

UNION BUDGET 2013-14 – A SNAPSHOT

Dewan P.N. Chopra & Co.

DECODING TAXES

"Budget deals with issues of macro imbalance, provides the corrective on fiscal deficits which everyone wanted".

MONTEK SINGH AHLUWALIA

DEPUTY CHAIRMAN, PLANNING COMMISSION

"The idea is to work on deepening financial markets, broadening them to reach every Indian in a way that will draw them away from instruments like gold, and will provide them a good avenue for savings."

RAGHURAM RAJAN
CHIEF ECONOMIC ADVISER

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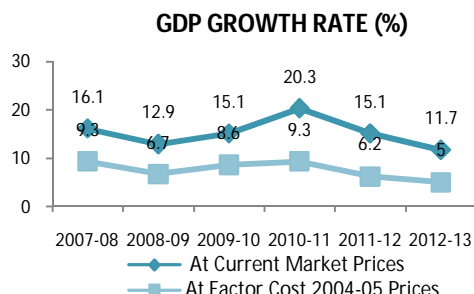
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ECONOMIC PERFORMANCE

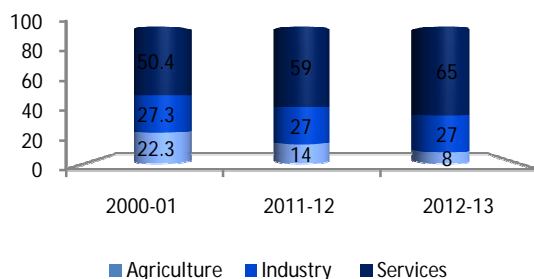
FY 12-13

GROSS DOMESTIC PRODUCT (GDP)



- High policy rates as well as policy constraints adversely impacted investment, and resulted in growth rate of 6.2 percent and 5.0 percent in FY 11-12 and FY 12-13 respectively.
- Despite this slowdown, the Compound Annual Growth Rate (CAGR) for GDP at Factor Cost (FC) for the decade ending FY 12-13 is 7.9 percent.

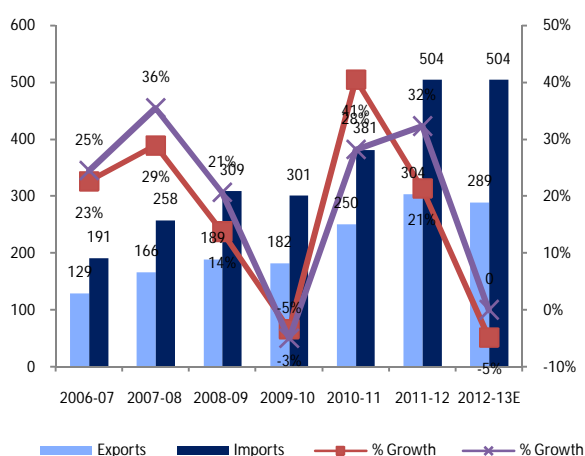
SECTORAL COMPOSITION (% of GDP)



SECTORAL COMPOSITION

- With agriculture (3.6% growth) and services (9% growth) continuing to perform well in FY 12-13, India's slowdown has been attributed almost entirely to weak industrial growth (9% growth) in the current year.

EXPORT/IMPORT (US\$ million)



EXPORT/IMPORT

- Indian exports were valued at US\$ 214.1 billion during 2012-13 (April-December) resulting in a negative growth of 5.5 per cent over the level of US\$ 226.5 billion in the corresponding period of 2011-12 while value of imports during this period was US\$ 361.3 billion, which was marginally lower by 0.7 per cent than the level of US\$ 363.9 billion in the corresponding period of 2011-12.

DEFICIT

- The gross fiscal deficit as a proportion of GDP for FY 12-13 is 5.1% as against 5.7% in FY 11-12.

"The Budget gives incentive for investment. Its growth and development oriented. GDP growth will be better next year."

ADI GODREJ
CHAIRMAN, GODREJ CONSUMER PRODUCTS

Deficit	(As % of GDP)		
	Gross Fiscal Deficit	Revenue Deficit	Primary Deficit
2007-08	2.5	1.1	-0.9
2008-09	6	4.5	2.6
2009-10	6.5	5.2	3.2
2010-11	4.8	3.2	1.8
2011-12	5.7	4.3	2.6
2012-13	5.1	3.5	1.9

Fiscal Deficit, Current Account Deficit and Inflation

- The government announced new fiscal consolidation path with fiscal deficit at 5.3 per cent of GDP in FY 12-13 reduced to 4.8 per cent of GDP in FY 13-14.
- Foreign investment is imperative in view of the high current account deficit (CAD). FII, FDI and ECB are recognized as the three main source of CAD Financing. Foreign investment that is consistent with our economic objectives is to be encouraged in FY 13-14.
- WPI inflation brought down to about 7 percent and Core Inflation to about 4.2 percent in FY 12-13.

"This budget continues the govt's policies on expected lines. I welcome the focus on reducing the fiscal deficit."

