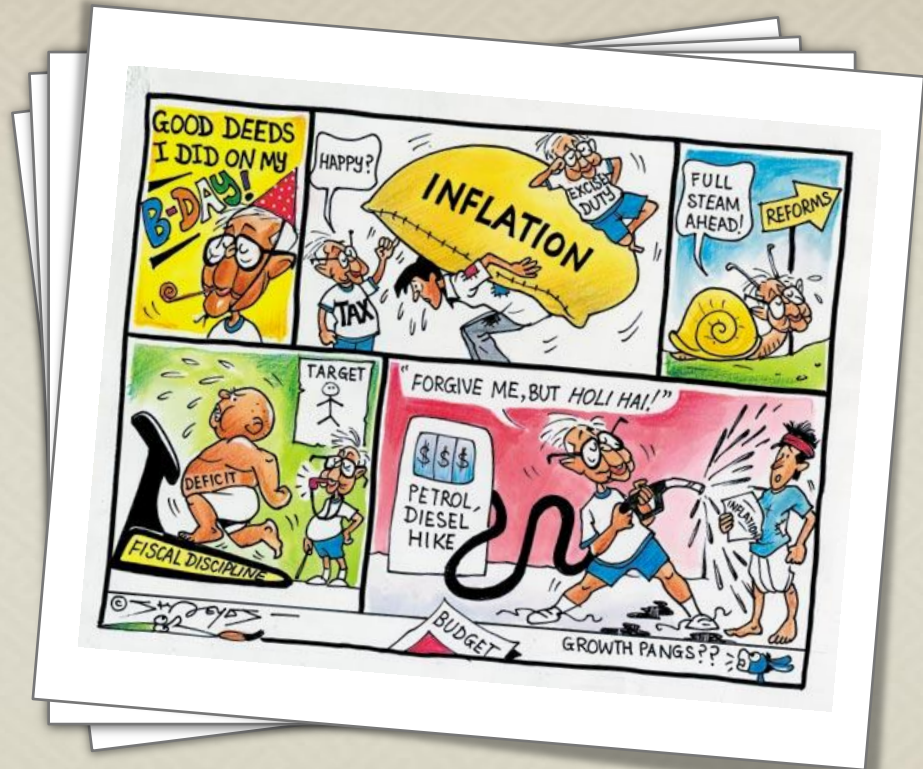


UNION BUDGET 2010-11



Foreword

CA K. D. Shah



The Finance Minister has missed the golden opportunity to bring radical changes in the Union Budget 2010. I do not see any provision for economic reforms. There is also no specific and time bound proposal for disinvestment.

The Finance Minister has offered lollypop for infrastructure, Farmers, Rural Development but the most important segment in which focus should have been made is education and health care ,when 49% of our young children drop out from the school. There was a need to offer incentive in education sector more fund should have allocated for child education and mid day meal scheme.

The proposal to increase the Excise duty by Re. 1 on petrol and to impose 5% import duty on crew will have cascading effect on all industry across the board.

The Finance Minister has proposed to increase MAT from 15% to 18% which effectively works out to above 20% is going to hit the corporate sector very badly.

Providing cosmetic relief to the individual tax payers by increasing the slab rates is an eye wash in terms of raising inflation and no other relief from tax being granted to individual tax payers.

The Finance Minister has also declared that Direct Tax Code will be introduced on 1.04.2011 and then let us see what is in store for the tax payers. Whether EET will be introduced? Whether Capital Gain will become chargeable to tax? Whether interest on housing loan will no more be deductible? Etc.

To conclude in my opinion this budget is cosmetic budget and belied by expectation of a unique budget as it is as good as the first full budget after the election and I am surprised the Finance Minister hopes to collect resources from robust economic growth. If by chance that doesn't happen then let us keep our fingers crossed.

Foreword

CA Durgesh Buch

ECONOMIC ANGLE :

6.5 OUT OF 10.

The middle class tax payer would be saving few thousand rupees. On tax, while end up paying it back to govt. Due to price hike in petroleum & central excise. On one side FM has given 26000 cr to about 1 cr tax payers and he is planning to collect 46000 cr from 110 cr “Mango People”. This would result in widening of economic gap in society.

This budget would result in increased inflation due to hike in central excise & hike in fuel prices, and reduced employment in skilled manpower segment on account of increased MAT which would adversely affect mid-sized companies.

Budget does not provide much on higher education and capacity/ skill building.

Charging second hand car sale and increasing the gap between small & large cars should have been avoided.

Divestment of govt. stake is a move in right direction.

