

INDIAN UNION BUDGET HIGHLIGHT-2011-12



RNM ALERT

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HIGHLIGHT OF THE UNION BUDGET 2011-12

Few of the important amendments, proposed to be effected by the Finance Bill, 2010 introduced on the floor of the Parliament on February 26, 2010 effective from **Assessment Year 2011-2012 or Financial Year 2010-11** are as under:

A. Direct Taxes

➤ Personal Taxation

1. Income Tax Slab Rates amended and very senior citizen category created

a) For resident senior citizen (Age of 80 years or more at any time during the PY) - (Newly introduced) – **Basic exemption limit is set at ` 5,00,000**. Remaining slab will be same as for others.

b) For resident senior citizen (Age of 60 years or more but less than 80 years at any time during the PY) – Age criteria changed from 65 years to 60 years and basic exemption limit **increased to ` 2,50,000** from ` 2,40,000

c) For every individual {other than resident woman & resident senior citizen} & HUF/ AOP/ BOI/ AJP (both resident & non-resident) basic exemption limit **increased to ` 1,80,000** from ` 1,60,000

2. Surcharge rate amended - Rate of Surcharge applicable in case of a Company having total income exceeding ` 1 **Crore** has been revised downwards as under:

Indian Company	5% (earlier it was 7.5%)
Foreign Company	2% (earlier it was 2.5%)

3. Newly inserted Exemptions u/s 10

- a) Section 10(45) w.r.e.f. 1st April, 2008 i.e. w.r.e.f. Assessment Year 2008-09- Any allowance or perquisite, as may be notified by central govt. in official gazette, paid to chairman or retired chairman or any other member of UPSC.
- b) Section 10(46)
- c) w.e.f. 1st June, 2011- any specified income arising to a Body or Authority etc. constituted by a Central, State or Provincial Act or by central govt. or state govt. with the object of regulating or administering any activity for the benefit of general public and which is not engaged in any commercial activity.

Corresponding amendment in Sec. 139(4C) – persons covered in sec. 10(46) and sec. 10(47) are also made liable to file the return if before exemption u/s 10 their total income exceeds the maximum amount which is not chargeable to income tax.

4. Definition of Charitable Purpose tweaked- Sec. 2(15)- The meaning of 'charitable purpose' excludes any object of general public utility if it involves carrying out of any activity in the nature of trade, commerce or business but this restriction on carrying out activity in the nature of trade, commerce or business was not applicable if receipts aggregate to ` 10 Lakhs or less during a financial year. In the Finance Bill, 2011 this limit of ` 10 lakhs has been increased to ` 25 lakhs.

5. Tax Benefits for New Pension Scheme- As per sec. 80CCE cumulative deduction u/s 80C, 80CCC and 80CCD was upto ` 1 lakh. Now it is proposed to provide that employers contribution made by Central Govt. or any other employer to a pension scheme u/s 80CCD(2) shall be over and above the limit of ` 1 lakh as provided u/s 80CCE.

6. Investment in Long Term Infra Bonds extended- Deduction u/s 80CCF on investment in infrastructure bonds is proposed to be extended to Assessment Year 2012-13.

➤ **Corporate Taxation**

1. **Infrastructure Debt Fund-** With the objective of obtaining long term, low cost funds from overseas for the infrastructure sector it is proposed to incentivise the setting up of dedicated debt funds. The following changes have been proposed w.e.f June 1, 2011 in this regard:-
 - i. **Section 10(47) w.e.f. 1st June, 2011-** any **income of an infrastructure debt fund** (set up as per guidelines as may be prescribed) as may be notified by central govt. in official gazette shall be exempt from tax.
 - ii. As per amendment in section 115A, the rate of tax on on any interest received from such notified infrastructure debt fund shall be taxable at the rate of 5%.
 - iii. A new section 194LB is introduced (w.e.f. 1st June, 2011) which provides that on interest income paid to a non-resident or a foreign company by a notified infrastructure debt fund TDS will be deducted @ 5%.
2. **Research & Development Deduction-** Sec. 35(2AA) - A deduction of **200% in place of 175%** has been proposed for payments made to a National Laboratory, University or an IIT or specified person to be used for a specific research undertaken under a program approved by the prescribed authority.
3. **Full deduction allowed for Capital Expenditure in specified business-** Under section 35AD deduction **it is proposed to include 2 new businesses as 'specified business'** (a) developing and building a housing project under a scheme for affordable housing framed by Central govt. or State govt. and notified by CBDT (b) production of fertilizer in India.
4. **Extension of sunset clause for tax holiday for power sector-**Sec. 80-IA(4)(iv) - Extension of sunset clause for tax holiday for power sector undertakings to commence generation or distribution of power or laying network of transmission or distribution lines or substantial renovation of such lines has been proposed from 31st March, 2011 to 31st March, 2012.
5. **Sunset of tax holiday for certain undertakings engaged in commercial production of mineral oil** -Sec. 80-IB(9) – It is proposed that w.e.f. Assessment Year 2012-13 this deduction will not be available for blocks licensed under a **contract awarded after 31st March, 2011**