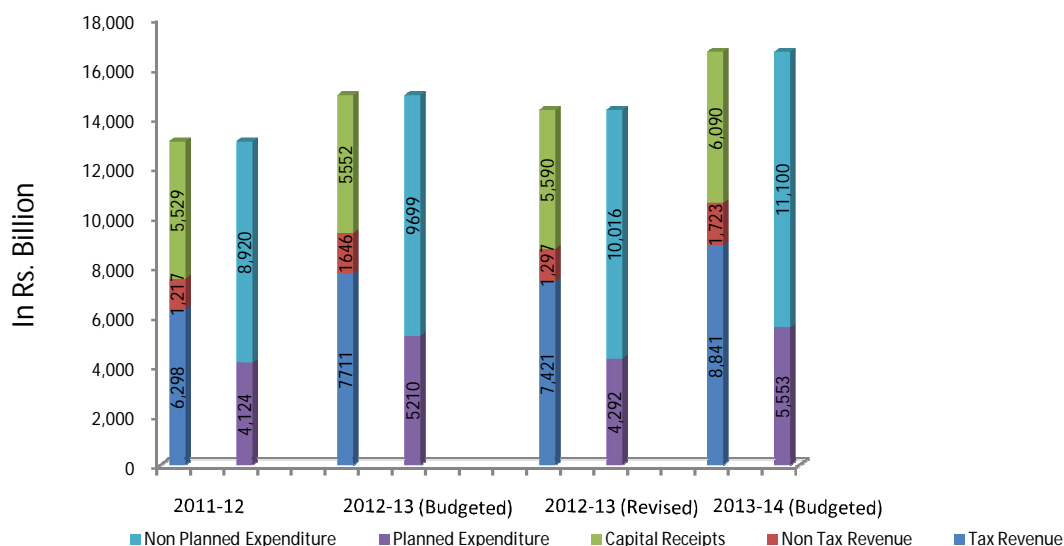
A M NAIK
EXECUTIVE CHAIRMAN, L&T

FISCAL SUMMARY

- India's GDP growth in 2013-14 is estimated to be 8%.
- The Fiscal deficit is estimated to be 5.1% in FY 12-13 as against budgeted estimate of 5.2% in FY 12-13.

(Figures in Rs. Bn)

	2011-12 (Actuals)	2012-13 (Budgeted)	2012-13 (Revised)	2013-14 (Budgeted)
Total Receipts	13,044	14,909	14,308	16,653
Revenue Receipts	7,514	9,357	8,718	10,563
Tax Revenue	6,298	7,711	7,421	8,841
Non Tax Revenue	1,217	1,646	1,297	1,723
Capital Receipts	5,523	5,552	5,590	6,090
Total Expenditure	13,044	14,909	14,308	16,653
Planned	4,124	5,201	4,292	5,553
Non Planned	8,920	9,699	10,016	11,100
Fiscal Deficit (as % of GDP)	5.7%	5.1%	5.2%	4.8%





MACRO-ECONOMIC HIGHLIGHTS

FY 12-13

The Economy in FY 12-13 and Way Forward

The main thrust of the Budget is to signal the world and everyone else that we are following a prudent fiscal path and the fiscal deficit will be contained.

P CHIDAMBARAM
FINANCE MINISTER

- Getting back to potential growth rate of 8 percent in FY13-14 is the challenge facing the country.
- Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9 per cent in FY 11-12 to 3.2 per cent in FY 12-13.
- Of the larger countries of the world, only China and Indonesia are growing faster than India in FY 12-13. In FY 13-14, only China is projected to grow faster than India.
- Between FY 04-05 to FY 08-09 and again in FY 09-10 and FY 10-11 the GDP growth rate was over 8 per cent and crossed 9 per cent in four of those six years.
- 11th Plan period had average growth rate of 8 percent, highest during any Plan period.
- Higher growth leading to inclusive and sustainable development' to be the *mool mantra*.
- Government believes in inclusive development with emphasis on improving human development indicators specially of women, the scheduled castes, the scheduled tribes, the minorities and some backward classes. This Budget to be a testimony to that commitment.

"FM's commitment to winning back the trust and confidence of entrepreneurs and investors is reassuring."

KUMAR M BIRLA
CHAIMAN, ADITYA BIRLA GROUP

Two objectives being addressed by the Finance Minister for the current fiscal year:-

- To aid the Indian Economy in growth revival;
- To bring down the deficit from FY 12-13 level so as to create space for private sector credit as the investment cycle picks up.

STRENGTHENING INVESTMENT ENVIRONMENT for FY 13-14

Cabinet Committee on Investment

- The Cabinet Committee on Investment (CCI) has been set up. Decisions have been taken in respect of a number of gas, power and coal projects.



MACRO-ECONOMIC HIGHLIGHTS

FY 13-14

New Investment to stimulate growth

- Companies investing Rs. 100 crore or more in plant and machinery during the period 1st April 2013 to 31st March 2015 will be entitled to deduct an investment allowance of 15 per cent of the investment.
- Incentives to semiconductor wafer fab manufacturing facilities, including zero customs duty for plant and machinery.

