

Direct Tax Highlights

1. No change in personal tax rates and slabs
2. No change in corporate tax rates and slabs
3. Relief for Tax Payers in the first bracket of Rs.2 lakhs to Rs.5 lakhs. A tax credit of Rs.2000 to every person with total income upto Rs.5 lakhs.
4. Surcharge of 10% on persons (other than companies) whose taxable income exceeds Rs.1crore.
5. Increase in surcharge from 5 to 10% on domestic companies, and from 2 to 5% on foreign companies who pay a higher rate of corporate tax, whose taxable income exceed Rs. 10 crore.
6. Increase in surcharge on dividend distribution tax or tax on distributed income from 5 to 10%..
7. Additional surcharges to be in force for only one year.
8. Education cess remains at 3%.
9. Permissible premium rate increased from 10% to 15% of the sum assured of life insurance policies for persons suffering from disability and certain ailments.
10. For the purpose of Section 80D, contributions made to schemes of Central and State Governments similar to Central Government Health Scheme are eligible.
11. Donations made to National Children Fund are eligible for 100% deduction.
12. Investment allowance at the rate of 15% to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
13. 'Eligible date' for projects in the power sector to avail benefit under Section 80- IA is extended from 31.3.2013 to 31.3.2014.
14. Concessional rate of tax of 15% on dividend received by an Indian company from its foreign subsidiary is proposed to continue for 2013-14.
15. Securitization Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income to companies, individual or HUF etc. No further tax on income received by investors from the Trust.
16. Investor Protection Fund of depositories in some cases is exempt from Income-tax.
17. Parity in taxation between IDF-Mutual Fund and IDF-NBFC.
18. A Category I AIF set up as Venture capital fund allowed pass through status under Income-tax Act.
19. TDS at the rate of 1%. On transfer of nonagricultural land where consideration exceeds Rs.50 lakh.

20. Withholding tax of 20 point on profit distribution by unlisted companies to shareholders through buy back of shares.
21. Increase t in tax rate on payments by way of royalty and fees for technical services to non-residents from 10% to 25%.
22. Reductions made in rates of STT in respect of certain transaction.
23. Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
24. Modified provisions of GAAR will come into effect from 1.4.2016.
25. Rules on Safe Harbor will be issued after examine the reports of the Rangachary Committee appointed to look into tax matters relating to Development Centers & IT Sector and Safe Harbor rules for a number of sectors.
26. Fifth large tax payer unit to open at Kolkata shortly.
27. A number of administrative measures such as extension of refund banker system to refund more than Rs.50,000/-, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.

Indirect Tax Highlights

Service Tax

1. Definition of '**approved vocational education course**' provided in section 65B (11) is being amended. After the proposed amendment takes effect, courses in 'designated trades' offered by Industrial Training Institute or Industrial Training Center affiliated to State Council of Vocational Training will also be covered by the negative list.
2. Definition of "**process amounting to manufacture or production of goods**", in section 65B(40) being amended to include processes on which duties of excise are leviable under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955(16 of 1955);
3. Explanation contained in Removal of Difficulty Order 2/2012 is being introduced as a separate section, namely 66BA. By the authority of this section, references to section 66 (charging section under the positive list approach) in Chapter V of the Finance Act, 1994 or any other act, will be construed as reference to section 66B (charging section under the negative list approach), with effect from the 1st day of July, 2012.
4. In Section 66D(d)(i) the **word seed has been omitted and thus the benefit has been extended** to testing activities directly related to production of any agricultural produce like soil testing, animal feed testing, testing of samples from plants or animals, for pests and disease causing microbes will be covered by the negative list;
5. Sub-clause (E) of clause 93 of The Finance Bill 2013 seeks to insert a new sub-section (2A) in section 73 with a view to save the notices issued for extended period under the proviso to sub section (1), in cases where any appellate authority or tribunal or court decides that such notices are not sustainable on the grounds specified therein. Such notices shall be deemed to have been issued under sub-section (1) for invoking normal limitation.
6. Sub-clause (F) of clause 93 of The Finance Bill 2013 seeks to amend clause (a) of sub-section (1) of section 77, **to restrict the maximum penalty for failure to take registration, to Rs.10,000/-.**
7. Sub-clause (G) of clause 93 of The Finance Bill 2013 seeks to insert a **new section 78A, so as to impose penalty, which may extend up to one lakh rupees, on director, manager, secretary or other officer of the company** for knowingly involved in the contraventions specified therein.
8. Sub-clause (H) of clause 93 of The Finance Bill 2013 seeks to amend section 83 so as to substitute the figure and letter "9A" with the words, brackets, figures and letter "sub-section (2) of section 9A" with the view to apply only subclause (2) of section 9A of the Central Excise Act, 1944 to service tax.

9. Sub-clause (I) of clause 93 of The Finance Bill 2013 seeks to amend sub-section (5) of section 86 of the said Chapter to **empower the tribunal to condone the delay in filing appeal or cross objection by the assessee also.**

10. Sub-clause (J) of clause 93 of The Finance Bill 2013 seeks to substitute clauses (i) and (ii) of subsection (1) of section 89 so as to provide that—

(i) in the case of an offence specified in clauses (a), (b) and (c) of sub-section (1) where the amount exceeds fifty lakh rupees, the punishment shall be imprisonment for a term which may extend to three years, but shall not, in any case, be less than six months;

(ii) in the case of an offence specified in clause (d) of sub-section (1) where the amount exceeds fifty lakh rupees, the punishment shall be imprisonment for a term which may extend to seven years, but shall not, in any case, be less than six months;

(iii) in the case of any other offence, the punishment shall be imprisonment for a term which may extend to one year.

