



**DBS GROUP**

# Union Budget

## 2009-10

**A Well Crafted test Match in place of a 20-20**

**— The Business Line**

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# Foreword



The Finance Minister had unique opportunity to present fourth Union Budget.

This Budget comes in the back drop of melt down in economy on account of World Recession. The Finance Minister hopes to achieve G.D.P. growth rate of 6.77% while fiscal deficit is estimated to be 6.8% which is really very high. In my opinion the Budget is negative and not growth oriented. However, the focus appears to be on Rural Development Agricultural and to Infrastructure. It appears to be populist budget so far as economics proposals are concerned.

The most welcoming amendment brought about by this budget is the withdrawal of Fringe Benefit Tax [FBT] and also increase in thresholds limits across the board for Individual Tax Payers. The Finance

Minister has indicated that he will bring back simplification in Income Tax Return by reintroducing Saral Form for the small Tax Payer. He has also promised to bring Direct Tax Code for simplification and recessionality of Direct Tax in 45 days.

He has also promised to bring goods and services tax by 1st April, 2010 for which the basic structure has been finalized by the Central and State Govts. The most negative feature of Union Budget is that he has increased the rate of Minimum Alternative Tax (MAT) from 10% to 15%.

In respect of Dividend Distribution Tax also he has not removed the same though it amounts to double taxation. Corporate Tax Rate has not been changed and further, though Commodities Transaction Tax is removed, he has not removed the Securities Transaction Tax.

In respect of Service Tax, I am disappointed that the threshold exemption limits has not been increased as well as rate for Service Tax is not also reduced. Central Excise rates are increased to 8% across the board with few exceptions.

Overall, in my opinion this budget is balanced in terms of economic measures and in terms of direct, indirect proposals, this budget is negative.