FINANCIAL SECTOR

- A standing Council of Experts to be constituted in the Ministry of Finance to analyze the international competitiveness of the Indian financial sector

Banking

- Compliance of Public Sector Banks with Basel III regulations to be ensured. Rs. 14,000 crore provided in BE of FY 13-14 for recapitalization of PSB's.
- All branches of PSB's to have ATM by 31st March 2014.
- Proposal to set up India's first Women's Bank as a PSB. Provision of Rs. 1,000 crore as initial capital.
- Rs. 6,000 crore to Rural Housing Fund in FY 13-14. National Housing Bank to set up Urban Housing Fund. Rs. 2,000 crore to be provided to the fund in FY 13-14.

Insurance

- A multi-pronged approach to increase the penetration of insurance, both life and general, in the country.
- Number of proposals finalized, in consultation with IRDA such as empowering insurance companies to open branches in Tier-II cities and below without prior approval of IRDA, KYC of banks to be sufficient to acquire insurance policies, banks to be permitted to act as insurance brokers, banking correspondent allowed to sell micro-insurance products and achieving the goal of having an office of LIC and an office of at least one public sector general insurance company in towns with population of 10,000 or more.

"Emphasis on inclusive development is laudable...But it's short on reforms that encourage investments."

KALPANA MORPHIA
CEO, JP MORGAN, INDIA

"By allowing banks to become insurance brokers, FM has ensured insurers can access the vast customer base of banks."

Y M DEOSTALEE
CHAIRMAN & MD, L&T FINANCE HOLDINGS



MACRO-ECONOMIC HIGHLIGHTS

FY 13-14

- Rashtriya Swasthya Bima Yojana to be extended to other categories such as rickshaw, auto-rickshaw and taxi drivers, sanitation workers, rag pickers and mine workers.
- A comprehensive social security package to be evolved for unorganized sector by facilitating convergence among different schemes.

Social REFORMS

SC, ST, Women and Children

"We have examples of states growing at a faster rate, but leaving behind women, the scheduled castes, the scheduled tribes, the minorities, and some backward classes. The UPA does not accept that model."

P CHIDAMBARAM
FINANCE MINISTER

- Allocations for Scheduled Caste Sub Plan and Tribal Sub Plan increased substantially in FY 13-14 over the allocations in FY 12-13. Funds allocated to these Sub Plans cannot be diverted.
- Rs. 97,134 crore allocated for programs relating to women and Rs. 77,236 crore allocated for programs relating to children.
- Ministry of Women and Child Development to design schemes that will address the concerns of women belonging to the most vulnerable groups, including single women and widows. An additional sum of Rs.200 crore proposed to be provided to the Ministry to begin work.

Minorities

- An increase of 12 per cent over the BE and 60 per cent over the RE of FY 12-13 to Ministry of Minority Affairs.
- Allocation of Rs. 160 crore to the corpus of Maulana Azad Education Foundation to raise its corpus to Rs. 1,500 crore during 12th Plan period.

Disabled Persons

- A sum of Rs. 110 crore to the Department of Disability Affairs for ADIP scheme in FY 13-14 against RE for FY 12-13 of Rs. 75 crore.



"The Finance Minister's Budget proposals represent a 360-degree intervention for stimulating growth in all sectors of the economy while fostering social equity and inclusion."

Y C DEVESHWAR
CHAIRMAN, ITC

"In allocating roads, eastern states have been cold-shouldered. This is going to widen regional inequality, not by default but by design."

NITISH KUMAR
BIHAR CHIEF MINISTER

MACRO-ECONOMIC HIGHLIGHTS

FY 13-14

SECTORAL POLICY CHANGES

Micro, Small and Medium Enterprises

- Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.
- Refinancing capacity of SIDBI raised to INR 10,000 crore.
- Another sum of Rs. 100 crore provided to India Microfinance Equity Fund.
- A corpus of Rs. 500 crore to SIDBI to set up a Credit Guarantee Fund for factoring.

Textiles

- Technology Upgradation Fund Scheme (TUFS) to continue in 12th Plan with an investment target of Rs. 1,51,000 crore.
- Allocation of Rs. 50 crore to Ministry of Textile to incentivise setting up Apparel Parks within the SITPs to house apparel manufacturing units.
- A new scheme called the Integrated Processing Development Scheme will be implemented in the 12th Plan to address the environmental concerns of the textile industry.
- Working capital and term loans at a concessional interest of 6 per cent to handloom sector.
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI) extended to 800 clusters during the 12th Plan.

INVESTMENT, INFRASTRUCTURE AND INDUSTRY

- Infrastructure Debt Funds (IDF) to be encouraged
- IIFCL to offer credit enhancement.
- Infrastructure tax-free bond of Rs. 50,000 crore in FY 13-14
- Build roads in North eastern states and connect them to Myanmar with assistance from World Bank & Asian Development Bank.

MACRO-ECONOMIC HIGHLIGHTS

FY 13-14

- Raising corpus of Rural Infrastructure Development Fund (RIDF) to Rs. 20,000 crore.
- Rs. 5,000 crore to NABARD to finance construction for warehousing.

