITS**

- It is proposed increase the threshold limit for **tax audit u/s 44AB** from Rs. 40 Lacs to Rs. 60 Lacs in the case of persons carrying on business and from Rs. 10 Lacs to Rs. 15 Lacs in the case of persons carrying on profession.
- Consequently it is also proposed to increase the maximum **penalty**, leviable **u/s 271B** for failure to get accounts audited u/s 44AB or to furnish a report of such audit, from Rs. 1 Lac to Rs. 1.50 Lacs.
- Also it is proposed that **for presumptive taxation u/s 44AD** which is applicable from 1.4.2010, the threshold limit of total turnover or gross receipts would be increased from Rs. 40 Lacs to Rs. 60 Lacs

- **INCOME FROM OTHER SOURCES**

- Section 56(2) (viia) is proposed to be inserted w.e.f. 1st June 2010 to provide that where **any firm or a company** (not being a company in which public are substantially interested receives **shares of a company** (not being a company in which public are substantially interested) without consideration or inadequate consideration then such amount will be taxable as under:
 - without consideration, the aggregate FMV of which exceeds Rs. 50,000/-; the whole of the aggregate FMV of such property
 - received for consideration which is less than aggregate FMV by amount exceeding Rs.50,000/-; aggregate FMV of such property as exceeds such consideration.
- It is proposed to amend the definition of property retrospectively w.e.f. 1st October, 2009 so as to provide that section 56(2)(vii) will have application to the 'property' which is in the nature of a capital asset of the recipient and therefore would **not apply to stock-in-trade, raw material and consumable stores** of any business of such recipient
- It is proposed to amend the definition of 'property' w.e.f. 1st June 2010 u/s 56 so as to include transactions in respect of '**bullion**'.
- It is, proposed to amend section 56(2)(vii) retrospectively w.e.f. 1st October, 2009 so as to provide that it would apply only if the immovable property is received without any consideration and to remove the stipulation regarding transactions involving cases of **inadequate consideration in respect of immovable property**.

- **OTHER DIRECT TAX PROPOSALS**

- **Section 10AA (7)** related to **Special Economic Zone (SEZ)** was amended by Finance (No.2) Act, 2009, and the words “by the undertaking” were substituted for “by the assessee” with effect from assessment year 2010-11 and subsequent years. In order to make it effective for earlier years now it is proposed to make this amendment effective from A.Y. 2006-07 and subsequent years.
- It is proposed to amend section 142A(1) to allow the Assessing Officer to make a reference to the **Valuation Officer** for an estimate of the value of property for the purposes of section 56(2) [Gifts of property in kind].
- Section 143(1B) and section 115WE is proposed to be amended to extend the time limit for issue of notification relating to **centralized processing of returns** from 31st March, 2010 to 31st March 2011
- It is proposed that cases of **search** should also be included u/s section 245A(b) being eligible for filing of an application before the **Settlement Commission**
- Time limit for passing **order u/s 245D(4A)** by the Settlement Commission in respect of an application made on or after 1st June, 2010 is proposed to be increased from 12 months to 18 months.
- It is proposed to substitute the proviso to section 245C, so as to provide that an application can be filed before the Settlement Commission, in cases where proceedings for assessment or reassessment have been initiated as a result of search, if the additional amount of income-tax payable on the income disclosed in the application exceeds **Rs. 50 Lacs**. It is also proposed to increase the additional amount of income-tax payable from **Rs. 3 Lacs to Rs. 10 Lacs** in other than search cases.
- It is proposed to insert sub-section (2A) in section 260A retrospectively w.e.f. 1st October 1998 to specifically provide that the **High Court** may admit an **appeal after the expiry of the period of 120 days**, if it is satisfied that there was sufficient cause for not filing the appeal within such period.
- It is proposed to insert sub-section (2A) in section 256 retrospectively w.e.f. 1st June 1981 so as to empower **the High Court** to admit an application **after the expiry of the period of six months**, if it is satisfied that there was sufficient cause for not filing the same within such period.
- Section 282B related to all notices, order, letter, any correspondence issued by IT Authority to contain computer generated “**Document Identification Number**” was to be made effective from 01.10.2010. It is now proposed to make this effective from 1st July 2011
- It is, proposed that in **Taxation of income of non-life insurance business** the unrealized gains due to appreciation in the value of investments will not be included in the total income. Similarly, deduction will not be allowed for provision for losses due to diminution in the value of investments as this is not a realized loss. It has also been proposed that any gain or loss on realisation of investments shall be added or deducted for the purpose of computation of the total income, if the same is not already credited or debited in the profit and loss account.
- New **Saral 2** for Income Tax Return to be introduced soon.



