

RNM ALERT

SPECIAL ISSUE
JULY 7, 2009

SNAP SHOT OF UNION BUDGET 2009-10

A. Direct Taxes

Personal Taxation

Income tax slab changed

Net income range	Tax rate	Savings (General)	Savings (Women)	Savings (Senior Citizen)
Rs 160000-300000	10%	Savings of Rs.1000 for persons with income of Rs.3,00,000	Savings of Rs.1000 for women with income of Rs.3,00,000	Savings of Rs.1500 for persons with income of Rs.3,00,000
Rs300000-500000	20%	No change	No change	No change
Rs 500,000 – 10,00,000	30%	No change	No change	No change
Rs.10,00,000 and above	30%	Saving of surcharge @ 10% on gross income.	Saving of surcharge @ 10% on gross income.	Saving of surcharge @ 10% on gross income.

Minimum exemption limit for resident men is Rs.1,60,000 and resident women is Rs.1,90,000 and for senior citizens Rs.2,40,000.

- Withdrawal of 10% surcharge for individuals and firms.
- ESOP will be taxable in employee's hands under the head salary.

- Employees to pay tax on employer's contribution to superannuation fund in excess of INR 100,000.
- New rules may be prescribed for taxation of other benefits provided to employees.
- Gifts received by way of immovable property and other property, including shares and jewellery will now also be subject to tax subject to certain exceptions.
- Deduction in respect of interest on loan taken for higher studies extended to all fields of studies (including vocational studies).

Corporate Taxation

- No change in tax rates.
- Increase in Minimum Alternate Tax (MAT) from 10% to 15%.
- MAT credit is available for 10 years instead of 7 years.
- Tax holiday benefit for STP/EOU units extended until financial year ended 31 March 2011.
- Anomaly in computation of export benefit for SEZ unit rectified.
- Tax holiday benefit available for power sector extended to financial year ended 31 March 2011.
- Oil refineries to get tax holiday benefit for commercial production commencing before 31 March 2012.
- Commercial production of natural gas commencing on or after 1 April 2009 on specific licensed blocks will be eligible for tax holiday benefit.
- Restriction on claiming multiple deductions for the same profits.
- Withdrawal of Commodity Transaction Tax.
- Abolition of Fringe Benefit Tax.
- Extension of weighted deduction of 150% for in-house scientific research to all sectors other than a short negative list.
- Introduction of investment-linked incentives for setting up and operating cold chain facilities, warehousing and cross-country oil and gas distribution network.

- Introduction of alternate dispute resolution mechanism for speedy disposal of transfer pricing disputes.
- CBDT to formulate safe harbour rules on transfer pricing arrangement.
- Allowability of Remuneration to partners of firms increased and the distinction between firms carrying business and profession eliminated.
- Presumptive tax scheme introduced for small business whose turnover does not exceed Rs.40 lakh.
- Deduction under section 80DD, available in respect of maintenance, including medical treatment of dependent who is a person of disability has increased to Rs.100000 from Rs.75000.

Other Amendments

- Limited Liability Partnership (LLP) to be taxed on the same basis as a partnership firm.
- Donation to electoral trusts eligible for tax deduction.
- The definition of charitable purposes extended to include preservation of environment, monuments or places or objects of artistic or historic interest.
- Tax department will issue unique document identification number on all communications.
- Higher withholding tax on specified payments for non-furnishing of Permanent Account Number by the payee.
- Withholding tax rates rationalized for domestic payments towards rent and contractors.
- Exemption limit for payment of wealth tax increased to INR 3 million from INR 1.5 million.

B. Indirect Taxes

Service Tax

- Four new taxable services introduced. They are as follows :
 - a) Service provided in relation to transport of goods by rail
 - b) Service provided in relation to transport of (i) coastal goods; and (ii) goods through Inland Water including National Waterways
 - c) Legal consultancy service
 - d) Cosmetic and plastic surgery service
- Amendment in scope of select existing services that includes Business Auxillary Service, Information Technology Software Service, Stock Broker Service.
- Applicability of service tax extended to installations, structures and vessels in the Continental Shelf of India and Exclusive Economic Zone of India.
- Amount payable on provision of exempt services by a service provider of taxable and exempt services, not maintaining separate records, reduced from 8% to 6%.
- Procedure for revision of order passed by the adjudicating authority to be replaced by provision to file appeal by the authorities against the order passed by the adjudicating authority.
- Enabling provisions introduced to enable the Government to make rules relating to relevant date for determination of service tax rate and place of provision of taxable services.
- Valuation under composition scheme in respect of works contract services to include the value of all goods used in the execution of works contract .
- Procedure to claim refund of service tax on input services received by exporters simplified.
- GST to be introduced from 1 April 2010.

Customs Duty

- Peak rate of customs duty for non agricultural products retained @ 10%.
- CVD on packaged software exempted to the extent of value representing consideration for transfer of right to use the software, subject to applicable conditions.
- Provision for refund of duty on imported goods which are defective or not in accordance with agreed specification proposed to be introduced.

- High Courts empowered to condone the delay in filing the appeals / applications / memorandum of cross objections.

Excise Duty

- CENVAT rate increased from 4% to 8%. However, CENVAT rates for specified products like food items, pharmaceutical products and medical equipments etc retained @ 4%.
- Excise on packaged software exempted to the extent of value representing consideration for transfer of right to use the software, subject to applicable conditions.
- Excise duty on naphtha, special boiling spirits as well as branded petrol and diesel reduced.
- High Courts empowered to condone the delay in filing the appeals / applications / memorandum of cross objections.
- Amount payable on removal of exempt goods by a manufacturer of dutiable as well as exempt goods, not maintaining separate records, reduced from 10% to 5%.
- Definition of inputs under CENVAT Credit Rules amended to exclude cement, angles, channels and other items used for construction of factory shed, building or laying of foundation or making of structures for support of capital goods.

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