Road Construction

- A regulatory authority for road sector to be introduced. 3000 kms of road projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of FY 13-14.

Rural Development

- Allocation of Rs. 80,194 crore in FY 13-14 for Ministry of Rural Development marking an increase of 46% over RE for FY 12-13.
- Proposal to carve out PMGSY-II and allocate a portion of the funds to the new program that will benefit States such as Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab and Rajasthan.

JNNURM

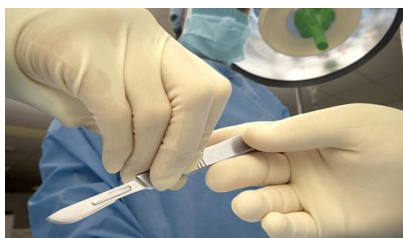
- Rs. 14,873 crore for JNNURM in BE for FY 13-14 as against RE of Rs. 7,383 crore. Out of this, a significant portion will be used to support the purchase of upto 10,000 buses, especially by the hill States.

Health and Education

- Rs. 37,330 crore allocated to the Ministry of Health & Family Welfare.
- New National Health Mission will get an allocation of Rs. 21,239 crore.
- Rs. 4,727 crore for medical education, training and research.
- Rs. 150 crore provided for National Programme for the Health Care of Elderly
- Ayurveda, Unani, Siddha and Homoeopathy are being mainstreamed. Allocation of Rs. 1,069 crore to Department of AYUSH.

"It's not a political budget at all & only gives direction to economy. The real pressure will be on implementation of the plans."

RC BHARGAVA
CHAIRMAN, MARUTI SUZUKI



MACRO-ECONOMIC HIGHLIGHTS

FY 13-14

"It is very disappointing for healthcare. There is no incentive. At least, costs could have been reduced."

*Dr Devi Prasad Shetty
Founder and Chairman
Narayana Hrudayalaya Group of Hospitals*

- Rs. 1,650 crore allocated for six AIIMS-like institutions.
- Allocation of Rs. 65,867 crore to the Ministry of Human Resource Development, an increase of 17 per cent over the RE of FY 12-13.
- Rs. 27,258 crore provided for Sarva Shiksha Abhiyaan (SSA).
- An increase of 25.6 per cent over RE of FY 12-13 for investments in Rashtriya Madhyamik Shiksha Abhiyan (RMSA).
- Rs. 5,284 crore allocated to Ministries/Departments in FY 13-14 for scholarships to students belonging to SC, ST, OBC, Minorities and girl children.
- Mid Day Meal Scheme (MDM) to be provided with allocation of Rs. 13,215 crore.
- Government committed to the creation of Nalanda University as a centre of educational excellence.

Agriculture



- Average annual growth rate of agriculture and allied sector was 3.6% during XI Plan against 2.5% and 2.4% in IX and X plans respectively.
- INR 27,049 crore allocated to Ministry of Agriculture, an increase of 22 per cent over the RE of current year.
- Agricultural research provided Rs. 3,415 crore.
- In FY 12-13, total food-grain production will be over 250 million tonnes..
- Additional provision of Rs. 10,000 crore for National Food Security Act.

Agriculture Credit

- For FY 13-14, target of agricultural credit kept at Rs. 7 lakh crore.

MACRO-ECONOMIC HIGHLIGHTS

FY 13-14

- Interest subvention scheme for short-term crop loans to be continued scheme extended for crop loans borrowed from private sector scheduled commercial banks.
- Credit Guarantee Fund to be created in the Small Farmers' Agri Business Corporation with an initial corpus of Rs. 100 crore.

Green Revolution



- Bringing green revolution to eastern India a remarkable success Rs. 1,000 crore allocated in FY 13-14.
- Rs. 500 crore allocated to start a programme of crop diversification that would promote technological innovation and encourage farmers to choose crop alternatives in FY 13-14.
- Rashtriya Krishi Vikas Yojana and National Food Security Mission provided Rs. 9,954 crore and Rs. 2,250 crore respectively in FY 13-14.
- Allocation for integrated watershed programme increased from Rs. 3,050 crore in FY 12-13 (BE) to Rs. 5,387 crore in FY 13-14.
- Allocation made for pilots programme on Nutri-Farms for introducing new crop varieties that are rich in micro-nutrients.
- National Institute of Biotic Stress Management for addressing plant protection issues will be established at Raipur, Chhattisgarh.
- The Indian Institute of Agricultural Bio-technology will be established at Ranchi, Jharkhand.
- Pilot scheme to replant and rejuvenate coconut gardens implemented in some districts of Kerala and the Andaman & Nicobar extended to entire State of Kerala.



DIRECT TAXATION

INCOME TAX

Individual Taxation

General Tax Slabs

Income	Tax Rate
Up to 2 Lacs	Nil
Above 2 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

Senior Citizen Tax Slabs*

Income	Tax Rate
Up to 2.5 Lacs	Nil
Above 2.5 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

Super Senior Citizen Tax Slabs**

Income	Tax Rate
Up to 5 Lacs	Nil
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

*Every individual being resident of India, age 60 years or more but less than 80 years at any time during the year.