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**Direct Taxes**

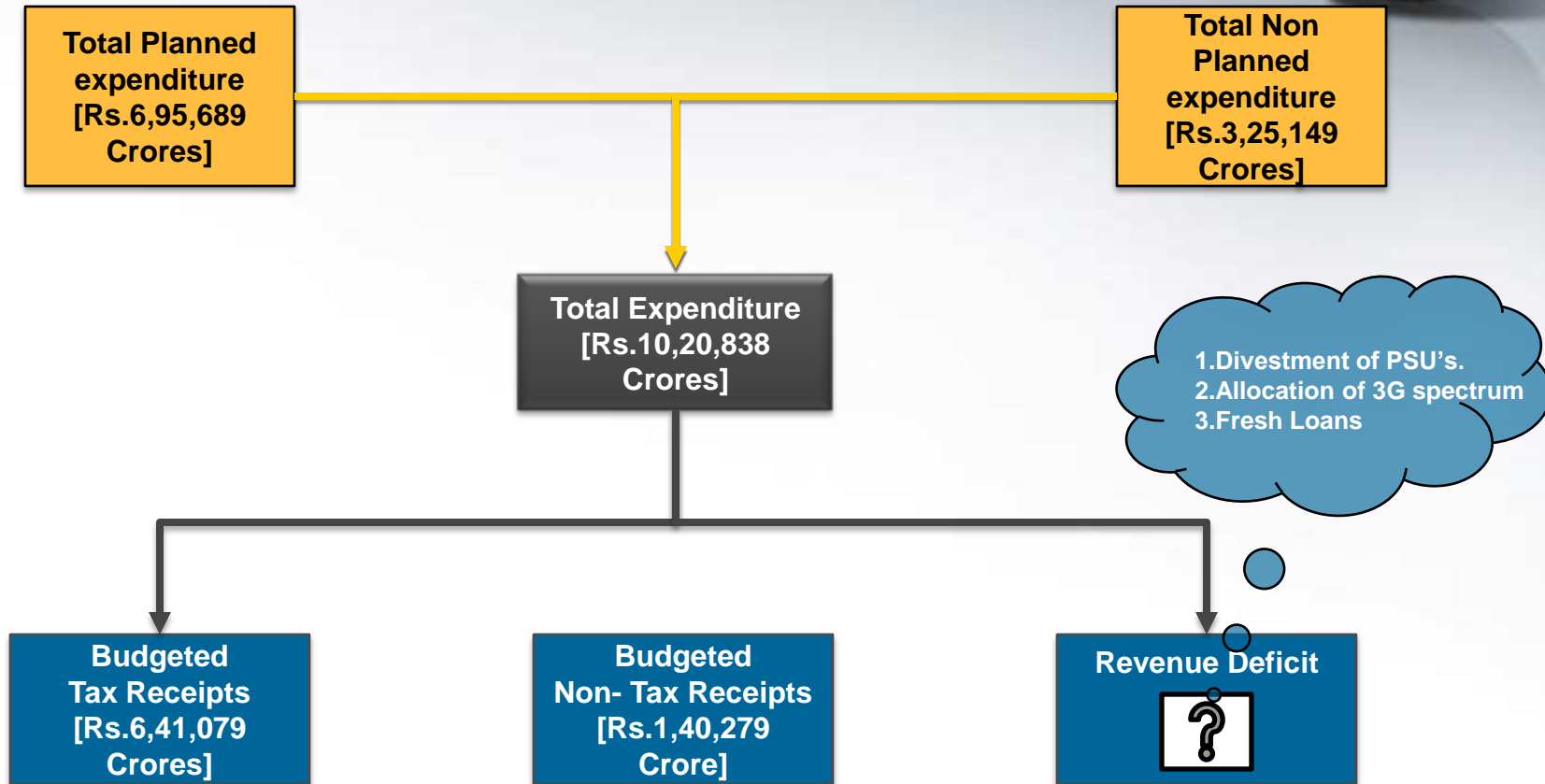
**Indirect Taxes**

# The Economy – An Overview



- 📌 Fiscal accommodation has led to an increase in fiscal deficit from 2.7 per cent in 2007-08 to 6.2 per cent of GDP in 2008-09.
- 📌 Growth rate of Gross Domestic Product dipped from an average of over 9 per cent in the previous three fiscal years to 6.7 per cent during 2008-09. **However, growth rate of 9% to be achieved for FY 2009-10 remains a stiff challenge.**
- 📌 The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.
- 📌 Target for agriculture credit flow set at Rs.3,25,000 crore for the year 2009-10. In 2008-09 agriculture credit flow was at Rs.2,87,000 crore.
- 📌 To facilitate flow of credit at reasonable rates, Rs.4,000 crore provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI).
- 📌 **Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates to be paid as a special relief.**
- 📌 Unique Identification Authority of India (UIDAI) to set up online data base with identity and biometric details of Indian residents and provide enrolment and verification services across country. First set of unique identity number to be rolled out in 12 to 18 months.
- 📌 With almost three quarters of our oil consumption met through imports, since it is important to recognise that domestic prices of petrol and diesel are broadly in sync with global prices.
- 📌 While retaining at least 51 per cent Government equity in Public Sector Undertakings, people's participation in disinvestment programmes to be encouraged. **However no clear guidelines or affirmative policies framed in this matter.**

