Important Changes in Budget

Union Budget pesented by FM in Parliament has hiked Central Excise duty and Service Tax Rate to 12 per cent which will also lead to hike in CVD on imports. The changed rate of duty will be applicable to clearances made after midnight of 16th March. Several changes on Indirect Tax Front have been announced. The excise rates on goods subject to 1 per cent has also been hiked to 2 per cent.

The changed rate of service tax will apply w.e.f. 1st April 2012. Negative list of Service Tax has also been announced and all activities other than sale and purchase of goods will be subject to service tax after President of India puts her Rubber Stamp on Finance Bill.

The normal procedure of clearance of goods from factory will apply on Budget day. If any import has reached Indian territorial waters; if Bill of Entry is filed in advance, pre-budget rates will apply; as the rate of import duty is the rate prevailing on the date of filing of Bill of Entry if goods have entered Indian territory.

Important Budget changes, Budget Notifications and other info has been uploaded on the site as under.

- **» Budget Changes in Customs & Excise**
- **» Budget Changes in Service Tax**
- **» Budget Notifications**
- **» Budget Speech of FM**
- **» Finance Bill 2012**

Individual income upto Rs.2 lakh will be free from income tax; income upto Rs.1.8 lakhwas exempt in 2011-12. Income above Rs.5 lakh and upto Rs.10 lakh now carries tax at the rate of 20 per cent; the 20% tax slab was from Rs.5 lakh to Rs.8 lakh in 2011-12. A deduction of upto Rs.10,000is now available for interest from savings bank accounts. Within the existing limit for deduction allowed for health insurance, a deduction of upto Rs.5000 is being allowed for preventive health check-up. Senior citizens not having income from business will now not need to pay advance tax.

While no changes have been made in corporate taxes, the budget proposes a number of measures to promote investment in specific sectors. In order to provide low cost funds to some stressed infrastructure sectors, withholding tax on interest payments on external borrowings (ECBs) is being reduced from 20 percent to 5 per cent for 3 years. These sectors are - power, airlines, roads and bridges, ports and shipyards, affordable housing, fertilizer, and dam.

Investment linked deduction of capital expenditure in some businesses is proposed to be provided at 150 per cent as against the current rate of 100 per cent. These sectors include cold chain facility, warehouses forstoring food-grains, hospitals, fertilizers and affordable housing. Bee keeping, container freight and warehousing for storage of sugar will now also be eligible for investment linked deduction.

The budget also proposes weighted deduction for R&D expenditure, agri-extension services and expenditure on skill development in the manufacturing sector.

For small and medium enterprises (SMEs) the turnover limit for compulsory tax audit of accounts as well as for presumptive taxation is proposed to be raised from Rs. 60 lakhto Rs. 1 crore. In order to augment funds for SMEs, sale of residential property will be exempt from capital gains tax, if the proceeds are used for purchase of plant and machinery, etc.

A General Anti-Avoidance Rule (GAAR) is being introduced in order to counter aggressive tax avoidance. Securities transaction tax (STT) is being reduced by 20 per cent on cash delivery transactions, from 0.125% to 0.1%. Alternative Minimum Tax is proposed to be levied from all persons, other than companies, claiming profit linked deductions.

The Finance Minister has proposed a series of measures to deter the generation and use of unaccounted money. In the case of assets held abroad, compulsory reporting is being introduced and assessment upto 16 years will now be allowed to be re-opened. Tax will be collected at source on trading in coal, lignite and iron ore; purchase of bullion or jewelleryabove Rs. 2 lakh in cash; and transfer of immovable property (other than agricultural land) above a specified threshold. Unexplained money, credits, investments, expenditures etc. will be taxed at the highest rate of 30 per cent irrespective of the slab of income.

The Finance Minister has made an effort to widen the service tax base, strengthen its enforcement and bring it as close as possible to the central excise. A common simplified registration form and a common return are being introduced for central excise and service tax.

All services will now attract service tax, except those in the negative list. The negative list has 17 heads and includes specified services provided by the government or local authorities, and services in the fields of education, renting of residential dwellings, entertainment and amusement, public transportation, agriculture and animal husbandry. A number of other services including health care, and services provided by charities, independent journalist, sport persons, performing artists in folk and classical arts, etc are exempt from service tax. Film industry also gets tax exemption on copyrights relating to recording of cinematographic films.

Service tax rate is being increased from 10 per cent to 12 per cent, with consequential change in rates for services that have individual tax rates. The standard rate of excise duty for non-petroleum goods is also being raised from 10 per cent to 12 per cent. No change is proposed in peak rate of customs duty of 10 per cent on non-agricultural goods.

The Budget offers relief to different sectors of economy, especially those under stress. Import of equipment for fertilizer projects are being fully exempted from basic customs duty of 5 per cent for 3 years. Basic customs duty is also being lowered for a number of equipment used in agriculture and related areas.

In the realm of infrastructure, customs relief is being given to power, coal and railways sectors. While steam coal gets full customs duty exemption for 2 years (with the concessional counter-veiling duty of 1 per cent), natural gas, LNG and certain uranium fuel get full duty exemption this year. Different levels of duty concessions are being provided to help mining, railways, roads, civil aviation, manufacturing, health and nutrition and environment. So as to help modernization of the textile industry, a number of equipment are being fully exempted from basic customs duty, and lower customs duty is being proposed for some other items used by the textile industry.

Customs duty is being raised for gold bars and coins of certain categories, platinum and gold ore. Customs duty is to be imposed on coloured gem stones. Excise duty on certain categories of cigarettes and bidis, pan masala and chewing tobacco is being increased. Customs duty is being increased oncompletely built large cars/ SUVs/ MUVs of value exceeding $40,000.

Silver jewellery will now be fully exempt from excise duty. Unbranded precious metal jewellery will attract excise duty on the lines of branded jewellery. Operations are being simplified and measures taken to minimize impact of this provision on small artisans and goldsmiths.

While direct tax proposals in the Budget will result in a net revenue loss of Rs.4,500crore, indirect taxes will result in a net revenue gain of Rs.45,940 crore. Thus, the tax proposals will lead to a net gain of Rs.41,440crore.