Good for agriculture & infrastructure, average for economy.

A CHARTERED ACCOUNTANT’S PERSPECTIVE:

8 OUT OF 10.

No major changes in tax structure is good for all. The increased turnover limit of ‘tax-audit’ applicability would reduce some professional work of chartered accountants practicing in small towns & mofusil.

Expanding the basket of services taxable under service tax would create new opportunities for CAs.

FM has indicated about his commitment to go for ‘expenditure reforms’. IF CAs ARE ROPED IN TO IDENTIFY REVENUE LEAKAGES AND ENSURING EFFECTIVE UTILIZATION OF FUNDS, THIS CAN MEAN A BIG OPPORTUNITY FOR CAs.

Affirmation of intention to introduce GST & DTC by April 2011 would mean new opportunities for CAs.

The population of LLP CA firms would grow.



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Indian Economy – An Overview

Direct Taxes

Indirect Taxes

Economy – An Overview

- After a significant slowdown in GDP growth rate in the second half of 2008-09 and despite decline in agricultural output, in 2009-10 the economy is expected to grow at 7.2 percent as compared to 6.7 percent in 2008-09.
- GDP growth is expected to be at around 8.5 percent in 2010-11 with a full recovery, and in excess of 9 percent in 2011-12.
- Per Capita income grew by 5.3 percent in 2009-10
- Plan and Non plan expenditure rose to 19.46 % in 2009-10.
- Unique Identification System (UID) to be rolled out by 2012 to create a database to establish their identity anywhere in the country by providing basic demographic as well as biometric details.
- The gross Tax-GDP ratio is expected to decline to 10.4 percent in 2009-10 from 12.9 percent in 2008-09

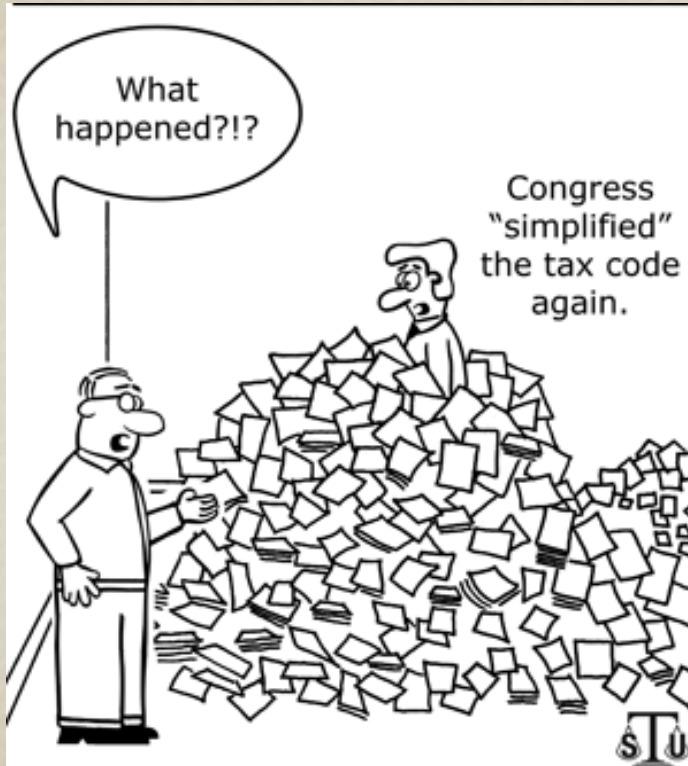


Economy – An Overview



- The current year's deficit has been revised to 6.9%.
- Direct taxes grew by 14.3 percent with personal Income-tax rising by 20.8 percent and corporate Income- tax by 10.8 percent.
- Indirect taxes declined marginally by 3.4 percent with revenue from Excise Duties declining by 11.9 percent and Customs Duties by 4.1 percent. However, revenue from Service tax has increased by 18.6 percent.
- Average food inflation increased to 19.77 percent in fiscal 2009-10, from 7.56 percent during fiscal 2008-09.
- The World Bank has forecast real GDP growth rate of 7.5 percent for India for 2010 as against global growth rate of 2.7 percent

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Indian Economy – An Overview

Direct Taxes
Corporate Tax

Indirect Taxes

Direct Taxes

Corporate Tax



- No changes in tax rates
- Surcharge in case of domestic corporate assessee reduced from 10% to 7.5%.