SERVICE TAX PROPOSALS

- **NEW SERVICES ADDED**

- **Services of granting or permitting commercial use or exploitation of any event organized by a person or organization:** The service proposed to be taxed is granting or permitting commercial use or exploitation of any event, e.g. when any corporate sponsors some event like film awards function, cricket matches etc. they also sell rights of using these in future for commercial purposes to other companies, broadcasting agencies etc. Such selling of rights would now be under the ambit of Service Tax.
- **'Intellectual Property Right' Service:** Copyrights of (a) Cinematography films; and (b) Sound Recording would now be covered under intellectual Property Right service. However, copyright on original literary, dramatic, musical and artistic work would continue to remain outside the scope of service tax
- **Health Services:** The following Health Services have been brought under service tax ambit:
 - (a) Health check up undertaken by hospitals or medical establishments for the employees of business entities; and
 - (b) Health services provided under health insurance schemes offered by insurance companies.However, the service tax would be payable on such services only if the payment for such health check up or treatment is made directly by the business entity or the insurance company to the hospital or medical establishment.
- **Service provided for maintenance of medical records of employees of a business entity:** The service provided by hospitals or any other independent entity for maintenance of medical records of the employees of the business entity would now be chargeable to service tax.
- **Service provided by Electricity Exchanges:** The services in relation to assisting, regulating, controlling the business of trading, processing and settlement pertaining to sale or purchase of electricity by the associations authorized by Central Electricity Regulatory Commission would now be under the ambit of Service Tax.
- **Certain services provided by a builder etc. to the prospective buyers such as providing preferential location or external or internal development of complexes on extra charges:** The charges collected by the builders for providing preferential location of the flat to the buyer and the charges collected in regard to internal or external development like developing park, etc. would now be under service tax ambit. This includes charges collected for installation of fire fighting equipment & power back up. However, Development Charges, to the extent payable to State Government or local bodies, Charges for providing parking space and charges collected by resident welfare associations or cooperative group housing societies in lieu of services provided to its members would not be taxable.
- **Service of promoting of a 'brand' of goods, services, events, business entity etc.:** The promotion of a brand would now be taxable even if such promotion can not be linked to the promotion of particular product or service.
- **Service of Promotion, marketing or organizing of games of chance, including lottery:** The services provided for promotion or marketing or organizing games of chance are now being introduced as separate taxable services. This service was earlier included under explanation to Business Auxiliary Service. The said explanation has now been deleted.

- **EXTENSION OF SCOPE OF EXISTING SERVICES**

- **Air Passenger Transport Service** – The scope of this service has been expanded to include domestic journeys & international journeys in any class. Earlier the tax was imposed on the international journeys in higher than economy class only.