under the new exploration licensing policy announced by govt. vide resolution no. O-19018/22/95-ONG.DO.VL, dated 10-02-1999.

6. Transfer Pricing-

(a) Sec. 92C – As per current provisions if variation between actual price and ALP does not exceed 5% of actual price no adjustment will be made and actual price will be taken as ALP. This fixed margin of + / - 5% across all segments has out-lived the utility of this provision and therefore **it is proposed to provide that instead of 5% the allowable variation will be such percentage as may be notified by Central Govt.**

(b) Sec. 92CA – It is proposed that now TPO can also determine ALP in respect of international transactions **other than those international transactions which are referred to him by AO** and which are noticed by TPO subsequently in the course of proceedings before him. Further, to conduct on-the-spot enquiry and verification TPO can also exercise the powers of survey as provided u/s 133A.

(c) Sec. 139 – Due date of filing return of income in case of those assesseees who have undertaken international transactions is proposed to be extended to 30th November of the Assessment Year.

7. Special tax rate on Dividends received by an Indian company from a foreign subsidiary company- New section 115BBD – Dividends received by an Indian company from a foreign subsidiary company shall be taxable @ 15% + surcharge and education cess on the gross amount of such dividend and no expenditure shall be allowed from such dividend.

8. MAT rate increased from 18 to 18.5%- It has been proposed that the Minimum Alternate Tax (MAT) chargeable u/s 115JB be increased from 18% of 'book profits' of the company currently to 18.5% of 'book profits' of the company.

Further, it is proposed to apply Alternate Minimum Tax on LLP (Limited Liability Partnership) as well and to insert a new chapter XII-BA containing special provisions relating to LLP.

9. Special Economic Zone now more taxing- It is proposed to insert a sunset clause regarding the availability of exemption from

a) MAT w.e.f Assessment Year 2012-13; and

b) Dividend distribution tax w.e.f 1st June, 2011.

in case of SEZ developers and units in SEZs. The aforesaid would require an amendment in the Special Economic Zones Act, 2005 also.

10. Dividend Distribution by Debt Funds- It is proposed to levy additional income-tax at a higher rate of 30% on income distributed by debt funds to a person other than an individual or HUF (w.e.f. 1st June, 2011). This would put the Fixed Deposits on an equal footing with Debt Funds.

➤ **Tax Administration**

1. Non Co-operative Offshore Jurisdiction Clampdown- A new section 94A is proposed to be inserted w.e.f. 1st June, 2011 to discourage transactions by a resident assessee with persons located in any country or jurisdiction which does not effectively exchange information with India. Some key points in sec. 94A – **a)** Such transactions shall be subject to transfer pricing regulations **b)** On payment to the person located in notified jurisdictional area TDS shall be deducted at the rates specified in relevant provisions of the Act or at the rates in force or at 30% whichever is higher.
2. Easy Sharing of information to authorities outside India- To facilitate prompt collection of information on requests received from tax authorities outside India it is proposed to insert sub-section (2) in section 131 to provide that for the purpose of making an enquiry or investigation in respect of any person in relation to an agreement u/s 90 or 90A, it shall be competent for any income tax authority (notified by CBDT) not below ACIT to exercise powers conferred u/s 131(1).
3. Exemption for filing Tax Returns to certain category- It is proposed to insert sub-section (1C) to section 139 to empower the central govt. to exempt any class or classes of persons from furnishing return of income subject to specified conditions. Rationale behind this is that in case of salaried tax payer entire tax liability is discharged by employer through TDS and complete

details of employees are also covered by TDS statements. Therefore, in such cases where there is no other source of income, filing of return is duplication of existing information.