** Every individual being resident of India, age 80 years or more at any time during the year.

"We will see a pick up in investment next fiscal. The tax rates remain moderate though it has gone up for the rich"

C Rangarajan
Chairman, PM's Economic Advisory Council

- No change in slab rates and Education Cess.
- Rebate of Rs 2,000 for individuals having total income from Rs 2 Lacs to Rs 5 Lacs.
- Surcharge introduced @ 10% where the total income exceeds Rs 1 Crore.
- Section 56 has been amended to cover a situation where immovable property has been transferred to individual or HUF for inadequate consideration. Stamp duty value on the date of registration of the property as reduced by amount of consideration shall be chargeable to tax u/s 56, if stamp duty value of such property exceeds the amount of consideration by Rs. 50,000 or more.
- Subject to prescribed conditions, interest payable upto Rs 1 Lacs on loan taken by individual from financial institution for the purpose of acquisition of residential house property shall be allowed as deduction u/s 80EE. This is in addition to deduction of Rs 1.50 Lacs allowable u/s 24.

Firms, Co-operative Societies, Local Authorities Taxation

- The rate of tax for firms, co-operative societies and local authorities will continue to be same.
- Surcharge introduced @10% would be levied where the total income exceeds Rs. 1 crore.

Corporate Taxation

- Corporate Tax Rates and Education Cess remain unaltered.
- Surcharge

Total Income (Rs. in Cr.)	Domestic Company		Foreign Company	
	2012-13	2013-14	2012-13	2013-14
Up to 1 crore	Nil	Nil	Nil	Nil
Above 1 crore to 10 crores	5%	5%	2%	2%
Above 10 crores	5%	10%	2%	5%



DIRECT TAXATION

- Surcharge on Dividend Distribution Tax by companies & income distributed by UTI/ Mutual Fund shall be increased from 5% to 10%.
- Removal of cascading effect of Dividend Distribution Tax in respect of dividend received from foreign subsidiary. (w.e.f. 1st June 2013)
- The applicability of Sec 115BBD which provide that dividend received by Indian company from specified foreign company in which it has shareholding of 26% or more is taxable @ 15% has been extended upto 31st March 2014.
- Any fund other than a money market mutual fund or liquid fund shall be liable to pay additional income tax @ 25% on distributed income to individual or HUF.

International Tax

- Any income by way of royalty or fees for technical services received by Non- Resident, under an agreement entered after 31st March 1976 shall be taxable at 25%. (w.e.f. 1st April 2014)
- Sec 90 & 90A has been amended to provide that submission of a tax residency certificate is a necessary but not a sufficient condition for claiming benefits under DTAA.
- The mutual fund under Infrastructure Debt Fund Scheme shall be liable to pay additional income tax @ 5% on income so distributed to non- resident or a foreign company.

Withholding Tax Provisions

- WHT at 1% to be deducted on consideration paid to residents for transfer of immovable property of Rs 50 Lacs or more other than agricultural land (w.e.f. 1st June 2013).
- A domestic company has to pay additional income tax @ 20% on distributed income (being difference between consideration paid by company on buy- back of shares as reduced by the amount which was received by the company for issue of such shares) on buy back of shares. The distributed income shall be exempt in the hands of shareholders.

"FM needs to clarify tax residency certificate, as foreign fund inflows into Indian stock markets may get impacted"

Samir Arora
Fund Manager, Helios Capital



DIRECT TAXATION

Tax Incentives & Reliefs

- A company engaged in the business of manufacture of an article or thing which invests a sum of more than Rs. 100 crores in new assets (plant or machinery) during the period 1.4.2013 to 31.3.2015 shall be allowed a deduction of 15% of the aggregate amount of cost of new assets.
- The sunset date u/s 80IA (4)(iv) for the power sector has been extended to 31.3.2014
- Deduction in respect of donation to National Children's Fund has been increased from 50% to 100%.
- No deduction for payments made in cash to Political Parties/ Electoral Trusts shall be allowed.
- Rajiv Gandhi Saving Scheme notified u/s 80CCG has been amended to cover investment in listed unit of equity oriented fund. Deduction shall be available for three consecutive years to new retail investors whose gross total income for assessment year does not exceed Rs. 12 lacs.

"The extension of the RGESS benefit to three years and the raising of the limit will bring more investors to the market"

*Sandesh Kirkira
CEO, Kotak Mutual Fund*

General Anti-Avoidance Rule

- New Rules and procedures framed to give effect to its implementation.
- A Scheme for regulating the conditions and manner of application shall be prescribed by the Board.
- The provisions of GAAR will be effective from 1st April 2016.

Commodities Transaction Tax

- Commodities transaction tax is proposed to be levied on taxable commodities transactions other than in agricultural commodities.
- Sale of Commodity derivative is subject to CTT at 0.01% and the same is payable by seller.
- CTT in respect of taxable commodity transaction shall be allowable as deduction u/s 36.