- **Information Technology Software Service** - At present, in the case of Information Technology Software Service the levy of tax is limited only to cases where IT software is used for furtherance of business or commerce. The scope of the taxable service is being expanded to cover all cases irrespective of its use.
 - **Commercial Training or Coaching Service** - An Explanation is being added to clarify that the term ‘commercial’ in the context of this service would mean any training or coaching, which is provided for a consideration, whether or not for profit. This change is being given retrospective effect from 01.07.2003.
 - **Sponsorship Service** - The exclusion relating to sponsorship pertaining to sports is being removed, hence from now on sponsorships of Sports event would also be taxable.
 - **Construction of Complex Service** - An explanation has been inserted to the taxable service, and, it is being provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after issuance of completion certificate by the competent authority), the activity of construction would be deemed to be a taxable service provided by the builder/ promoter/ developer to the prospective buyer and the service tax would be charged accordingly.
 - **Renting of immovable property service** – The definition of ‘Renting’ has been amended to provide explicitly that the activity of ‘Renting’ is a taxable service. This change has been given a **retrospective effect from 01.06.2007**. Further, Renting of Vacant Land, where there is an agreement or contract between the lessor and lessee for undertaking construction of buildings or structures on such land for furtherance of business or commerce during the tenure of the lease, would also be chargeable to service tax. However, the renting of vacant land used for agriculture, farming, forestry, animal husbandry, mining, education, sports, circus, entertainment and parking purpose, is excluded from the purview of service tax
 - **Airport Services, Port Services and Other Port Services** – The definitions of these services has been amended to include that:
 - (a) all services provided entirely within the airport/ port premises would fall under these services; and
 - (b) an authorization from the airport/ port authority would not be a precondition for taxing these services.
 - **Auctioneer’s Service** – An explanation has been added to clarify that the phrase ‘auction by government’ means an auction involving sale of government property and not when the government acts as an auctioneer for sale of the private property. Hence by this amendment it has been clarified that this service means an auction where the government property is being auctioned and not when the Government acts as an auctioneer for private property.
 - **Management of Investment under ULIP Service** – The definition of this service has been amended to provide that the value of the taxable service for any year of the operation of policy shall be the actual amount charged by the insurer for management of funds under ULIP or the maximum amount of fund management charges fixed by the Insurance Regulatory and Development Authority (IRDA), whichever is higher.
- **AMENDMENTS TO EXEMPTION FROM SERVICE TAX**
 - **Pre-packaged I.T. software**, with the license for right to its use, is being exempted from service tax, subject to specified conditions.
 - At present exemption from service tax is available to transport of fruits, vegetables, eggs or milk by road by a goods transport agency. The scope of **exemption** is being expanded to include **food grains and pulses** in the list of exempted goods.

- **Statutory taxes charged by the foreign governments** are being excluded from taxable value for levy of service tax under the Air Passenger transport service.
 - **Exemption from tax is being provided on Services relating to ‘Erection, Commissioning or Installation’** of,-
 - (a) Mechanized Food Grain Handling Systems etc.;
 - (b) Equipment for setting up or substantial expansion of cold storage; and
 - (c) Machinery/equipment for initial setting up or substantial expansion of units for processing of agricultural, apiary, horticultural, dairy, poultry, aquatic, marine or meat products.
 - Exemption from service tax is being provided to the **‘Technical Testing and Analysis Service’** and **‘Technical Inspection and certification service’** provided by Central and State seed testing laboratories, and Central and State seed certification agencies.
 - Exemption from service tax is being provided to Indian news agencies under **‘Online Information and Database Retrieval Service’** subject to specified conditions.
 - Exemption from service tax is being provided to the **transmission of electricity**.
 - Exemption from service tax on ‘Service provided in relation to **transport of goods by rail’** is being **withdrawn**. The levy will come into effect from 01.04.2010.
 - Exemption from service tax, presently available to **Group Personal Accident Insurance Scheme** provided by Govt. of Rajasthan to its employees, under General Insurance Service is being **withdrawn**.
 - The exemption from service tax on **‘Commercial training or coaching service’** is being restricted to vocational training courses in the designated Trades notified under the Apprentices Act, 1961.
- **AMENDMENTS IN RULES & NOTIFICATIONS**
 - **Export of Services Rules, 2005** and Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 are being amended so as to move some of the specified taxable services from one category to another.
 - In the Export of Services Rules, 2005, the condition prescribed i.e. **‘such service is provided from India and used outside India’** is being **deleted**.
 - Notification No. 1/2002-ST dated 01.02.2002 is being superseded by another notification to provide that the construction and operation of installations, structures and vessels for the purposes of prospecting or extraction or **production of mineral oils and natural gas** in the Exclusive Economic Zone and the Continental Shelf of India and for supply of any goods connected with these activities would be within the purview of the provisions of Chapter V of Finance Act, 1994. Suitable changes are being made in the Export of Services Rules, 2005 and Taxation of Services (Provided from Outside India and Received in India) Rules, 2006.
 - Notification No. 5/2006-CE (NT) is being amended and given partial retrospective effect to remove the bottlenecks in **refund** of accumulated credit to the **exporters**.
 - **OTHER SERVICE TAX PROPOSALS**
 - It is proposed to insert an explanation in sub section (3) of Section 73 to clarify that no **penalty** shall be imposed where service tax along with interest has been paid before issuance of notice by the department under this section.
 - Definition of the term **‘Business Entity’** is proposed to be amended to include an association of persons, body of individuals, company or firm but not an Individual.