4. Notification for processing returns in Centralised Processing Centres- Time limit for issue of notification for processing of returns in Centralised Processing Centres is proposed to be extended to 31st March, 2012 from 31st March, 2011.
5. Extension of time limit for assessments in case of exchange of information- It is proposed to insert new clause (viii) in Explanation 1 to sec. 153 to extend the time limit for assessments, in case of exchange of information from tax authorities located outside India, by:-
 - a) the period commencing from the date on which a reference for exchange of information is made to tax authorities located outside India and ending with the date on which the information so requested is received by the commissioner ; or
 - b) 6 months, whichever is less
6. Powers and conditions of filing before Settlement Commission modified-
 - a) Entities related to a person on whom search is conducted would now be allowed to file an application to Settlement Commission if additional income tax payable in their application exceeds 10 lakh rupees.
 - b) Power of rectification of mistake granted- [(Similar amendment in wealth-tax)]
 - i) The Settlement Commission may, at any time within 6 months from the date of the order passed by it, amend the same to rectify any mistake apparent from record.
 - ii) However, an amendment which has the effect of modifying the liability of the applicant shall not be made unless the Settlement Commission has given notice to the applicant and the Commissioner of its intention to do so and has allowed them an opportunity of being heard.
7. Omission of Document Identification Number- The requirement of quoting a Document Identification Number introduced by section 282B is now been omitted considering the practical difficulties due to non availability of requisite infrastructure. *Team RNM does feel that this is a retrograde step since it would have gone a long way in increasing accountability and transparency in the tax administration.*

8. Reporting by Liaison Offices (LO)- A new section 285 is proposed to be inserted to seek regular information from non-residents regarding the activities of their liaison offices in India by mandating the filing of annual information to AO within 60 days from the end of financial year.
9. Extension of time limit for obtaining exemption from EPFO- To extend the time given to Employees' Provident Fund Organisation (EPFO) to process the applications made by establishments seeking exemption u/s 17 of EPF & MP Act, it is proposed to extend the time limit from 31st Dec., 2010 to 31st March, 2012 (w.r.e.f. 1st Jan., 2011).

➤ **Wealth Tax**

10. Powers and conditions of filing before Settlement Commission modified- W.e.f. 1st June, 2011 sub-section (6B) inserted in section 22D of Wealth Tax Act, 1957 after Sub-section (6A). [(Similar amendment in income-tax)]
 - ❖ The Settlement Commission may, at any time within 6 months from the date of the order passed by it u/s 22(4), amend the same to rectify any mistake apparent from record.
 - ❖ However, an amendment which has the effect of modifying the liability of the applicant shall not be made u/s 22(6B) unless the Settlement Commission has given notice to the applicant and the Commissioner of its intention to do so and has allowed them an opportunity of being heard.

B. Indirect Taxes

➤ Service Tax

I. New Services:-

1. **Air-Conditioned Restaurant & Bar Services-** Services provided by air-conditioned restaurants having a license to serve alcoholic beverages in relation to serving of food and/or beverages
2. **Hotel Accommodation Services-** Short-term accommodation provided by a hotel, inn, guesthouse, club or campsite, or any other similar establishment for a continuous period of less than three months.

[The above services will come into effect from a date to be notified, after the enactment of Finance Bill, 2011]

II. Change In Scope Of Services:-

1. 'Life Insurance services' cover all services provided to a policyholder or any person, by an insurer, including re-insurer carrying on life insurance business.
2. 'Club or association service' scope is being expanded to include service provided to non-members within its ambit.
3. 'Authorized service station service' scope is being expanded to include services provided by any person.
4. 'Business support services' is being amended to include the services provided by way of operational or administrative assistance in any manner.
5. 'Legal consultancy services' is being expanded by bringing within its ambit the (a) service provided by a business entity to individuals in relation to advice, consultancy or assistance in any branch of law, (b) representational service provided by any person to any business entity, (c) service of 'arbitration' provided by an arbitral tribunal to any business entity.
6. 'Commercial Training or Coaching service' definition is being amended to bring all unrecognized course within the tax net, irrespective of the fact that such courses are conducted by an Institute which also conducts courses which may lead to grant of a recognized degree or diploma.
7. 'Health Services' scope is being expanded by including:
 - a. All services, including diagnostic services, provided, by a centrally air-conditioned (wholly or partially) clinical establishment having more than 25 beds for in-patient treatment during any part of the year;