# Budget Deficit



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# Direct Taxes

## Corporate Tax



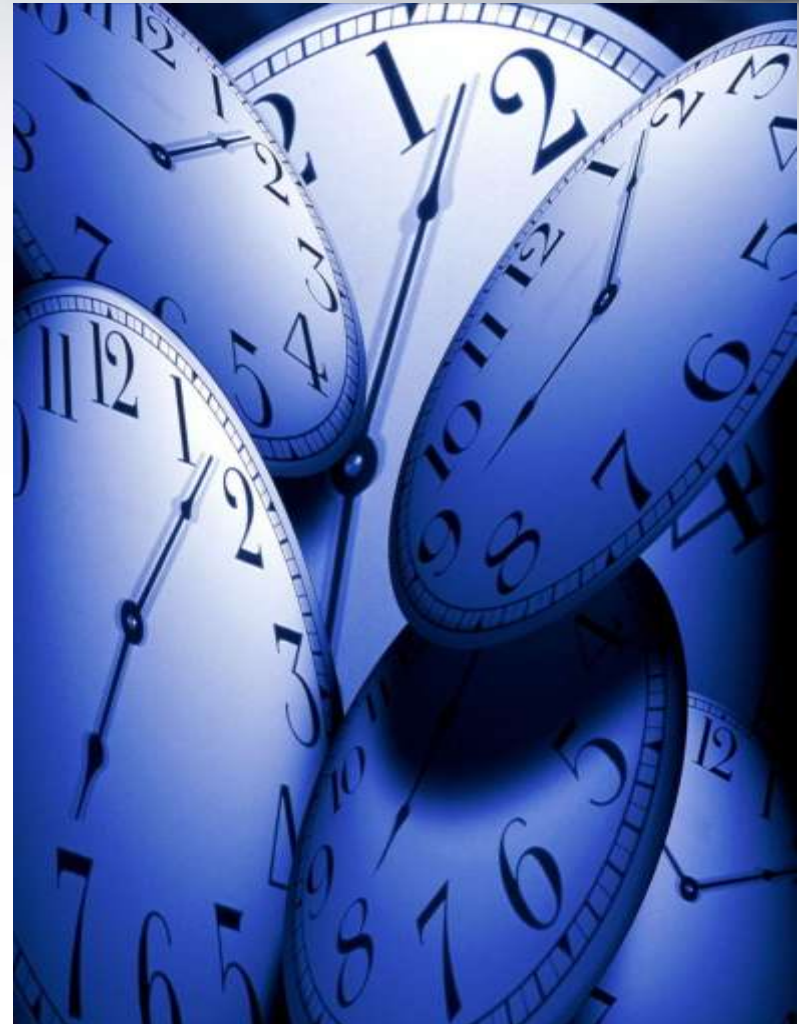
- ❑ There are no changes in the tax rates
- ❑ No change in surcharge and education cess. Educational cess shall continue to be levied at the rate of 3% on the amount of tax and surcharge.
- ❑ Minimum Alternate Tax (**MAT**) to be increased to **15 per cent** of book profits from 10 per cent. The period allowed to carry forward the tax credit under MAT to be extended from seven years to ten years. Diminution in value of investments to be added back to compute profits for MAT
- ❑ Presently, a weighted deduction of one and one-half times of the expenditure **incurred only on in-house scientific research and development** is allowed to companies engaged in the specified activities. Now, the weighted deduction will be available to companies engaged in the manufacture or production **of any article or thing**, except those specified in the Eleventh Schedule of the Income tax Act.
- ❑ Any Cash Payment in excess of INR 20,000 made otherwise than by an account payee cheque or account payee bank draft is not allowed as a deduction. The budget has enhances the limit of cash payment to INR 35,000 only in respect of payments made for freight charges paid to Goods Carrier

# Direct Taxes

## Corporate Tax



- ❑ Commodity Transaction Tax (CTT) to be abolished
  
- ❑ To mitigate the practical difficulties faced by charitable organisations, anonymous donations received by charitable organisations to the extent of 5 percent of their total income or a sum of Rs.1 lakh, whichever is higher, not to be taxed.
  
- ❑ In computing the income of a composite business comprising partly from agriculture and partly from income chargeable to tax, the tax WDV of assets is to be computed by deducting the total depreciation attributable to the composite business, including that for an agricultural business as if it were a taxable business.
  
- ❑ New Pension System (NPS) to continue to be subjected to the Exempt-Exempt-Taxed (EET) method of tax treatment of savings. Income of the NPS Trust to be exempted from income tax and any dividend paid to this Trust from Dividend Distribution Tax. All purchase and sale of equity shares and derivatives by the NPS Trust also to be exempt from the Securities Transaction Tax. Self employed persons to be enabled to participate in the NPS and to avail of the tax benefits available thereto





# Direct Taxes

## Corporate Tax



- ❑ Tax relief to be eligible on voluntary retirement compensation only if employee has not claimed tax exemption on the same
- ❑ **Remuneration to partners in a firm**

Under the existing provisions, the payment of salary, bonus, commission or remuneration (hereinafter referred to as “remuneration”) to a working partner of a partnership firm is allowed as deduction if it is authorised by the partnership deed and subject to the overall ceiling of monetary limits prescribed under sub-clause (v) of clause (b) of section 40. A uniform limits for both professional and non professional firms has now been prescribed as follows

Book Profits / Losses	Amount allowed as deduction
In the case of loss or book-profit upto INR 300,000	Higher of INR 150,000 or 90% of the book profit
Book Profit below INR 300,000	60 percent of the book profit