It further seeks to substitute sub-section (2) thereof so as to provide that a person convicted of an offence punishable under clauses (i) and (iii) shall be punished for every second and subsequent offence with imprisonment for a term which may extend to three years and in the case of an offence punishable under clause (ii), shall be punished for every second and subsequent offence with imprisonment for a term which may extend to seven years.

11. Sub-clause (K) of clause 93 of The Finance Bill 2013 seeks to insert new sections 90 and 91.

The proposed section **90 seeks to provide that an offence under clause (ii) of sub-section (1) of section 89 shall be cognizable and all other offences shall be non-cognizable and bailable.**

The proposed section 91 seeks to provide for power to arrest. It seeks to empower the Commissioner of Central Excise, to authorise any officer of Central Excise not below the rank of Superintendent of Central Excise, to arrest a person for the offences specified in clause (i) or clause (ii) of sub-section (1) of section 89. It further seeks to empower the Assistant Commissioner or the Deputy Commissioner to release the person so arrested on bail in case of non-cognizable and bailable offences, and for this purpose, he shall have the same power as that of an officer-in-charge of a police station and shall be subject to provisions under section 436 of the Code of Criminal Procedure, 1973. It also seeks to provide that the arrests so made shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973, relating to arrests.

12. Sub-clause (L) of clause 93 of The Finance Bill 2013 seeks to amend section 95 so as to empower the Central Government to issue orders for removal of difficulty in case of certain provisions

inserted by the proposed amendments in this Chapter, up to one year from the date of commencement of the Finance Bill, 2013.

13. Sub-clause (M) seeks to insert new section to provide exemption from service tax to the extent notices have been issued upto the 28th February, 2013 under section 73, in respect of taxable services provided by the Indian Railways during the period prior to the 1st day of July, 2012.
14. Chapter VI containing clauses 94 to 104 provides for the Service Tax Voluntary Compliance Encouragement Scheme, 2013. The Scheme is a one-time measure to encourage voluntary compliance by persons who may not have filed the returns or paid the service tax dues for the period commencing from 1st October, 2007 and ending on 31st December, 2012. It provides that such persons shall declare the tax dues and pay the same in accordance with the provisions of the Scheme. It further provides for certain immunities including penalty, interest or any other proceeding under the Chapter V of the Finance Act, 1994 to those persons who opt for the Scheme.
15. **RATIONALIZATION OF ABATEMENT:**

At present taxable portion for service tax purpose is prescribed as 25% uniformly for constructions where value of land is included in the amount charged from the service recipient. This is being rationalized. Accordingly, where the carpet area of residential unit is upto 2000 square feet. or the amount charged is less than One Crore Rupees, in the case of 'construction of complex, building or civil structure, or a part thereof, intended for sale to a buyer, wholly or partly except where the entire consideration is received after issuance of completion certificate by the competent authority', taxable portion for service tax purpose will remain as 25%; in all other cases taxable portion for service tax purpose will be 30%. This change will come into effect from the 1st day of March, 2013.

16. **REVIEW OF EXEMPTIONS (to take effect from 1st day of April, 2013):**

(A) The following **exemptions are being rationalized:**

- **Rationalization of exemption limit prescribed for charitable organizations, providing service towards any other object of general public utility. So far, the limit was 25 Lakh Rupees per annum. Now, they will be covered by the threshold exemption.**

- **Exemption provided to restaurants other than those having (i) air-conditioning and (ii) license to serve liquor, is being rationalized; condition regarding 'license to serve liquor' is being omitted. Therefore, with effect from 1st April, 2013, service tax will be leviable on taxable service provided in restaurants with air-conditioning or central air heating in any part of the establishment at any time during the year.**

- **Rationalization of exemption to transport of goods by road and rail/vessel.**

(B) The following **exemptions are being withdrawn:**

- **Services provided by an educational institution by way of renting of immovable property.**

- **Temporary transfer or permitting the use or enjoyment of a copyright relating to cinematographic films was fully exempt so far; now, this exemption will be restricted to 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.

17. ADVANCE RULING:

Scope of advance ruling is being extended to cover resident public limited companies; a notification is being issued for this purpose, under section 96A (b) (iii) of the Finance Act, 1994.

Custom Highlights

- Concession on electric & electric and hybrid vehicles extended up to 31 March 2015.
- Duty of 10% on export of unprocessed ilmenite and 5% on export on ungraded ilmenite.
- Duty on Set Top Boxes increased from 5 to 10%.
- Duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 to 5%.
- Duty on pre-forms precious and semi-precious stones reduced from 10 to 2%.
- Export duty on de-oiled rice bran oil cake withdrawn.
- Duty on raw silk increased from 5 to 15%.
- Duties on Steam Coal and Bituminous Coal equalized and 2% custom duty and 2% CVD levied on both kinds coal.
- Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.
- Duty free gold limit increased to Rs. 50,000 in case of male passenger and Rs.1,00,000 in case of a female passenger subject to conditions.

Excise Highlights

- In case of cotton, zero excise duty at fibre stage.
- In case of spun yarn made of man made fibre, duty of 12% at the fibre stage.
- Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.
- Ships and vessels exempted from excise duty.
- No CVD on imported ships and vessels.
- Specific excise duty on cigarettes increased by about 18%. Similar increase on cigars, cheroots and cigarillos.
- Excise duty on SUVs increased from 27 to 30%. Not applicable for SUVs registered as taxies.
- Excise duty on marble increased from Rs.30 per square meter to Rs. 60 per square meter.
- Proposals to levy 4% excise duty on silver manufactured from smelting zinc or lead.
- Duty on mobile phones priced at more than Rs.2000 raised to 6%.
- MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.