- b. Diagnostic services being provided by a clinical establishment with the aid of laboratory or other medical equipment; and
- c. Services provided by a doctor, not being an employee of a clinical establishment, from the premises of such establishment.

In view of the comprehensive coverage of health services under (a), (b) and (c) above, the existing restricted ambit of 'health services' would no longer be operational.

[the above change will come into effect from a date to be notified, after the enactment of Finance Bill, 2011]

III. New Exemption And Abatement:-

- 1) Services provided by an organizer of business exhibitions in relation to business exhibitions held outside India are proposed to be exempted.
- 2) An abatement of 25% from the taxable value is being provided for the purpose of levy of service tax under "Transport of goods through coastal and inland shipping".
- 3) 'Works contract' service provided for construction or finishing of new residential complex under 'Jawaharlal Nehru National Urban Renewal Mission' and 'Rajiv Awaas Yojana'.
- 4) Services provided within a port or other port or an airport under the 'Works Contract' service for specified purposes.
- 5) 'Rashtriya Swasthya Bima Yojana' under the 'General insurance' service.
- 6) Value of air freight included in the assessable value of goods for charging customs duties is being excluded from taxable value for the purpose of levy of service tax under the 'Transport of goods by air' service.
- 7) Service related to transportation of goods by road, rail or air when both the origin and the destination are located outside India.
- 8) A modified scheme is being introduced to refund service tax to SEZ units and developers and notification No. 9/2009-ST is being superseded. In the modified scheme, 'wholly consumed' services are being defined in the notification in order to extend 'outright exemption' and to permit refund of all other services on a proportionate basis.

The changes at s no (1) to (5) and (8) will come into effect immediately. Changes at s. no. (6) and (7) will be effective from April 1, 2011.

IV. Withdrawal Or Amendments In Existing Exemptions:-

The rates of service tax on travel by air are being revised as follows:-

- | | |
|---|---------------------|
| a. Domestic travel (economy class): | from ` 100 to ` 150 |
| b. International travel (economy class): | from ` 500 to ` 700 |
| c. Domestic travel (other than economy class) | 10% (Standard rate) |

The above change will come into effect from April 1, 2011.

V. Change in Service Tax (Determination of Value) Rules, 2006:

- 1) A change has been made in Service Tax (Determination of Value) Rules, 2006 and the value of the 'Money Changing Service' has been defined:
 - i. For a currency exchanged either from or the Indian Rupees, shall be equal to the units of currency exchanged multiplied by the difference in the buying rate or the selling rate, as the case may be, and the RBI reference rate for that currency for that day;
 - ii. For a currency where the RBI reference rate is not available, shall be 1% of the gross amount of Indian Rupees provided or received, by the person changing the money;
 - iii. Where neither of the currencies exchanged is Indian Rupee, shall be equal to 1% of the lesser of the two amounts the person changing the money would have received by converting any of the two currencies into Indian Rupee on that day
- 2) An explanation is being added to rule 5(1) of Service Tax (Determination of Value) Rules, 2006 to clarify that for the purpose of 'Telecommunication services', the value of the taxable service shall be gross amount charged by the telegraph authority from the service receiver.

VI. Change in Works Contract (Composition Scheme for payment of Service Tax) Rules, 2007:

A sub-rule (2A) is being inserted in rule 3 of the Works Contract (Composition Scheme for payment of Service Tax) Rules, 2007 to provide that the credit of tax on input services of 'Erection, Commissioning or installation', Commercial or industrial construction' and 'Construction of complex' services as available to a person providing 'works contact service' shall be restricted to 40% of tax paid, when such tax has been paid on full value of the service after availment of Cenvat credit on inputs.

