

## Highlights of India's Union Budget 2013-14

### Income-tax

- Basic exemption limit, income-tax rates and income slab limits for individuals remain unchanged.
- Surcharge of 10% on personal income-tax applicable on income exceeding INR 10 million only for financial year 2013-14.
- Tax rebate of INR 2,000 for resident individuals with total income up to INR 500,000.
- Rates of corporate tax remain unchanged for both domestic and foreign companies.
- Surcharge increased to 10% and 5% for domestic and foreign companies respectively, where income exceeds INR 100 million.
- Surcharge on profits distributed to shareholders and income distributed to unit holders increased to 10%.
- Applicability of GAAR has been deferred to assessment year 2016-17. Further, certain amendments to substantive and procedural provisions have been introduced.
- Income earned by companies and trust registered as VCF under the AIF Regulations under sub category of Category I AIF to be exempt, subject to fulfilment of certain conditions.
- Keyman insurance policy assigned to any person with or without consideration during its term to be now treated as keyman insurance policy not eligible for exemption.
- Tax rate for income of non residents (including foreign companies) by way of royalty or FTS amended to 25% for all such income earned pursuant to any agreement entered into after 31 March 1976. This will however, not impact the tax rate applicable under the relevant tax treaty.
- In respect of transfer of land and building held as stock-in-trade, if consideration is less than the assessed stamp duty value, then such stamp duty value will be deemed to be the full value of consideration taxable as business income.
- Sunset clause for commencement of business for claiming tax holiday in power sector extended from 31 March 2013 to 31 March 2014.
- To propel growth in the manufacturing sector, investment based deduction has been introduced on acquisition and installation of new assets from 1 April 2013 to 31 March 2015.
- For claiming deduction in respect of bad debts written off by banks, no distinction to be made in provision for doubtful debts in respect of rural advances and other advances.
- Income earned by specified securitisation trusts will be exempt
- Securitization trusts distributing income to its investors (other than those exempt from tax) will be liable to pay tax on income distribution.

- Income received by an investor from securitization trusts will be exempt from tax.
- Tax of 20% introduced on distributed income on buy back of shares by an unlisted domestic company. Consequently, such income shall be exempt in the hands of the shareholder.
- Receipt of immovable property by an individual or HUF for a consideration which is less than stamp duty value of the property by more than INR 50,000, will be taxable as income from other sources on the stamp duty value in excess of the consideration.
- CTT to be levied at 0.01% on sale of commodity (other than agricultural commodities) derivatives.
- Deduction for CTT paid to be available against income arising from such transactions and taxable as profits and gains of business or profession.
- Additional deduction of interest up to INR 100,000 for first time home buyers in respect of home loans taken from financial institutions, subject to certain conditions.
- Deduction of contributions towards Central Government Health Scheme extended to other schemes to be notified by the Government.
- Investment in listed units of equity oriented funds now eligible for deduction under section 80CCG.
- Donations made to National Children's Fund eligible for 100% deduction.
- Additional deduction for wages paid to new workmen employed now available only to Indian company deriving profits from manufacture of goods in a "factory".
- A return of income shall be regarded as a defective return unless self assessment tax together with interest is paid on or before the date of furnishing return of income.
- Revenue authorities enabled to direct special audit of accounts of taxpayer in case of voluminous accounts, doubts about correctness of accounts, multiplicity of transactions or specialized nature of business activities.
- Penalty for non-furnishing of Annual Information Return pursuant to a notice issued by the Revenue authority leviable at INR 500 for each day of default.
- Provisions introduced for withholding tax at 1% on transfer of immovable properties (other than agricultural land) where consideration is in excess of INR 5 million.
- Rate of tax on income distributed by an IDF mutual fund to non resident investors reduced to 5%.
- TRC with prescribed particulars will be necessary, but not a sufficient condition for claiming relief under DTAA.
- Time limit for satisfaction of specified conditions for recognition of provident funds extended to 31 March 2014.

- Applicability of concessional tax rate of 15% on gross dividends received by an Indian company from a specified foreign company extended up to 31 March 2014.
- Indian companies permitted to reduce dividends received from foreign subsidiaries and subject to tax under the prescribed section of the Income-tax Act, while computing DDT payable on dividends declared, distributed or paid.
- Rates of STT reduced on delivery based sale/ purchase of units of equity oriented mutual funds on a recognized stock exchange, sale of futures in securities, and sale of units of equity oriented mutual fund to the mutual fund.
- Tax on income distributed by a mutual fund (other than an equity oriented fund, money market fund or a liquid fund) to an Individual or HUF investor increased from 12.5% to 25%.

#### **Customs duty**

- Peak rate of BCD remains unchanged at 10%.
- Interest free period for payment of duty reduced to two days from the date of bill of entry returned after assessment.
- Introduction of specific provisions permitting filing of import and export manifest electronically.
- Stay order shall stand vacated, if the appeal is not disposed off within the total time period of 365 days.
- Certain specified offences are now treated as cognizable and non bailable.

#### **Excise duty**

- No change in the basic excise duty rate of 12%.
- Stay order shall stand vacated, if the appeal is not disposed of within a total period of 365 days.
- Specified offences are now treated as cognizable and non bailable.

#### **Service tax**

- No change in effective service tax rate of 12.36%.
- Value liable to service tax for construction of specified properties increased by 20%.
- Exemption on temporary transfer of copyright in cinematographic films limited to films exhibited in cinema halls or theatres.
- Services by restaurants having facility of air-conditioning and auxiliary educational services or renting of immovable property services by educational institution made liable to service tax.

- ▮ **Amnesty scheme, ie Service Tax Voluntary Compliance Encouragement Scheme, 2013 introduced to recover unpaid taxes for the period October 2007 to December 2012.**
- ▮ **More stringent penalties to apply for offences liable for prosecution.**
- ▮ **New provision prescribing penalty on directors and officials for specified wilful actions up to INR 100,000.**

## **GST**

- ▮ **No GST implementation date announced, however commitment to introduce GST affirmed.**
- ▮ **Positive announcements with regard to support of states for GST, compensation for loss on CST rate reduction, drafting GST law.**