Minimum Alternate Tax under Section 115JB:

- It is proposed to amend sub-section (1) of section 115JB to **increase the MAT rate** to 18 % from the existing 15%. A company is required to pay a Minimum Alternate Tax (MAT) on its book profit, if the income-tax payable on the total income, as computed under the Act in respect of any previous year commencing on or after the 1st day of April, 2010, is less than such minimum. The amount of tax paid under section 115JB is allowed to be carried forward and set off against tax payable upto the tenth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under the provisions of section 115JAA.
- This appear to be the most negative amendment for the corporate sector in as much as the companies have to shell out as good as MAT of about 20%.

Direct Taxes

Corporate Tax

- **Weighted deduction on expenditure incurred in in house R&D enhanced:**
 - I. In house expenses incurred by company for specified products:**

Land	0% of expenses
Building	100% of expenses
Other Capital Expenses	200% of expenses
Revenue Expenses	200% of expenses
 - II. Donation to Approved Scientific Research Institution/ College/ University/ National Laboratory** (Whether connected to Business and Profession or not) allowed at **175%** of Donation]
 - III. Donation to Approved Scientific Research Institution/ College/ University/ National Laboratory** (For the assessee not having income under the head “Business and Profession”) allowed at **175%** of Donation u/s 80GGA.
- Payments made to approved associations engaged in research in social sciences or statistical research would be allowed a weighted deduction of 125 per cent. The income of such approved research associations shall remain exempt from tax.



Direct Taxes

Corporate Tax Rate Card

For Partnership Firms, Local authorities and LLP's

Partnership Firms 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).

For Domestic Companies

Domestic companies are taxable @ 30%.

Surcharge is applicable @ 7.5% 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 @ 18% 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 18% of the adjusted book profits.

Surcharge is applicable @ 7.5% 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	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 also Fees for Technical Services related to such a permanent establishment.

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Indian Economy – An Overview

Direct Taxes
Personal Tax

Indirect Taxes

Direct Taxes

Personal Tax

Income Tax Rates

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

Total Income	Tax Rates
Up to Rs. 160,000	NIL
Rs. 160,001 to Rs. 500,000	10%
Rs. 500,001 to Rs. 800,000	20%
Rs. 800,001 and above (Refer 'a' below)	30%

- a) Surcharge is not applicable in case of Individuals, HUF, AOP & BOP.
- b) Education cess is applicable @ 3% on income tax.

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

Total Income	Tax Rates
Up to Rs. 1,90,000	NIL
Rs. 190,001 to Rs. 500,000	10%
Rs. 500,001 to Rs. 800,000	20%
Rs. 800,001 and above (Refer 'a' below)	30%

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

Total Income	Tax Rates
Up to Rs. 2,40,000	NIL
Rs. 2,40,001 to Rs. 500,000	10%
Rs. 500,001 to Rs. 800,000	20%
Rs. 800,001 and above (Refer a below)	30%

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Indian Economy – An Overview

Direct Taxes
TDS and Other Provision

Indirect Taxes

Direct Taxes

TDS

Section	Nature of Payment	Existing threshold limit	Proposed threshold limit
194B	Winnings from lottery	5,000	10,000
194BB	Winnings from horse race	2,500	5,000
194C	Payment to contractors		
	a. For a single transaction	20,000	30,000
	b. For a aggregate transaction during the FY	50,000	75,000
194D	Insurance commission	5,000	20,000
194H	Commission or Brokerage	2,500	5,000
194I	Rent	1,20,000	1,80,000
194-J	Fees for professional or technical services	20,000	30,000

No relaxation is provided for TDS u/s 193 & 194A. This amendment is proposed to take effect from 1st July, 2010.

Disallowance of expenditure on account of non-compliance with TDS provision

- At present section 40(a) provides that if the tax is required to be deducted during the previous year and if it is paid before 31st March, no disallowance will be made, now the budget provides that no such disallowance will be made even if the TDS is not paid before 31st March but is paid before the last date filling the return.
- The provisions of Section 201(1A) have been modified to take in to account the changes in the interest rates from 12% to 18% for non-deposition of TDS. This amendment is proposed to take effect from 1st July, 2010.

Direct Taxes

Tax Audit

TURNOVER LIMITS FOR TAX AUDITS AND PRESUMPTIVE TAXATION AND PENALTIES FOR NOT GETTING ACCOUNTS AUDITED INCREASED BY 50%

There was a demand from the trade & industry to increase the present tax audit limit from Rs. 40 Lacs to Rs. 1 Crore. Since such limit was prescribed in the year 1985, however, finance bill 2010 has proposed following amendments in 44AB and consequential amendments in 44AD. However no amendment is proposed in Section 44AF.