# Direct Taxes

## Corporate Tax- Tax Holidays



- ❑ A 100 percent deduction of profits in case of units located in SEZ is to be computed with reference to the total turnover of the undertaking instead of the total turnover of the Assessee
- ❑ Sun-set clauses for deduction in respect of export profits under sections 10A and 10B of the Income-tax Act being extended by one more year i.e. for the financial year 2010-11.
- ❑ Tax exemption has been extended to the mutual fund set-up by any other public sector bank specified by the RBI
- ❑ Any new undertaking engaged in the production or manufacture of items in the paper industry located in Himachal Pradesh and Uttaranchal will not be eligible for a tax holiday
- ❑ A developer will not be entitled to a tax holiday in respect of a housing project, if more than one residential unit is allotted to any person other than an individual and in case of an individual to his spouse or minor children or a karta of HUF or any person representing such specified persons  
Further, the tax holiday will not be available to any undertaking which executes housing projects as a works contract awarded to any entity (including the Central or State Government). This amendment is retrospective from AY 2001-2002
- ❑ In respect of a tax payer who is engaged in software development in an STP unit or export of an article / thing in an EOU or from a special economic zone or the enterprise which is eligible for deduction or claims deduction under its respective section, then no further deduction in respect of the same amount shall be allowed under any other provisions in the same assessment year  
Further, the aggregate of the deductions under the aforesaid provisions shall not exceed the profits or gains of the undertaking or unit or enterprise of the business. Deductions under the aforesaid provisions shall be allowed only if the deduction has been claimed in the return of income. These amendments are retrospective from the AY 2003-2004

# Direct Taxes

## Corporate Tax – Transfer Pricing



- ❑ Section 92C is proposed to be amended to provide that the benefit of 5% range would be available only where the variation between arm's length price and transfer price of assessee does not exceed five percent of the transfer price.
- ❑ The CBDT has been empowered to make Safe Harbor Rules to minimize disputes relating to transfer pricing matters
- ❑ An Alternate Dispute Resolution Mechanism will be formulated to facilitate the expeditious resolution of transfer pricing matters and other matters of foreign companies. Under this mechanism, the AO is required to forward the draft assessment order to the tax payer for acceptance or lodging an objection within 30 days to the Dispute Resolution Panel (DRP) [ a collegium comprising of three Commissioners of Income-tax]. After hearing from both sides, within nine months, the DRP will issue necessary directions which shall be binding on the AO but can be challenged by the tax payer in an appeal to the Income Tax Appellate Tribunal.



# Direct Taxes

## Rate Card



### Corporate Tax rates

#### For Partnership Firms, Local authorities and LLP's

Partnership Firms are taxable @ 30%.

Surcharge is **not applicable** @ 10% if total income is in excess of INR. 10,000,000.

Education cess is applicable @ 3% on income tax (inclusive of surcharge, if any).

#### For Domestic Companies

Domestic companies are taxable @ 30%.

Surcharge is applicable @ 10% if total income is in excess of INR. 10,000,000.

Education cess is applicable @ 3% on income tax (inclusive of surcharge, if any).

Marginal relief is available.

#### For Foreign Companies

Foreign companies are taxable @ 40%.

Surcharge is applicable @ 2.5% if total income is in excess of INR. 10,000,000.

#### Dividend Distribution Tax (DDT)

Dividend distributed by an Indian Company is exempt from income-tax in the hands of all shareholders. The Indian company is liable to pay DDT of 16.995% (i.e. inclusive of surcharge and education cess) on such dividends.

#### Minimum Alternate Tax (MAT)

MAT is levied @ 15% of the adjusted book profits in case of those companies where income-tax payable on the taxable income according to the normal provisions of the Income-tax Act, 1961, is less than 15% of the adjusted book profits.

Surcharge is applicable @ 10% in case of domestic companies if adjusted book profits are in excess of INR. 10,000,000.

Education cess is applicable @ 3% on income tax (inclusive of surcharge, if any).

MAT Credit available for 10 years

# Direct Taxes

## Rate Card



### For Co-operative Societies

Gross Total Income	Tax Rate
Upto INR 10,000	10%
INR 10,001-20,000	20%
INR 20,001 above	30%

### Tax Rates for Non-Residents

Nature of Income	Tax Rate
Dividend	20%
Interest received on loans given in foreign currency	20%
Royalty / Fees for technical fees	After June 2005 - 10%

### Tax Rates for Non-Residents

Gross Total Income	Short Term	Long term
Purchase sale of equity shares on which STT has been paid	15%	Nil
Sale of any other asset other than as mentioned above		
Individuals	As per the slab rates	20 % with indexation: 10% without indexation
Firms & LLP's	30%	
Companies	30%	
Foreign Companies	40%	
Local authority	30%	
Co-operative societies	As per the slab rates	

1. The rates mentioned above are exclusive of surcharge and education cess
2. In case the foreign concern has a permanent establishment in India, income could be taxed at a rate of 40 % for royalty and FTS related to such a Permanent establishment

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# Direct Taxes

## Personal Tax



**For Individuals, Hindu Undivided Family, Association of Persons and Body of Individuals**

Total Income	Tax Rates
Up to INR. 1,60,000	NIL
INR. 1,60,001 to INR. 3,00,000	10%
INR. 3,00,001 to INR. 5,00,000	20%
INR. 500,001 and above (Refer a below)	30%

- A. Surcharge abolished which was earlier applicable @ 10% where total income exceeds INR. 1,000,000.
- B. Education cess is applicable @ 3% on income tax
- C. Marginal relief is available.