[The change at S. No. (8) will come into effect from 01.03.2011]

VII. Point Of Taxation Rules, 2011

The Point of Taxation Rules, 2011 have been framed and made effective from 01.04.2011 these rules determine the point in time when the services shall be deemed to be provided. These rules would shift the basis for tax collection from "cash" to "accrual" basis.

➤ **CENTRAL EXCISE**

A. PROPOSALS INVOLVING CHANGES IN RATES OF DUTY

CATEGORY	NEW RATE	OLD RATE
Concessional rate of excise duty	5%	4%
130 specified items	1%	NIL or Exempt
Readymade garments and textile made ups bearing a brand name or sold under a brand name*	10%	Nil
Automatic looms and projectile looms	5%	Nil
Clearance upto 3500 metric tone of paper manufactured from non-conventional material	Exemption withdrawn	Exempt
Microprocessors for computer, other than motherboards; floppy disc drive; hard disc drive; CD_ROM drive; DVD drives/DVD writers; flash memory and combo drivers meant for fitment inside the CPU or laptop	5%	Exempt

* Duty shall be charged on the tariff value @ 60% of their retail sale price.

B. SECTOR SPECIFIC RELIEF MEASURES:

CATEGORY	NEW RATE	OLD RATE
I FOOD/AGRO PROCESSING:-		
Air-conditioning equipment, panels and refrigeration panels for installation of cold chain infrastructure for the preservation, storage, transport or processing of agricultural, horticultural, dairy, poultry, apiaries, aquatic and marine produce.	0% (Exempt)	
Conveyor belt systems for use in cold storage for the transport or processing of agricultural, horticultural, dairy, poultry, apiaries, aquatic and	0% (Exempt)	

marine produce and in mandis & warehouses for storage of food grains and sugar		
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CATEGORY	NEW RATE	OLD RATE
II CAPITAL GOODS:		
Goods required for expansion of an existing mega/ultra mega power project under specified conditions at par with exemption from CVD on the import of goods for expansion of such projects.	0% (Exempt)	
Specified part of sewing machines(other than those with in-built motors)	0% (Exempt)	
specified textile machinery	5%	10%
III ENVIRONMENT FRIENDLY AND ENERGY SAVING GOODS:		
Hybrid kits for conversion of fossil fuel vehicles to hybrid vehicles. Parts of such kits	5%	10%
Hydrogen vehicles based on fuel cell technology.	10%	

V HEALTH		
Sanitary napkins, baby & clinical diapers and adult diapers. Similar articles of textile wadding.	1%	10%
VI. WATER SUPPLY		
Pipe fitting such as joints, elbows, couplings etc. for pipes required for delivery of drinking water from its source to the plant and from there to the first storage point	0% (Exempt)	
Water filters using pressurized tap water but without use of electricity and their replaceable kits	1%	
VII. AUTOMOBILE SECTOR		
Factory built ambulances	10%	
Vehicles carrying 13 persons including the driver	Taxi Refund Scheme eligible	
Vehicles registered as a taxi subsequent to removal	refund of 20% of	

	excise	
CATEGORY	NEW RATE	OLD RATE
VIII. PAPER & PAPER BOARD		
Cotton stalk particle boards	0% (Exempt)	
Corrugated boxes whether or not pasted with Duplex sheet on their outer surface	5%	
Greasproof paper and glassine paper	5%	10%
IX. PRECIOUS METALS		
Serially numbered gold bars, other than tola bars; made starting from the ore/concentrate stage in the same factory	200 per 10 grams	280 per 10 grams
Serially numbered gold bars manufactured by refining of gold dore bar	200 per 10 grams	
Serially numbered gold bars, other than tola bars, manufactured during the process of copper smelting	300 per 10 gram	
Silver manufactured during refining starting from ore/concentrate stage or from gold ore bar or during the process of copper smelting	1500 per Kg	
Branded jewellery and branded articles of precious metals	1%	
X. TEXTILES		
Jute yarn	Exempted	