Section	Related to	Remarks	Upto Assessment Year 2010- 2011 (Rs.)	w.e.f. Assessment Year 2011- 2012 (Rs.)
44AB(a)	Tax Audit for Businessmen	Turnover Exceeding	40 Lacs	60 Lacs
44AB(b)	Tax Audit for Professionals	Turnover Exceeding	10 Lacs	15 Lacs
44AD	Presumptive Taxation	Applicable if Turnover does not exceed	40 Lacs	60 Lacs
271B	Penalty for failure to get Accounts audited u/s. 44AB	Maximum Penalty leviable	1 Lacs	1.5 Lacs

Direct Taxes

Deductions



- **Income deemed to accrue or arise in India to a non resident**
Section 9(1) clauses (v)(vi)(vii) has been amended with respect to income deemed to accrue or arise in India. To overcome the decision of Karnataka High Court in Jindal Thermal Power Company Ltd. Vs. DCIT [TDS], it is proposed to substitute the existing explanation with a new explanation which provides that income of a non resident shall be deemed to accrue or arise in India u/s 9(1) clause (v) or (vi) whether or not the non resident has a residence or a place of business or business connection in India or non resident has rendered services in India.
- **Deduction of profits of a hotel or a convention centre in the National Capital Territory:**
To provide some more time for these facilities to be set up in light of the Commonwealth Games in October, 2010, it is proposed to amend clauses (i) and (ii) of section 80-ID to extend the date by which the hotel has to start functioning or the convention centre has to be constructed, from the present 31st March, 2010 to 31st July, 2010.

Deduction in respect of long-term infrastructure bond:

- It is proposed to insert a new section 80CCF in the Income-tax Act to provide that subscription made to long-term infrastructure bonds to the extent of Rs. 20,000, shall be allowed as deduction. This deduction will be over and above the existing overall limit of tax deduction on savings of upto Rs.1 lakh.
- This amendment proposed will, apply to the A.Y 2011-12 only.

Deduction for developing & Building housing projects.

- Section 80(IB)(x) gives 100% deduction in respect of profits derived by an undertaking from developing & building housing projects approved by a local authority before 31.3.08. The project at present has to be completed within 4 years from the end of the F.Y. in which the project is approved by the local authority. This outer limit of 4 years has been increased to 5 years. Further, with a view to improve basic facilities for the resident, the built-up area of the shop & other commercial establishments in the housing project is proposed to be 3% of the aggregate built-up area of the housing project or 5,000 sq. feet, whichever is higher.

Investment linked deduction for specified business:

- In view of the high employment potential of this sector, it is proposed to provide investment linked incentive to the hotel sector, irrespective of location, under section 35AD of the Income-tax Act. The investment-linked tax incentive allows 100 per cent deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively, for the purposes of the “specified business” during the previous year in which such expenditure is incurred.
- It is now proposed to include the business of building and operating a new hotel of two-star or above category, anywhere in India, which starts functioning after 1.4.2010 within the purview of “specified business”.
- These amendments are proposed to take effect from 1st April, 2011 and will, accordingly, apply in relation to the A.Y 2011-12 and subsequent years.

Deduction in respect of contribution to the Central Government Health Scheme

- Besides contributions to health insurance schemes which is currently allowed as a deduction under the Income-tax Act, contributions to the Central Government Health Scheme also allowed as a deduction under the same provision.

Direct Taxes

Other Provisions

- **Simple and user friendly Saral forms to be introduced.**
The income tax department to notify two page SARAL-II income tax return form for individual salaried taxpayers for the coming assessment year.
- **Document Identification Number** - An initiative has been invoked by the FM to allot a computer generated Document Identification number before issue of every notice, order, letter or any correspondence.
- **Amendment in the definition of Charitable purpose**
In the budget 2009, the definition of Charitable purpose as per section 2 (15) was amended to provide that the Charitable purpose shall not include any activity in the nature of trade, commerce & industry or if any services are provided to members for such institutions for a fee. However, in this budget relief is provided that if the income from such services does not exceed Rs. 10 Lacs then such institution will continue to be for Charitable purpose & exemption will be granted.