**In case of a Women assessee below the age of 65 years**

Total Income	Tax Rates
Up to INR. 1,90,000	NIL
INR. 1,90,001 to INR. 3,00,000	10%
INR. 3,00,001 to INR. 5,00,000	20%
INR. 5,00,001 and above (Refer A)	30%

**In case of a resident individual of the age of 65 years or above**

Total Income	Tax Rates
Up to INR. 2,40,000	NIL
INR. 2,40,001 to INR. 300,000	10%
INR. 300,001 to INR. 500,000	20%
INR. 500,001 and above (Refer A)	30%

# Direct Taxes

## Personal Tax



- ❑ Surcharge of 10 percent abolished for all non-corporate tax payers
- ❑ Deduction for medical treatment of a dependent suffering from severe prescribed disability increased to INR 100,000 from INR 75,000
- ❑ **Enhancement of the limit for payment of wealth tax**  
With a view to providing for inflation-adjustment, it is proposed to raise the threshold limit for payment of wealth tax from fifteen lakh rupees to thirty lakh rupees.

The proposed amendment will apply for the valuation of net wealth as on 31st March, 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years.

- ❑ **Scope of Sec. 80E deduction extended**  
Section 80E provides for a deduction in respect of interest paid on loan taken for the purpose of pursuing full-time graduate or post-graduate studies in specified fields. Now, the scope of this deduction has been extended to cover all fields of studies (including vocational studies) pursued after passing the senior secondary examination or its equivalent from any school, board or university recognized by the Central or State governments.



# Direct Taxes

## Personal Tax



- ❑ Donations to electoral trusts to be allowed as a 100 percent deduction in the computation of the income of the donor.

- ❑ **Scope of gift tax extended**

As per Sec 56, any sum above INR. 50,000 in the aggregate received from non-relatives was taxable as income of the recipient. Since these provisions were applicable to 'a sum of money', 'hitherto, non-cash gifts used to escape this gift tax net. Budget 2009 has effectively plugged this loophole.

Now, the value of any non-cash property such as land or building, shares and securities, jewellery, drawings, paintings, sculptures or any works of art, etc, transferred without consideration, will be subject to income tax in the hands of the recipient. For immovable property, the stamp duty valuation will be considered, while for movable property, the fair market value on the date of the gift will be considered to arrive at the assessable value.

- ❑ Time limit for compliance by private Provident Fund Trust to receive or retain recognition extended from March 31, 2009 to December 31, 2010.



# Direct Taxes

## Personal Tax



- ❑ Scope of presumptive taxation to be extended to all small businesses with a turnover upto INR. 40 lakh. (Earlier this benefit was only allowed to assesses in the business of Civil Construction or Supply of Labour for Civil Construction) All such taxpayers to have option to declare their income from business at the rate of 8 percent of their turnover and simultaneously enjoy exemption from the compliance burden of maintaining books of accounts. As a procedural simplification, they are also to be exempted from advance tax and allowed to pay their entire tax liability from business at the time of filing their return. This new scheme to come into effect **from the financial year 2010-11**.
- ❑ Profits from goods carriage business shall be taxed on a presumptive basis :
  - 5000 per month - For every heavy goods vehicle owned.
  - 4500 per month - For other than heavy goods vehicle.
- ❑ Provision of presumptive taxes for assesses in retail trade to be scrapped from April, 2011



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TDS and other provisions

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# Direct Taxes

## TDS



- ❑ The rates for TDS on rental payments are proposed to be reduced with effect from October 1, 2009 as follows:

Particulars	Proposed rate w.e.f Oct 1, 2009.	Existing rate
Rent of plant, machinery or equipment	2%	10%
Rent of land, building or furniture to an Individual and HUF	10%	15%
Rent of land, building or furniture to a person other than an Individual and HUF	10%	20%

- ❑ Surcharge and Education Cess not applicable for withholding tax on non-salary payments to resident tax payers
- ❑ Various amendments made to procedural aspects of furnishing of quarterly returns for TDS, issuing certificates for taxes deducted, time limits for assessment of TDS etc
- ❑ In case the PAN is not quoted, tax would be deducted at whichever rate is highest from amongst the following:
  - A specified rate
  - The rates in force
  - A rate of 20 percent

