

NPRCA

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HIGHLIGHTS OF BUDGET 2009 – 10

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DIRECT TAXES:

Tax Rates for FY 2009-10

All (except resident women and senior citizens)

Income (Rs.)	Proposed Rates	Existing Rates
0 – 150,000	Nil	Nil
150,001 to 160,000	Nil	10%
160,001 to 300,000	10%	10%
300,001 to 500,000	20%	20%
500,001 and above	30%	30%

Notes:

1. In case of resident women below the age of 65 years, the basic exemption limit has been increased to Rs 190,000 from Rs 180,000
2. In case of all resident senior citizens (i.e. age of 65 years or more) the basic exemption limit has been increased to Rs 240,000 from Rs 225,000.
3. Surcharge hitherto applicable at 10% is no longer applicable
4. Cess of 3% is leviable on the above rates
5. Marginal relief shall be available in certain cases

Tax Reliefs

- Scope of relief (under section 80E) for interest payments on education loans extended to cover all fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from a recognized school, board or university. Under the existing provisions, the deduction is available only for pursuing full time studies for specified courses in engineering, medicine, management, applied sciences or pure sciences including mathematics and statistics.
- Present deduction limit under section 80DD for severe disability has been increased from Rs.75,000 to Rs. 100,000. The limit for ordinary disability remains unchanged at Rs. 50,000.
- Consequent to the removal of fringe benefit tax, there is a change in definition of perquisite. Perquisites would now include:
 - value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee. For this purpose, the value of any specified

- security or sweat equity shares shall be the fair market value of the specified security or sweat equity shares, as the case may be, on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from, the assessee in respect of such security or shares. The “fair market value” will mean the value determined in accordance with the method as may be prescribed by the Board.
- The amount of contributions to super annuation funds in excess of Rs 100,000
 - Any other fringe benefit or amenity as may be prescribed.
- No changes in corporate tax rates.
 - Surcharge on tax is removed for individuals, HUF, AOP, BOI and partnership firms.
 - MAT payable by the companies increased to 15% from 10% of book profits with an additional period for carry forward and set off of MAT Credit. The period for set off increased to 10 years from 7 years.
 - Basic exemption limit for personal tax increased.
 - Fringe Benefit Tax abolished and specified fringe benefits are taxed as perquisite.
 - Sweat equity or ESOPs and contribution to super annuation funds to be taxable as perquisites in the hands of the employees.
 - The basic exemption limit under wealth tax increased to Rs. 30 lacs from Rs. 15 lacs.
 - Commodity transaction tax abolished.

Exemptions / Deductions / Relief

- Tax holiday to STPs and EOUs extended for one more year (FY 2010-11).
- Weighted average deduction of 150% of expenditure on in-house scientific research extended to all manufacturers.
- Advance tax applicable only if the total tax payable for the year is in excess of Rs. 10,000.
- Ceiling on remuneration paid to partners allowable as deduction increased.
- Presumptive taxation introduced for businesses with turnover / gross receipts up to Rs. 40 lacs

- Limit of Rs. 20,000 increased to Rs. 35,000 for transport contracts for disallowance of expenditure if payment is not made by account payee cheque or bank draft.
- Donations made to electoral trusts to be allowed as deduction.
- Deduction under section 80DD hiked.
- Relief under Section 80E (Interest on loan for higher education) extended to vocational studies.

Tax Deduction at Source:

- Rate of TDS on rent of land and building reduced to 10% and rent of machinery reduced to 2%.
- Rate of TDS on contract payments rationalized.
- Higher rate of TDS at 20% applicable if the deductee fails to furnish PAN w.e.f. 01.04.2010.
- No TDS on payments to transport contractors on furnishing PAN details.
- Surcharge and Cess not applicable on TDS for non-salary payments.
- Time limit for completion of TDS assessments introduced.

Others:

- New Direct Tax code to be introduced in next 45 days for public comments and to be placed before the Parliament in the winter session.
- CBDT empowered to make rules for safe harbour provisions under TP regulations.
- Dispute Resolution Panel to be established to improve tax administration and avoid prolonged uncertainty in tax matters involving foreign companies and transfer pricing.
- Provisions introduced to mandate quoting of Document Identification Number in all correspondence by the income tax authorities.

- Provisions introduced to enable serving of documents or orders to the assesses through electronic mode.
- Provisions relating to taxation LLP introduced – provisions applicable to partnership firms to mutatis mutandis apply to LLPs.

Wealth Tax:

- The existing threshold limit for applicability of wealth tax has been increased to Rs.30 lakhs from the previous limit of Rs.15 lakhs. This amendment will apply for the valuation of net wealth as on 31.03.2010.

Effective Dates:

The **Direct Tax** proposals are effective for the financial year 2009-10 unless alternatively provided therein.

INDIRECT TAXES:

GST

The Finance Minister reiterated the proclaimed objective of the Central Government to implement GST by April 2010. The dual structure of GST formally announced.

Rates of tax / duty

- No change in basic rates of customs, central excise or service tax.
- No change in the rate of CST.