"The average transaction cost will rise from Rs 2 per lakh to Rs 12 after CTT comes into force"



DIRECT TAXATION

Securities Transaction Tax

STT rates have been reduced.

S. No.	Nature of taxable securities transaction	Existing Rates (in %)	Proposed Rates (in %)
1	Delivery based purchase of units of an equity oriented fund entered into a recognised stock exchange	0.1	Nil
2	Delivery based sale of units of an equity oriented fund entered into a recognised stock exchange	0.1	0.001
3	Sale of a futures in securities	0.017	0.01
4	Sale of a unit of an equity oriented fund to the mutual fund	0.25	0.001

“Reducing STT & allowing FIIs in currency derivatives will arrest offshoring of undex futures market to Singapore”

Anup Bagchi
MD & CEO, ICICI Securities Ltd

Other Significant Provisions

- Definition of agricultural land has been amended. The following shall be excluded from the definition of agricultural land and included in the definition of capital asset for the purpose of computing capital gain:-
 - Land situated within two kilometers from the local limits of any municipality/ cantonment board and which has population of more than 10,000 but less than 1,00,000
 - Land situated within six kilometers from the local limits of any municipality/ cantonment board and which has population of more than 1,00,000 but less than 10,00,000
 - Land situated within eight kilometers from the local limits of any municipality/ cantonment board and which has population of more than 10,00,000

Similar amendments are proposed in the definition of “agriculture income” in Income Tax Act and “urban land” in Wealth Tax Act.



DIRECT TAXATION

- Keyman insurance policy which has been assigned to any person during its term, with or without consideration shall be treated as keyman insurance policy and maturity proceeds of the same cannot be claimed as exempt u/s 10(10D).
- Explanation 2 to Sec 132B has been inserted to clarify that advance tax liability does not form part of existing tax liability. Thus, seized assets cannot be adjusted against the advance tax liability.
- The return of income shall be regarded as defective return if such return is filled without payment of self assessment tax. (w.e.f. 1st June 2013)
- Sec 153 has been amended to exclude the time limit for completion of assessment and reassessment commencing from the date when direction to get the accounts audited has been challenged before the court upto the date on which the order setting aside such direction is received by Commissioner.
- Where in case of immovable property held as stock-in-trade, consideration for the transfer of land or building is less than stamp value, the value adopted by any authority of a State Government shall be taken as full value of consideration. However, in certain situations, stamp duty value on the date of agreement can be taken instead of date of registration of transfer.
- Special taxation regime for taxation of securitization trust approved by SEBI/RBI has been proposed. Income of trust from the activity of securitization shall be exempt and securitization trust shall be liable to pay additional tax at 25% on income distributed to investors being individual or HUF and at 30% in other cases. Such income shall be exempt in the hands of recipient.
- Subject to compliance with specified conditions, benefit of pass through status available to VCF/VCC has been extended to Alternative Investment Fund pursuant to replacement of Venture Capital Fund Regulation 1996 with Alternative Investment Fund 2012 (with retrospective effect from AY 13-14).

"Securitization is converting future cash flows from loans into marketable securities. Securities are issued with loans as underlying."



DIRECT TAXATION

WEALTH TAX

- Electronic filing of annexure-less return of net wealth has been introduced. (w.e.f. 1st June 2013)
- Urban land definition has been amended in line with amendment in the definition of capital asset under the Income Tax Act, 1961.



INDIRECT TAXATION

CENTRAL EXCISE

Taxation Rates

- No change in the rate of Excise Duty from FY 12-13 which shall remain 12% in FY 13-14

Sectoral Changes

"We will pass on the increase in duties completely to the customers,"

Sandeep Singh
Deputy Managing Director
Toyota Kirloskar

Automobiles

- Excise duty on SUVs increased from 27% to 30%. However, this shall not apply to SUV registered solely for use as taxis.
- Excise duty on truck chassis is being reduced from 14% to 13%.

Metals

- 4% Excise duty is levied on silver manufactured from zinc/lead smelting.
- Compounded levy on stainless steel "Patta Patti" is being increased from Rs 30,000 per machine per month to Rs 40,000 per machine per month.

Aircrafts & Ships

- Full exemption from excise duty is being provided on ships and other vessels. Consequently, there will be no CVD on these ships and vessels when imported.

"Consumers or their buying aspirations are not directly impacted. Taxes have not increased, which is a positive."

Kishore Biyani
CEO, Future Group

Electronics/Hardware

- Excise duty on mobile phones of retail sale price exceeding Rs 2,000/- is being increased from 1% to 6%.

INDIRECT TAXATION

Textiles

- Full exemption from excise duty is being provided on hand made carpets and carpets and other textile floor coverings of coir or jute, whether or not handmade.
- 'Zero excise duty route', as existed prior to Budget 2011-12, is being restored in respect of branded readymade garments and made ups. In the case of cotton there will be zero duty at the fibre stage and, in the case of spun yarn of manmade fibres, there will be a duty of 12% at the fibre stage. The 'Zero excise duty route' will be in addition to the CENVAT route now available.

