

RNM ALERT

*SPECIAL ISSUE
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UNION BUDGET 2008-09

A. Direct Taxes

Income tax slab changed

Net income range	Tax rate	Savings (General)	Savings (Women)	Savings (Senior Citizen)
upto Rs 1,50,000	Nil	Rs.4000 for persons with income of Rs.1,50,000	Rs.6500 for women with income of Rs.1,80,000	Rs.6000 for persons with income of Rs.2,25,000
Rs 150000-300000	10%	Rs.24000 for persons with income of Rs.3,00,000	Rs.23500 for women with income of Rs.3,00,000	Rs.18,500 for persons with income of Rs.3,00,000
Rs300000-500000	20%	Rs.44000 for persons with income of Rs.5,00,000	Rs.43500 for women with income of Rs.5,00,000	Rs.38,500 for persons with income of Rs.5,00,000
Rs 500,000 and above	30%			

Minimum exemption limit for women is Rs.1,80,000 and for senior citizens Rs.2,25,000.

- No change in the corporate income tax rates.
- No change in the rate of surcharge.
- Senior Citizen Saving Scheme 2004 and the Post Office Time Deposit Account To be treated as saving instruments under Section 80C of the Income Tax Act.
- Additional deduction of Rs.15,000 allowed under Section 80D to an individual paying medical insurance premium for his/her parent or parents.
- Income Tax Act to be amended to provide that reverse mortgage would not amount to "transfer"; and the stream of revenue received by the senior citizen would not be "income".
- Tax income arising from saplings or seedlings grown in a nursery exempted.

- Business of production of seeds and manufacture of agricultural implements added to the list of companies allowed weighted deduction of 150 % on any expenditure on in-house scientific research.
- Benefit of amortisation of certain preliminary expenses under Section 35D allowed to the services sector.
- Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from TDS.
- Crèche facilities, sponsorship of an employee-sportsperson, organising sports events for employees and guest houses excluded from the purview of FBT.
- Parent company allowed to set off the dividend received from its subsidiary company against dividend distributed by the parent company; provided that the dividend received has suffered DDT and the parent company is not a subsidiary of another company.
- Section 80-IB to grant a five year tax holiday to hospitals located in any place outside the urban agglomerations especially in tier-2 and tier-3 towns; this window will be open for the period April 1, 2008 to March 31, 2013.
- Five year holiday from income tax being granted to two, three or four star hotels established in specified districts having UNESCO-declared 'World Heritage Sites'; the hotel should be constructed and start functioning during the period April 1, 2008 to March 31, 2013.
- Rate of tax on short term capital gains under Section 111A & Section 115AD increased to 15 per cent.
- STT paid to be treated like any other deductible expenditure against business income And no longer be treated as Tax paid.
- Levy of STT, in the case of options to be only on premium, where the option is not exercised; liability to be on the seller; where the option is exercised, levy to be on the settlement price and the liability on the buyer; no change in the present rates.
- Commodities Transaction Tax (CTT) to be introduced on the same lines as STT on options and futures.
- Law being amended to exclude entities carrying on regular trade, commerce or business or providing services in relation to any trade, commerce or business and earning incomes from claiming that their purposes also fall under "charitable purpose"; Genuine charitable organisations not to be affected in any way.
- Banking Cash Transaction Tax (BCTT) being withdrawn with effect from April 1, 2009.