➤ **CUSTOM**

A. DUTY REDUCED

1. Basic Custom Duty is being reduced as follows:

CATEGORY	NEW RATE	EARLIER RATE
Acrylonitrile	2.5%	5%
Sodium Pollyacrylate.	5%	7.5%
Caprolactum	7.5%	10%
Nylon chips, fibre & yarn	7.5%	10%
Rayon grade wood pulp	2.5%	5%
Specified gem & jewellery machinery	5%	7.5%
Solar lantern or lamps.	5%	10%
Lactose for use in the manufacture of homoeopathic medicines	10%	25%
Waste paper.	2.5%	5%
ferro-nickel	2.5%	5%
Vanadium pentoxide and vanadium sludge	2.5%	7.5%
Carbon black feed stock	2.5%	5%
Petroleum coke	2.5%	5%
Mineral gypsum	2.5%	5%

2. A definition for “Completely Knocked Down (CKD) unit” of a vehicle including two wheelers, eligible for concessional import duty, is being inserted to exclude from its purview such units containing a pre-assembled engine or gearbox or transmission mechanism or a chassis where any of such parts or sub-assemblies is installed.
3. All clearances from SEZ to Domestic Tariff Area (DTA) are being exempt from SAD provided that they are not exempt from the levy of VAT/Sales Tax.
4. CVD exemption on Plastic material reprocessed is being extended to DTA clearance.
5. Full custom duty is being exempted on water pumping station and water reservoir for agriculture and industrial use.

6. 100% exemption of custom duty & CVD is being extended to 'Tunnel Boring Machine' and parts thereof used for highway development projects.
7. Full exemption from basic customs is being provided to cash dispensers.
8. A concessional rate of import duty of 5% basic custom duty of, 5% CVD & Nil SAD currently applicable to high-speed printing machinery is being extended to mailroom equipment compatible with such printing machinery imported by registered newspaper establishment.
9. A concessional rate of 5% basic custom duty of, 5% CVD & Nil SAD is being extended to parts and components for manufacture of 23 specified high voltage transmission equipments.
10. A concessional rate of 5% (by way of central excise exemption) and full exemption from SAD is being provided to LEDs used for manufacture of LED lights and light fixtures.
11. Full exemption from custom duty is being extended to toughened glass and silver paste imported for manufacture of solar cells or solar modules on actual user basis.
12. Endovascular stents are being fully exempted from basic custom duty of 5%.
13. Exemption from SAD is being provided to P & P medicines imported for retail sale.
14. Custom duty on four specified life saving drugs & their bulk drugs is being reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).
15. Full exemption from basic custom duty is being extended to stainless steel scrap.
16. Iron ore pellets are being fully exempted from export duty.
17. Copper dross, copper residues, copper oxide mill scale, brass dross & zinc ash are being exempted from levy of SAD.
18. Basic custom duty is being exempted on the value of gold % silver contained in the copper concentrate.
19. An import duty of Nil basic custom duty, CVD of ₹ 140 per 10 gram & Nil SAD is being prescribed for gold dore bars of upto 80% gold purity imported for refining & manufacturing serially numbered gold bars in India.
20. Basic Custom duty is being fully exempted from basic custom duty for use in the manufacture of laundry soap on actual user basis.

21. A concessional import duty structure of 5% CVD and Nil SAD is being prescribed on parts of inkjet and laser printers imported for the manufacture of such printers.
22. Full exemption from basic custom duty is being extended to parts/components required for the manufacture of PC connectivity cable and sub-parts of parts & components of battery charger, hand-free head phones and PC connectivity cable of mobile handsets including cellular phones.
23. Full exemption from SAD presently available upto 31.03.2011 on parts, components and accessories for manufacture of mobile handsets including cellular phones.
24. Full exemption from customs duty is being extended to additional specified capital goods and raw materials for the manufacture of electronic hardware.

B. DUTY INCREASED/IMPOSED

- Statutory rate of export duty on iron ores is being increased from 20% to 30% while unifying the effective rate of export duty on iron ore fines and lumps at 20%.
- 10% Export Duty is being imposed on export of D-oiled rice bran oil cake.
- Basic custom duty of 2.5% is being imposed on imports of aircrafts for non-scheduled operations.

C. EXPORT PROMOTION

- The list of specified goods, allowed to be imported duty free for use in the manufacture of leather goods, for export is being expanded.
- The list of specified goods, allowed to be imported duty free for use in the manufacture of textile and leather garments, is being expanded by including anti-theft devices like labels, tags and sensors therein.
- Description of some items is being changed in the list of items that are allowed to be imported duty free for manufacture of textiles or leather garments and other leather goods for export.
- Benefit of duty free import on trimmings, embellishments, components etc. For manufacture of leather goods, footwear and textile garments are being extended to merchant exporters subject to certain conditions.