Health

- MRP based assessment with abatement of 35% from MRP is introduced in respect of Branded Ayurvedic medicaments and medicaments of Unani, Siddha, Homeopathic or bio-chemic system.

Agriculture/ Agro Processing/ Plantation

- Full exemption from excise duty on tapioca sago (sabudana) and tapioca starch manufactured and consumed captively in the manufacture of tapioca sago.
- Full exemption from excise duty on henna powder or paste, not mixed with any other ingredient.

Miscellaneous

- Excise duty on cigarettes increased by about 18% on all cigarettes except cigarettes of length not exceeding 65 mm. Cigars and cigarillos.
- Excise duty on marble tiles and slabs is being increased from Rs 30 per sq. mtr to Rs 60 per sq. mtr.
- Full exemption from excise duty to intermediate goods manufactured and consumed captively by exempted units under Area Based Exemption Scheme in Himachal Pradesh and Uttarakhand.

"The budget has taken small yet significant measures across sectors and these will have a very positive impact. It's great to see focus back on clothing and food."

*Kishore Biyani
CEO, Future Group*



INDIRECT TAXATION

Other Significant Provisions

- Section 9 provides that in a case involving evasion of the duty leviable exceeds Rs. 30 Lakh shall be punishable with a term of imprisonment extending to seven years and with fine. The amount of Rs. 30 Lakh is substituted with Rs. 50 Lakh.
- Amendment to Section 9A provide for an offence to be treated cognizable and non-bailable where the liability of duty payable exceeds Rs.50 lakh.
- Section 11 has been amended to provide for :-
 - Money can be recovered due to the government from any person other than from whom money is due after giving a proper notice, if that other person holds money for or on account of the first person;
 - The person is bound to comply with such notice and
 - In case of failure to comply, he shall face all the consequences under this Act

"The FM has encouraged manufacturing, but from an IT point of view the budget has failed to impress."

*Amar Babu
MD, Lenovo India*

CUSTOMS

Taxation Rates

- No change in the peak rate of Basic Custom Duty(BCD) of 10 % in FY 13-14 for non- agricultural products.

Sectoral Changes

Agriculture/ Agro Processing/ Plantation

- BCD on dehulled oat grain is being reduced from 30% to 15%.
- BCD on hazel nuts is being reduced from 30% to 10%.
- Export duty of 10% on de-oiled rice bran oil cake is being withdrawn.

INDIRECT TAXATION

Automobiles

- BCD on new passenger cars and other motor vehicles (high end cars) with CIF value more than US\$ 40,000 and/or engine capacity exceeding 3000cc for petrol run vehicles and exceeding 2500 cc for diesel run vehicles is being increased from 75% to 100%.
- BCD on motor cycle with engine capacity of 800cc or more is being increased from 60% to 75%.

We will have to seriously evaluate the impact of this hike on our prices and, have no choice other than to pass on the increase to the customer.

*Michael Perschke
Head, Audi India*

Metals

- Export duty is being levied on ilmenite unprocessed at 10% and on ilmenite, upgraded at 5%.
- Export duty is being levied on bauxite at 10%.
- BCD on stainless steel wire cloth stripe reduced from 10% to 5% & on wash coat from 7.5% to 5% for use in the manufacture of catalytic convertors and their parts.
- Full exemption from export duty is being provided to galvanize steel sheets falling under certain sub-headings, retrospectively w.e.f. 01.03.2011.
- BCD on pre-forms of precious and semi-precious stones is being reduced from 10% to 2%.

Leather

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

Capital Goods/ Infrastructure

- BCD on steam coal is being increased from Nil to 2% and Counter Vailing Duty(CVD) from 1% to 2%.
- BCD on bituminous coal is being reduced from 5% to 2% and CVD from 6% to 2%.
- BCD is being reduced from 7.5% to 5% on 20 specified machinery for use in leather and footwear industry.

INDIRECT TAXATION

Aircrafts & Ships

- BCD on yachts and motor boats is being increased from 10% to 25%.
- Time limit for consumption of imported goods by ship repair units is being extended from 3 months to 1 year.
- Time period for consumption/installation of parts and testing equipments imported for maintenance, repair and overhaul (MRO) of aircrafts by units engaged in such activities is being extended from 3 months to 1 year.
- BCD exemption is extended to parts and testing equipments for maintenance, repair and overhaul of aircrafts and parts thereof.



"It is encouraging to promote set top box manufacturing by increasing import duty from 5% to 10% and boost local manufacturing."



*Anirudh Dhoot
Director, Videocon*

Environment Protection

- Full exemption from BCD provided to lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles.
- Exemption for the specified parts of electric and hybrid vehicles extended by 2 more years i.e. up to 31st March, 2015.

Electronics/ Hardware

- BCD on Set Top Boxes for TV increased from 5% to 10%.

Textiles

- BCD on raw silk (not thrown), of all grades is being increased from 5% to 15%.
- BCD on textile machinery & parts is reduced from 7.5% to 5%.