Direct Taxes

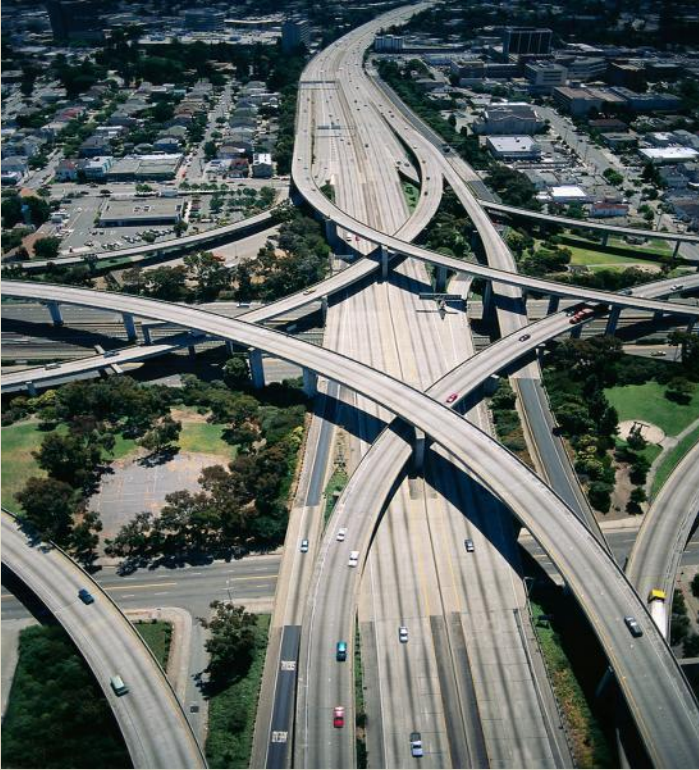
Limited Liability Partnership

There was no specific provision in the IT Act, 1961 for exemption from taxation on conversion of a partnership firm or a company into an LLP. However, finance No. 2 Act, 2009 granted exemption to a partnership firm which is converted into LLP provided rights & obligations of the partners remain the same & there is no transfer of Assets & Liabilities.

Now in this Budget its proposed that Conversion of company to LLP is fully tax exempt only if:

- All assets and liabilities of company are transferred to LLP
- All shareholders of company become partners in LLP with their capital contribution and profit sharing ratio in the same proportion as in company
- Shareholders in company do not receive any benefit, directly/indirectly, in any form other than by way of share in profit and capital contribution in LLP
- Aggregate profit sharing ratio of shareholders of company in LLP should be at least 50% for a period of 5 years
- Total sales, turnover or gross receipts in business of company in any of 3 yrs prior to year of conversion does not exceed INR 60 Lacs
- No amount is paid, directly/indirectly, to any partner out of accumulated profits of company for a period of 3 years
- If above conditions are violated, benefits availed would be deemed to be profits of successor LLP chargeable to tax in year of violation

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Indian Economy – An Overview

Direct Taxes

Indirect Taxes
Excise Duty

Indirect Taxes

Excise Duty



- 📌 General CENVAT rate of excise duty increased from 8% to 10%.
- 📌 A new cess to be called “Clean Energy Cess” is being imposed on Coal, Lignite and peat produced in India.
- 👍 MSME/ Small Scale Sector:
 - Full CENVAT credit on capital goods in one installment for in the year of receipt of goods
 - Facility of payment of excise duty on quarterly basis.
 - Due date for filing of Central Excise Returns by SSI units is extended to the 10th of the month following the quarter
- 👍 Full exemption from excise duty extended to self loading / self unloading trailers for Agricultural purposes.
- 👍 No penalty shall be imposed where duty along with interest has been paid before the issuance of demand notice by the department

Indirect Taxes

Excise Duty



Full exemption from excise duty has been withdrawn on following items and now will attract excise duty of 4%

- Mosquito nets impregnated with insecticides
- Av gas
- Microprocessor for computers (other than motherboard), Floppy disk drive, Hard disk Drive, flash drive, CD/DVD and combo drive meant for external use.



Full exemption from excise duty has been withdrawn on following items and now will attract excise duty of 10%

- Baby & clinical diapers and sanitary napkins
- Open Tin Sanitary (OTS) cans
- Goggles except those used for correcting vision



Full Excise duty exemption on specified items used for the installation of a cold storage, cold room or refrigerated vehicle, for the preservation, storage, transport of agricultural produce extended to other sectors like apiary, horticulture, dairy, poultry, aquatic and marine produce and meat and their processing.



Full exemption from excise duty on parts, components and accessories of mobile handsets including cellular phones extended to parts of two accessories namely, battery chargers and hands-free headphones of these devices.