CENTRAL EXCISE PROPOSALS

- **CHANGES IN CENTRAL EXCISE RATES:**

- General Excise duty rate for non petroleum goods is being increased from **8% to 10%** with a few exceptions where exemptions/concessions have been given.
- Consequent to enhancement of the standard rate of duty from 8% to 10%, the specific rates of duty on **cement and cement clinker** have also been also being revised upwards.
- Ad-valorem component of excise duty on **large cars, Multi Utility Vehicles and Sports Utility Vehicles etc.** and chassis thereof is being increased from 20% to 22%. There is no change in the specific component, which will continue to be levied as applicable.
- The rates of excise duty on **Motor Spirit (petrol) and HSD (diesel)** are being increased by Re.1 per litre.
- The existing slab of **filter cigarettes** of length not exceeding 70 mm is being broken up into two slabs: filter cigarettes of length not exceeding 60 mm; and filter cigarettes of length exceeding 60 mm but not exceeding 70 mm. The rates of every slab except for the cigarettes not exceeding 60 mm have been substantially increased.
- A uniform concessional rate of duty of 4% is being prescribed for parts, namely **batteries** including battery chargers, electric motors and AC or DC motor controllers required for manufacture of all categories of electrical vehicles including cars, two wheelers and three wheelers (like 'Soleckshaw') subject to actual user condition. This concession will be available till 31.03.2013. Such vehicles will also be charged to excise duty @ 4%.
- Excise duty is being reduced from 8% to 4% on **LED lights/lighting fixtures**.
- Full exemption from excise duty is being provided to additional specified raw materials for the manufacture of **rotor blades** for wind operated electricity generators.

- **CLEAN ENERGY CESS:** Clean Energy Cess is being imposed on **coal, lignite and peat** produced in India. This cess would be levied and collected as a duty of excise with effect from a date to be notified after the enactment of the Finance Bill, 2010.

- **MSME/SMALL SCALE SECTOR:** Relevant Changes are being made to provide certain facilities to Small Scale Industrial (SSI) units eligible for availing benefit under Notification No. 8/2003-CE as under:

(A) **full Cenvat credit on capital goods** in one installment in the year of receipt of such goods.

(B) facility of **payment of excise duty on quarterly basis**.

The above changes come into effect from 1st April, 2010 and will be applicable even if an eligible unit opts not to avail of the SSI exemption.

- While retaining the system of **filing quarterly returns**, the due date for filing of Central Excise returns by SSI units is being advanced to the 10th of the month following the quarter.
- The relaxation from **brand name restriction** under the general SSI exemption scheme is being extended to plastic bottles and plastic containers used as packing material.