INDIRECT TAXATION

Miscellaneous

- Withdrawal of exemption from levy of education cess and secondary & higher education cess on aircraft and aircraft parts, soya bean oil, olive oil etc.

Other Significant Provisions

- The following specified offences punishable under section 135 shall be non-bailable, namely:-
 - evasion or attempted evasion of duty exceeding Rs.50 lakh;
 - prohibited goods notified under section 11 which are also notified under sub-clause (C) of clause (i) of sub-section (1) of section 135;
 - import or export of any goods which have not been declared in accordance with the provisions of this Act and the market price of which exceeds Rs. 1 crore;
 - Fraudulently availing of or attempt to avail of drawback or any exemption from duty provided under this Act, if the amount of drawback or exemption from duty exceeds Rs.50 lakh.
- The threshold limit for punishment in an offence relating to evasion or attempted evasion of duty or fraudulently availing of or attempting to avail of drawback or any exemption from duty in connection with export of goods, has been increased from Rs 30 lakh to Rs 50 lakh.
- A new clause (d) in section 142 has been introduced which provides as under :-
 - for recovery of money due to the Central Government from any other person other than the defaulter after giving such other person a notice in writing,
 - that the person to whom such notice has been issued shall be bound to comply, and
 - that if the person to whom the notice is issued fails to comply, he shall be deemed to be a defaulter in respect of the amount specified in the notice.



INDIRECT TAXATION

SERVICE TAX

- No change in the rate of Service Tax from FY 12-13 which shall continue to be 12% in FY 13-14
- Negative list shall extend to include following services :-
 - Vocational courses offered by institutes affiliated to the State Council of Vocational Training
 - Testing activities in relation to agriculture and agricultural produce

Rationalization of Abatement

- Abatement of 75% in case of construction of complex, building or civil structure reduced to 70% in cases where carpet area of residential unit is more than 2,000 square feet or the amount charged is Rs 1 Crore or more.

Amnesty Scheme for Non Filers and Stop Filers

- Amnesty by way of waiver of interest, penalty and immunity from prosecution is provided to person who has not filed Service Tax Return or not registered under Service Tax or have not disclose true Service Tax liability in the return filed by them during the period October, 2007 to December, 2012.

Exemption

- Retrospective exemption is provided to Indian Railways on Service Tax leviable on taxable services provided prior to 1st July, 2012 to the extent show cause notice has been issued upto 28th February, 2013.

Withdrawal of Exemption with effect from 01.04.2013

- Taxable service provided in restaurants with air-conditioning or central air heating in any part of the establishment at any time during the year irrespective of fact they don't serve liquor.
- Services provided by an educational institution by way of renting of immovable property.

INDIRECT TAXATION

- Temporary transfer or permitting the use or enjoyment of a copyright relating to cinematographic films exhibition of cinematograph films in a cinema hall or a cinema theatre.
- Services by way of vehicle parking to general public.
- Services provided to Government, a local authority or a governmental authority, by way of repair or maintenance of aircraft.
- Existing exemption limit of Rs 25 Lakh prescribed for charitable organizations providing service towards object of general public utility reduced to Rs 10 Lakh.

Other Significant Provisions

- Section 89 of the Finance Act, 1994 amended to provide for:-
 - Punishment with imprisonment for the period 6 months to 3 years in case of offence specified in clause (a), (b) and (c) of sub section (1) of Section 89
 - Punishment with imprisonment for period 6 months to 7 years in case of failure to pay Service Tax collected within 6 months if nonpayment exceeds Rs. 50 Lakh
 - In case of other offence punishable with imprisonment which may extent to 1 year.

GOODS & SERVICE TAX

- No announcement of GST implementation date.
- Drafting of Central & State model of GST Legislations is under progress.

ABBREVIATIONS

AE	Actual Estimate
BCD	Basic Custom Duty
BE	Budgeted Estimate
CAD	Current Account Deficit
CAGR	Compound Annual Growth Rate
CCI	Cabinet Commission of Investment
CENVAT	Central Value Added Tax
CTT	Commodities Transaction Tax
CVD	Countervailing Duty
DTAA	Double Taxation Avoidance Agreement
ECB	External Commercial Borrowing
FC	Factor Cost
FDI	Foreign Direct Investment
FII	Foreign Institutional Investors
FY	Financial Year
GAAR	General Anti Avoidance Rules
GDP	Gross Domestic Product
GST	Goods and Service Tax
HUF	Hindu Undivided Family
IIFCL	India Infrastructure Finance Company Limited
JNNURM	Jawaharlal Nehru Urban Renewal Mission
MRP	Maximum Retail Price
MSME	Micro, Small and Medium Enterprises
PMGSY	Prime Minister Gram Sadak Yojna
PSB	Public Sector Banks
RBI	Reserve Bank of India
RE	Revised Estimates
SEBI	Securities Exchange Board of India
SIDBI	Small Industrial Development Bank of India
STT	Securities Transaction Tax
SUV	Special Utility Vehicle
UTI	Unit Trust of India
VCC	Venture Capital Company
VCF	Venture Capital Fund
w.e.f.	with effect from
WHT	Withholding Tax

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