B. Indirect Taxes

Customs duties

- No change in the peak rate of customs duty.
- Customs duty on Project Imports to reduce from 7.5 per cent to 5 per cent; 4 per cent special CVD to be imposed on a few specified projects in the power sector.
- Customs duty being reduced on steel melting scrap and aluminium scrap from 5 per cent to nil.
- Customs duty to be reduced from 10 per cent to 5 per cent on certain specified life saving drugs and on the bulk drugs used for the manufacture of such drugs. They are also being exempted from excise duty or countervailing duty.
- Customs duty is being reduced on vitamin premixes and mineral mixtures from 30 per cent to 20 per cent and on phosphoric acid from 7.5 per cent to 5 per cent to reduce cost of manufacture of dairy and poultry feeds
- Customs duty being reduced on bactofuges from 7.5 per cent to nil for the benefit of dairy industry and to increase shelf life of milk
- Specified parts of set top boxes and specified raw materials for use in the IT /electronic hardware industry to be exempted from customs duty.
- Customs duty on convergence products to be reduced from 10 per cent to 5 per cent to establish parity between devices used in the information/ communication sector and the entertainment sector
- Customs duty being reduced on specified machinery from 7.5 per cent to 5 per cent to provide fillip to the manufacture of sports goods; duty also being exempted on specified raw materials for sports goods.
- Customs duty to be exempted on rough cubic zirconia and being reduced on polished cubic zirconia from 10 per cent to 5 per cent, in order to encourage value addition and exports by gem and jewellery industry; Customs duty on rough coral being reduced from 10 per cent to 5 per cent.
- Customs duty removed on helicopter simulators for training of helicopter pilots
- Customs duty reduced on crude and unrefined sulphur from 5 per cent to 2 per cent, in order to support domestic fertiliser production
- Customs duty exemption is proposed to be withdrawn on naphtha for use in the manufacture of polymers in order to correct price distortions and revenue losses.
- Naphtha for use in the manufacture of polymers will be subjected to normal rate of 5 per cent. Naphtha imported for the production of fertilisers will continue to be exempt from import duty.
- Export duty on chrome being increased from Rs.2,000 per metric tonne to Rs.3,000 per metric tonne in order to conserve and make it available for value added manufacture in India.

Excise duty

- General CENVAT rate on all goods reduced from 16 per cent to 14 per cent to give a stimulus to the manufacturing sector.
- Excise duty on all goods produced in the pharmaceutical sector reduced from 16 per cent to 8 per cent.
- Excise duty reduced on buses and their chassis from 16 per cent to 12 per cent.
- Excise duty reduced on small cars from 16 per cent to 12 per cent and on hybrid cars from 24 per cent to the general revised rate of 14 per cent.
- Excise duty reduced on two wheelers and three wheelers from 16 per cent to 12 per cent.
- Excise duty to be reduced on paper, paper board and articles made therefrom manufactured out of non-conventional raw materials by units not having an attached bamboo/wood pulp making plant from 12 per cent to 8 per cent with a further reduction on clearances up to 3,500 MT from 8 per cent to nil. Excise duty on certain varieties of writing, printing and packing paper is to be reduced from 12 Per cent to 8 per cent.
- Excise duty is to be reduced from 16 per cent to nil on a few mass consumption items including composting machines, wireless data cards, packaged coconut water, tea and coffee mixes, and puffed rice.
- Excise duty reduction from 16 per cent to 8 per cent on a few more items including water purification devices, veneers and flush doors, sterile dressing pads etc., specified packaging material and breakfast cereals.
- Anti AIDS drug, Atazanavir, as well as bulk drugs for its manufacture are to be exempted from excise duty.
- Excise duty being exempted on end-use basis, on refrigeration equipment (consisting of compressor, condenser units, evaporator, etc) above 2 TR (tonne refrigeration) utilising power of 50 KW and above.
- Excise duty rates on bulk cement and packaged cement brought on par; bulk Cement to attract excise duty of Rs.400 per Metric Tonne or 14 per cent ad valorem, whichever is higher; cement clinkers excise duty at Rs.450 per Metric Tonne.
- Excise duty being increased on packaged software from 8 per cent to 12 per cent, bringing at par with customised software attracting a service tax of 12 per cent.
- Excise duty on both filter and non-filter cigarettes brought on par by applying higher rates on non-filter cigarettes.
- Ad valorem part of the excise duty on unbranded petrol and unbranded diesel Being abolished and replaced by an equivalent specific duty of Rs.1.35 per litre; there will be only a specific duty of Rs.14.35 per litre on unbranded petrol and Rs.4.60 per litre on unbranded diesel; there will be no impact on retail prices.
- NCCD of 1 per cent removed on polyester filament yarn and the levy shifted to cellular mobile phones.



Service tax & Central Sales Tax

- Four services brought under service tax net namely, asset management service provided under ULIP, services provided by stock/commodity exchanges and clearing houses; right to use goods, in cases where VAT is not payable; and customized software, to bring it on par with packaged software and other IT services.
- Threshold limit of exemption for small service providers increased from Rs.8 lakhs per year to Rs.10 lakh per year; about 65,000 small service providers go out of the tax net.
- Central Sales Tax rate being reduced from 3 per cent to 2 per cent from April 1, 2008.
- Roadmap for Goods and Service Tax being prepared for introduction of GST from April 1, 2010.



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