# Direct Taxes

## Other Provisions



- ❑ Simple and user friendly Saral forms to be introduced.
- ❑ Structural changes in direct taxes to be pursued by releasing the new Direct Taxes Code within the next 45 days.
- ❑ The Authorities for Advance Rulings on Direct and Indirect Taxes to be merged by amending the relevant Acts.
- ❑ The threshold limit for payment of advance tax increased to INR 10,000 from INR 5,000.
- ❑ Every document, notice, order, letter or any other correspondence issued or received by the Income Tax Authority on or after October 1,2010 to bear a computer-generated Document Identification Number without which it will be treated as invalid
- ❑ Voluntary contributions received by Approved Electoral Trust functioning as per Its rules is to be exempt if it distributes 95 percent thereof to specified political parties



# Direct Taxes

## Other Provisions



- ❑ The value assessed or assessable by any Stamp Duty Authority deemed to be the full value of consideration for computing capital gains on transfer of land and / or buildings

- ❑ **Additional incentive for quoting permanent account number (PAN) for TDS**

The government finds that non-quoting of PAN by deductees is creating problems in the processing of income-tax returns as also for granting credit for tax deducted at source (TDS). In order to strengthen the PAN mechanism, it is proposed that any person whose receipts are subject to TDS, i.e. the deductee, shall have to mandatorily furnish his PAN to the deductor, failing which the deductor shall deduct tax at source at the rate applicable or 20%, whichever is higher. This would also be applicable for those who file forms 15G or 15H. Forms 15G and 15H are filed by investor requesting the institution concerned not to deduct tax at source. Now, if these forms are filed without quoting PAN, TDS will be deducted and that too at the rate of at least 20%.

- ❑ The meaning of 'Charitable purpose' for the purpose of tax registration and exemption is expanded to include the preservation of the environment (including watersheds, forests and wildlife) and preservation of monuments, or places or objects of artistic or historic interest.
- ❑ In Concealment penalty proceedings, income pertaining to the period prior to search for which the return of income has been filed by the tax payer but where such income has not been disclosed will also be subject to penalty. Amendment is retrospective in nature from June 1'2007

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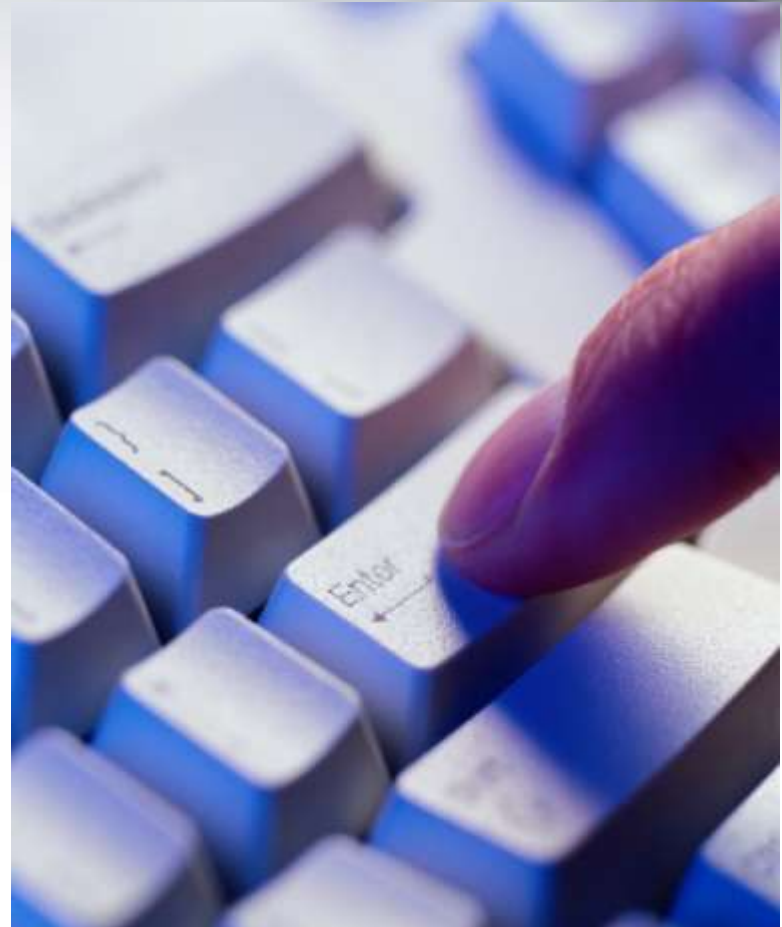
**Indirect Taxes**