- Specified tools in the handicrafts sector are being included in the list of specified goods, allowed to be imported duty free to Handicrafts exporters.
- Full exemption from basic custom duty is being extended to fin fish feed.
- Basic customs duty on vannamei broodstock is being reduced from 30% to 10%.
- Basic customs duty on bamboo used for manufacture of agarbattis is being reduced from 30% to 10%.

D. GENERAL

- Basic Custom Duty rates of 2%, 2.5% & 3% are being notified at the median rate of 2.5%.
- Exemption from cess & secondary and higher education cess presently available to aircrafts is being withdrawn.

E. AMENDMENTS IN CUSTOMS ACT, 1962

- Section 2 is being amended to include 'self-assessment' within the definition of 'assessment'.
- Section 17 is being amended to replace the existing system of assessment with 'self-assessment' of duty on imported and export goods by the importer or exporter.
- Section 75 is being amended to enable the Central Govt. To prescribe circumstances under which drawback would not disallowed even though the export remittances are not received within the period specified in the Foreign Exchange Management Act.

C. OTHER MATTERS

➤ FDI Policy and Foreign Institutional Investment

A. Discussions underway to further liberalize the FDI policy

To make the FDI policy more user-friendly, all prior regulations and guidelines have been consolidated into one comprehensive document, which is reviewed every six months. This has been done with the specific intent of enhancing clarity and predictability of our FDI policy to foreign investors. Discussions are underway to further liberalise the FDI policy.

B. SEBI registered mutual funds permitted to accept subscription from foreign investors who meet KYC requirements for equity schemes.

Currently, only FIIs and sub-accounts registered with the SEBI and NRIs are allowed to invest in mutual fund schemes. To liberalise the portfolio investment route, it has been decided to permit SEBI registered Mutual Funds to accept subscriptions from foreign investors who meet the KYC requirements for equity schemes. This would enable Indian Mutual Funds to have direct access to foreign investors and widen the class of foreign investors in Indian equity market.

C. To enhance flow of funds to infrastructure sector, the FII limit for investment in corporate bonds issued in infrastructure sector being raised.

To enhance the flow of funds to the infrastructure sector, the FII limit for investment in corporate bonds, with residual maturity of over five years issued by companies in infrastructure sector, is being raised by an additional limit of US Dollar 20 billion taking the limit to US Dollar 25 billion. This will raise the total limit available to the FIIs for investment in corporate bonds to US Dollar 40 billion. Since most of the infrastructure companies are organised in the form of SPVs, FIIs would also be permitted to invest in unlisted bonds with a minimum lock-in period of three years. However, the FIIs will be allowed to trade amongst themselves during the lock-in period.

➤ Miscellaneous Updates

A. Financial Sector Legislative Reforms Commission set up to rewrite and streamline the financial sector laws, rules and regulations.

In pursuance of the announcement made in Budget 2010-11, the Government has set up a Financial Sector Legislative Reforms Commission under the Chair of Justice B. N. Srikrishna. It would rewrite and streamline the financial sector laws, rules and regulations and bring them in

harmony with the requirements of a modern financial sector. The Commission will complete its work in 24 months.

B. Companies Bill to be introduced in the Lok Sabha during current session.

The Companies Bill introduced in the Parliament in 2009 has been received from the Parliamentary Standing Committee. The proposed bill will be introduced in the Lok Sabha in the current session.

C. Bill to amend the Indian Stamp Act proposed to be introduced shortly.

With the development of the economy, the need to review the provisions of the Indian Stamp Act, 1899 has been felt over the years. It is propose to introduce a Bill shortly to amend the Indian Stamp Act.

D. A new scheme with an outlay of ` 300 crore to be launched to provide assistance to States to modernise their stamp and registration administration and roll out e-stamping in all the districts in the next three years.

In continuance of initiative to introduce a modern and people-friendly e-stamping facility in the country, it is propose to launch a new scheme with an outlay of `300 crore to provide assistance to States to modernise their stamp and registration administration and roll out e-stamping in all the districts in the next three years.

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