- **WITHDRAWAL OF EXEMPTIONS & CONCESSIONS:**

(1) Full exemption on following items is being withdrawn. They will now attract excise duty of 4%.

(a) **Mosquito nets** impregnated with insecticides;

(b) **Av Gas**

(c) **Microprocessor for computers** (other than motherboard), Floppy disk drive Hard disk drive, flash drive, CD/DVD and Combo Drive meant for external use.

(2) **Baby & clinical diapers** and sanitary napkins will now attract duty at 10%.

(3) Concessional rate of excise duty on **open tin sanitary (OTS) cans** is being withdrawn. OTS cans will now attract duty at 10%.

(4) Concessional rate of excise duty on **goggles** is being withdrawn except those used for correcting vision. These items will now attract duty at 10%.

CUSTOMS PROPOSALS

- Customs Duty on crude petroleum is being increased from Nil to 5%. Customs Duty on Motor Spirit (Petrol) & HSD (Diesel) is being increased from 2.5% to 7.5%. Customs Duty on some other specified petroleum products is being increased from 5% to 10%.
- Basic customs duty is being reduced from 7.5% to 5% on specified agricultural machinery such as paddy transplanter, laser land leveler, cotton picker, reaper-cum-binder, straw or fodder balers, sugarcane harvesters, track used for manufacture of track-type combine harvester etc.
- Basic customs duty on long pepper is being reduced from 70% to 30%. Basic customs duty on 'asafoetida' (heeng) is being reduced from 30% to 20%. Full exemption from basic customs duty is being provided to bio-polymer/bio-plastics (HS Code 39139090) used for manufacture of bio-degradable agro mulching films, nursery plantation & flower pots.
- All medical equipments (with some exceptions) will attract 5% basic customs duty, 4% CVD/excise duty and Nil special additional duty of customs [i.e. effective duty of 9.2%].
- The limit of Rs. 1 Lac p.a. for duty free import of samples is being enhanced to Rs. 3 Lac p.a.
- Electrical energy supplied from a Special Economic Zone to the Domestic Tariff Area and non-processing areas of SEZ would now attract duty of 16% ad valorem + Nil Special CVD. This change is being made retrospectively w.e.f. 26th June, 2009.
- Full exemption from basic customs duty and special additional duty of customs is being extended to specified parts namely, batteries including battery chargers, electric motors and AC or DC motor controllers imported for manufacturing all categories of electrical vehicles including cars, two wheelers and three wheelers (like Soleckshaw). These parts will attract CVD of 4%. The concession is subject to actual user condition. This concession will be available till 31.03.2013.
- Project imports status is being granted to installation of Mechanized Handling Systems & Pallet Racking Systems, in mandis or warehouses for food grains and sugar, with concessional rate of basic customs duty of 5%. Such systems are also being exempted from additional duty of customs (CVD) and special additional duty of customs.

OTHER PROPOSALS

- Direct Tax Code proposed to be implemented from April, 1 2011.
- Endeavour to introduce Goods and Service Tax Act by April, 2011.
- Expert Group has submitted its recommendation to the Government on a viable and sustainable system of pricing of petroleum products, decision will be taken in due course.
- More simplified FDI regime. Complete liberalization of pricing and payment of technology transfer fee and trademark, brand name and royalty payments.
- RBI's considering additional banking licenses to private sector banks and NBFC's if they meet eligibility criteria.
- Extension of existing interest subvention of 2 per cent for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises.
- The period for repayment of loan amount by farmers has been extended by six months from 31st December, 2009 to 30th June, 2010.
- Incentive of additional one per cent interest subvention to farmers who repay short-term crop loans as per schedule, increased 2% for 2010-11.
- Impetus to food processing sector by providing state of the art food parks, commercial loan available to cold storage, change in the definition of infrastructure
- New Symbol for Indian Rupee to be finalised this year
- Government to set up Technology Advisory Group for unique programmes
- Fertilizer Subsidy: Govt to move towards direct transfer to farmers

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