# Direct Taxes

## Fringe Benefit Tax



- ❑ **Fringe Benefit Tax (FBT) to be abolished w.e.f April 1, 2009.**
  
- ❑ **Thus, perquisite Taxation to be restored (Employer axed but salaried taxed)**
  - ESOPs to be taxed on difference between Fair market Value (FMV) on the date of exercise less exercise price
    - FMV to be determined in accordance with method to be prescribed
    - Cost of acquisition for computing capital gains on ESOPs to be FMV on exercise date
  
  - Employer's contribution to superannuation fund exceeding INR 100,000
  
  - Value of any other fringe benefit or amenity as may be prescribed





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Excise Duty

# Indirect Taxes

## Excise Duty



### SYNOPSIS


- ❑ Duty rate on several items presently attracting 4% **increased to 8%.**
- ❑ Definition of “inputs” will exclude cement, angles, channels and other items used for construction of factory sheds, building or laying of foundations or making structures for support of capital goods. **Thus no credit can be taken on the inputs mentioned above**
- ❑ Manufacturer of excisable and exempted goods granted option to pay 5% (reduced from 10%) on value of exempted goods and **thereafter avail full CENVAT credit.**
- ❑ Power granted to **HC to condone delay** in filing of appeals/ applications/ memorandum of cross objections, with retrospective effect.

# Indirect Taxes

## Excise Duty



### Increase in Central Excise duty

 In view of 2010 deadline of introduction of GST and garner additional revenue 4% duty slab has been increased to 8%.

The following items are exempted from the above hike in excise duty

- Specified food items including biscuits, sharbats, cakes and pastries
- Drugs and pharmaceutical products falling under Chapter 30
- Medical equipment
- Certain varieties of paper, paperboard and articles thereof
- Paraxylene
- Power driven pumps for handling water
- Footwear of RSP exceeding Rs.250 but not exceeding Rs.750 per pair
- Pressure cookers
- Vacuum and gas filled bulbs of RSP not exceeding Rs.20 per bulb
- Compact Fluorescent Lamps
- Cars for physically handicapped

The *ad valorem* component of excise duty of 6% on petrol intended for sale with a brand name to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre' Similarly The *ad valorem* component of excise duty of 6% on diesel intended for sale with a brand name to be converted into a specific rate.

An optional excise duty exemption to be provided to tops of manmade fibre manufactured from duty paid tow at par with tops manufactured from duty paid staple fibre.

Suitable adjustments to be made in the rates of duty applicable to DTA clearances of textile goods made by Export Oriented Units using indigenous raw materials/ inputs for manufacture of such goods.

# Indirect Taxes

## Excise Duty



### Decrease in Excise Duty

- Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000 cc and above to be reduced from INR. 20,000/- per vehicle to Rs.15,000 per vehicle.
- Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries to be reduced from '20% + Rs.10000' to '8% + Rs.10000'.
- The scheme of optional excise duty of 4% for pure cotton to be restored.
- Excise duty on Special Boiling Point spirits to be reduced to 14%.
- Excise duty on naphtha to be reduced to 14%.
- Duty paid High Speed Diesel blended with upto 20% bio-diesel to be fully exempted from excise duties.
- Full exemption from excise duty to be provided on goods of Chapter 68 of Central Excise Tariff manufactured at the site of construction for use in construction work at such site.
- Excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags' to be made optional. Manufacturers have the option to pay the applicable excise duty and avail the credit of duty paid on inputs.
- EVA compound manufactured on job work for further use in manufacture of footwear to be exempted from excise duty

# Indirect Taxes

## Excise Duty



### Indicative list:

Product Category	Existing	Proposed
Textiles - Manmade Fibre and Yarn , PTA, DMT , Polyester Chips , Acrynotirile	4%	8%
Plywood, flushdoors, laminated wood, fibreboard and other articles of wood	4%	8%
Value of packaged software with just the right to use	8%	0
Branded Jewellery	2%	0

Increase in rate of abatement	Existing	Proposed
Vitrified tiles whether polished or not	40%	45%
Glazed tiles	40%	45%
LPG stoves	30%	35%