Service Tax

- Legal services brought into service tax net. However, no service tax applicable in case of individuals.
- Medical services involving cosmetic and plastic surgery brought into service tax net.
- Services involving transport of goods through national water way subjected to service tax.
- Production or processing of goods excluded from the category of business auxiliary services only if they are excisable goods.
- Services provided to installations, structures and vessels in the continental shelf and exclusive economic zone of India exempt.
- Commission agency services and GTA services received by exporters of goods from exempt.
- Stock broking services provided by sub-brokers excluded.
- New simplified scheme introduced for refund of service tax to exporters of goods.
- Powers of the Commissioner to revise the orders dispensed with. Alternatively, the appeal provisions made applicable subject to certain modifications.
- Service providers opting for composite scheme for works contracts to pay composite tax on the value of goods involved therein whether or not any consideration is received.

- The rate of service tax payable by service providers opting not to maintain separate records reduced to 6% on exempt services.

Tax Rate

- Service tax rate remains unchanged at 10% (effective rate at 10.30%)
- In respect of service providers engaged in providing taxable and exempt services and opting not to maintain separate records with respect of CENVAT credits, the rate of service tax payable on exempt services is reduced to 6% from 8%.

Refunds

- The procedure and the documentation requirements in respect of refund claims by exporters of goods has been simplified.
 - The time limit for making the application for refund is increased to 1 year from 6 months
 - The condition requiring filing of one application for every quarter is dispensed with
 - In cases where the refund amount is less than 0.25% of the FOB value of exports, refunds to be processed based on self certification of documents and a self-declaration stating the specified conditions are fulfilled. In other cases, refunds to be processed based on certificates issued by the auditors of the exporter. Refunds to be sanctioned within 1 month Refunds to be processed without any pre-audit

Procedural

The provisions empowering the Commissioner to revise the orders passed by any subordinate authorities is done away with.

However, the Commissioner may now examine the orders passed by the subordinate authorities and if necessary, direct such authorities to make an application to the Commissioner of Central Excise (Appeals). The application so made shall be deemed to be an appeal preferred before the Commissioner of Central Excise (Appeals).

The timelimit within which the Commissioner shall issue the direction is capped at 3 months from the date of communication of the order by the subordinate authorities. Further, the subordinate authorities shall make the application to the Commissioner of Central Excise (Appeals) within 1 month from the date of such direction

- The effective dates for the **Service Tax** proposals are as follows:

Particulars	Effective Date
New services introduced	To be notified
Expansion of scope in existing services	To be notified
Exemptions to certain services	07.07.2009
Retrospective exemption to specified taxable services provided to GTA effective 01.01.2005	To be notified
Amendments in Works Contract (Composition Scheme for payment of Service Tax Rules, 2009)	07.07.2009
Refund of Service tax for exporters	07.07.2009
Reduced rates on exempted goods / services (CENVAT Rules)	07.07.2009
Other procedural changes	To be notified

Customs:

- Provisions introduced to facilitate claim of refund in respect of imported goods found to be defective / non-compliant subject to conditions.
- The effective dates for the **Customs and Central Excise** proposals are as follows:

Particulars	Effective Date
Changes in duty rates & exemptions (including exemption to packaged software)	07.07.2009
CENVAT procedures	07.07.2009
Changes in Customs and Central Excise provisions	To be notified
Refund of import duties on damaged / defectives	To be notified
Others	To be notified

Others:

- The Advance Ruling Authority established under the provisions of Income Tax Act to administer the advance ruling procedures under the Customs, Central Excise and Service Tax matters.
- Provisions introduced to restrict compounding of offences in certain circumstances / situations under Central Excise and Customs matters.
- The withholding tax rates in relation to rent payments have been rationalized and the proposed rates are as follows:

Nature of Payment	Existing base rate	Proposed (01.10.2009)
Rent of plant, machinery or equipment	10%	2%
Rent of land, building or furniture to an individual and HUF	15%	10%
Rent of land, building or furniture to a person other than individual and HUF	20%	10%

- The withholding tax provisions in relation to contract payments have been rationalized and effective 01.10.2009 the rates are as follows:
 - 1% if the payee is Individual or HUF.
 - In the case of other entities, the rate prescribed is 2%.
 - In the case of transport contracts, no TDS is required if the transporter quotes his PAN. Otherwise, TDS rates as prescribed
- Higher rate of TDS where the details of PAN is not furnished to the deductor: The deductees / payees are required to furnish the details of PAN to the deductors. In the event, the details are not furnished, the rate of TDS applicable on such payments would be at higher of the following irrespective of the nature of payment:
 - 20% of the amount paid / payable Rates as per the other provisions of the
 - Act Rate/s in force for the relevant paymentThe above would be equally applicable for payments made / to be made to non-residents. Both the deductor and deductee are required to quote the PAN in the correspondences, bills, vouchers and other documents sent to each other. This amendment is applicable with effect from FY 2010-11.

Disclaimer

Every effort has been made to ensure that the contents are accurate at the time of writing. This Booklet is intended as service to clients to provide them the details of the Budget proposals for the year 2009 – 10. Information in this publication provides only a general outline of the subjects covered. Readers should always seek specific advice before acting on the information provided. Any further information and assistance may be obtained from us.

Best Regards,
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