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Custom Duty

# Indirect Taxes

## Custom Duty



### SYNOPSIS

- ❑ **No change** in the overall rate structure of customs duty.
- ❑ **Peak rate** of customs duty for industrial goods retained **at 10% and major ad-valorem rates of 7.5% and 5% also.**
- ❑ Refund of customs duty paid on unused, identifiable imported goods if they are found to be defective or not conforming to the specifications agreed upon Between the importer and the seller, subject to certain conditions
- ❑ AAR constituted under the Income-tax Act to be notified as an authority eligible to adjudicate advance rulings for customs duty, excise duty and service tax.
- ❑ The tariff value fixed by the Central Government under CETA for manufacture of similar goods in India will be deemed to be the value for the imposition of CVD on imports
- ❑ Classification criteria in relation to textile materials consisting of a mixture of two or more textile materials falling under Chapter 50 to 55 and Chapter heading 5809 or 5902 of CTA to be aligned with CETA.

# Indirect Taxes

## Custom Duty



Product Category	Existing	Proposed
LCD's	10%	5%
Setup boxes	Nil	5%
Gold Bars/ coins	10 per 100 Gm	20 per 100 gm
Parts & Accessories for mobile handsets including mobile phones	4%	Nil
Life Saving Drugs and their bulk drugs	10%	5%
Heart devices such as artificial heart and PDA/ASD Occlusion devices	7.50%	5%
Specified wind energy equipment	7.50%	5%
Bio diesel	7.50%	2.50%
mechanical harvester' for coffee plantation	7.50%	5%
Woolen wool	15%	10%
rock phosphate	5%	2%
cotton waste	15%	10%



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Service Tax

# Indirect Taxes

## Service Tax



**Banking and other financial services or under Foreign exchange broking service**

Inter-bank purchase and sale of foreign currency between scheduled banks have been left out of the purview of service tax

**Inter-State or intra-State transportation of passengers**

Services provided in a vehicle bearing 'Contract Carriage Permit' with specified conditions is now exempt from service tax net

**Simplification of Refund Scheme**

Refund scheme available to exporters of services simplified to provide grant of refund based on self/CA certification

Upfront exemption granted to GTA services and overseas commission agent services procured by the exporters (instead of refund)

Refund to be granted within 1 month of application

**All services provided to goods transport agency exempted from whole of service tax leviable retrospectively from 2005 January**

# Indirect Taxes

## Service Tax



### ❑ Expansion of existing service base:

Category of Service	Brief description of the expanded base
Stock Brokers Services	To exclude services provided by a sub-broker
Business Auxilliary Services	To exclude only those activities that result in manufacture of excisable goods. Earlier the condition of excisable goods was not prescribed
Transport of Goods	To include services provided by government railways as well
Information Technology services	Retrospective amendment with effect from May 16, 2008 to substitute the term 'acquiring' with 'providing for right to use IT software for commercial exploitation / supplied electronically

### ❑ Following services to become taxable from the date to be notified upon enactment of Finance bill 2009:

Service provided in relation to transport of coastal cargo; and goods through inland water including National Waterways.

Advice, consultancy or technical assistance provided in the field of law (this tax would not be applicable in case the service provider or service receiver is an individual).

Cosmetic and plastic surgery services

# Indirect Taxes

## Service Tax



- ❑ The Commissioner of Central Excise may examine the records of any case in which an tax officer subordinate to him has passed any decision, for the purpose of satisfying himself as to the legality of such decision
- ❑ Service tax is proposed to be levied on value of free of cost goods. Earlier free of cost supply of goods (by contractee) were not specifically included for the purpose of levy of service tax under composition scheme.

### CENVET CREDIT:

- ❑ Service provider of both taxable and exempted services opting not to maintain separate accounts of common input services, to pay an amount equal to 6 percent of the value of exempted services instead of 8 percent.
- ❑ Requirement of credit reversal in case of inputs/ capital goods fully written off in books of account, extended to service providers
- ❑ Clarification on non-availability of credit for cement, angles, etc. used for shed, building or structure for support of capital goods



# Indirect Taxes

## GST



- **GST transition timeline of 2010 reaffirmed**
- **Dual GST** regime proposed to be adopted with effect from 1 April 2010 after due consultation with all stakeholders.
- GST structure based on principles of fiscal federalism, comprising of a **Central GST** and a **State GST**.
- The Centre and States will separately legislate, levy and administer the Central GST and State GST respectively.
- Certain budget changes made in light of likely GST framework (e.g. increase in excise duty rate from 4 to 8 percent)



# DBS Group

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**Thank You**