Betel nut product known as Supari is fully exempted from excise duty



Full exemption from excise duty to Mega Power projects if the same has been availed through tariff based competitive bidding

Indirect Taxes

Change in Duty

ITEMS	Existing	Proposed
General Rate of Excise Duty (CENVATE)	8%	10%
Petroleum:		
Motor Spirit (sold without Brand Name)	Rs.14.35 per ltr	Rs.15.50 per ltr
HSD (sold without Brand Name)	Rs.4.60 per ltr	Rs.5.75 per ltr
Cartons, boxes and cases, of corrugated paper or paperboard manufactured by Standalone manufacturers	8%	4%
Excise duty on Open Top Sanitary (OTS) Cans	4%	10%
Maize starch, Tapioca starch and Potato Starch	NIL or 8%	4%
Automobiles: Large cars, Multi Utility Vehicles and Sports Utility Vehicles	20%	22%
LED lights/ lighting fixtures falling under heading 9406 of the first schedule of the Central Excise Tariff Act, 85	8%	4%
Latex rubber	8%	4%
Toy Rubber Balloons of Natural Rubber Latex	8%	Nil
Domestic water filters except those operating on reverse osmosis technology	8%	4%
Refined serially numbered Gold Bars	8% (ad valorem)	Rs, 280 / 10 gram
Duty on DTA clearances of -plain gold and silver jewellery manufactured by a 100% EOU	Rs. 500 / 10 gram (GOLD) Rs. 1000 per kg (SILVER)	Rs. 750 / 10 gram (GOLD) Rs. 1500 per kg (SILVER)
Goods covered under Medicinal and Toilet Preparations Act	16%	10%
Ceramic tiles manufactured in Kilns not using electricity	8%	10%
Umbrella and Umbrella parts	4% and 8% resp.	4% unified rate.

Indirect Taxes

Change in Duty

ITEMS	Existing	Proposed
Cement - Mini Cement Plant		
1. Cleared in packaged form		
a) of retail sale price not exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding Rs. 3800;	Rs.145 per tonne	Rs. 185 per tonne
b) of retail sale price exceeding Rs. 190 per 50 kg bag of per tonne equivalent retail sale price exceeding Rs. 3800	Rs. 250 per tonne	Rs. 315 per tonne
2. Cleared other than in packaged form	Rs. 170 per tonne	Rs. 215 per tonne
1. Other than mini cement plant.		
a) of retail sale price not exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding Rs. 3800;	Rs.230 per tonne	Rs 290 per tonne
b) of retail sale price exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding Rs. 3800	Rs. 8 % of retail price. 8% of Rs. 230 per tonne whichever is higher	10% of retail sale price 10% or Rs. 290 per tonne whichever is higher
2. Cleared other than in packaged form	Rs. 300 per tonne	Rs. 375 per tonne
Cement Clinker		
Tobacco Products		
a) Branded homogenized or reconstituted tobacco	50%	60%
b) Unmanufactured tobacco and tobacco refuse	42%	50%
c) Chewing Tobacco preparation containing chewing tobacco ,zarda.scented tobacco,snuff and its preparation & tobacco extracts	50%	60%
d) Cut tobacco	Rs. 50 per kg	Rs. 60 per kg
e) Others Smoking Tobacco	34%	40%
Smoking mixtures of pipes and Cigarettes	300%	360%
Pan Masala	8%	10%
Branded Hookah or Gudaku	8%	10%

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Indian Economy – An Overview

Direct Taxes

Indirect Taxes
Custom Duty

Indirect Taxes

Customs Duty



- **No change in peak rate of Basic custom duty (BCD)**

Following amendments will be effective from immediate date.

- The current limit of Rs.1 lakh per annum for duty free import of samples is being enhanced to Rs.3 lakh per annum.
- Customs duty on specified components, accessories and raw material for use in manufacture of sports goods is being reduced to nil.
- Imports of hospital equipment (with some exceptions) for use in specified hospitals and life saving equipment now attract 5% basic Custom Duty and 4% CVD. Parts required for manufacture and accessories of medical equipment will also attract 5% basic custom duty and Nil CVD.
- Full exemption from CVD and special Additional Duty on Installation of mechanized handling systems and pallet racking systems in mandis and warehouses for food grains or sugar.
- Customs duty on machinery, appliances, transmission and auxiliary equipment required for initial setting up of a solar power generation project or facility is being reduced to 5%.
- Currently electrical energy is fully exempted from Custom Duty provided electrical energy supplied from SEZ to the Domestic Tariff Area and Non Processing areas of SEZ would now attract t duty of 16% w.e.f 26th June,2009.

Exemptions from Customs Duty:-

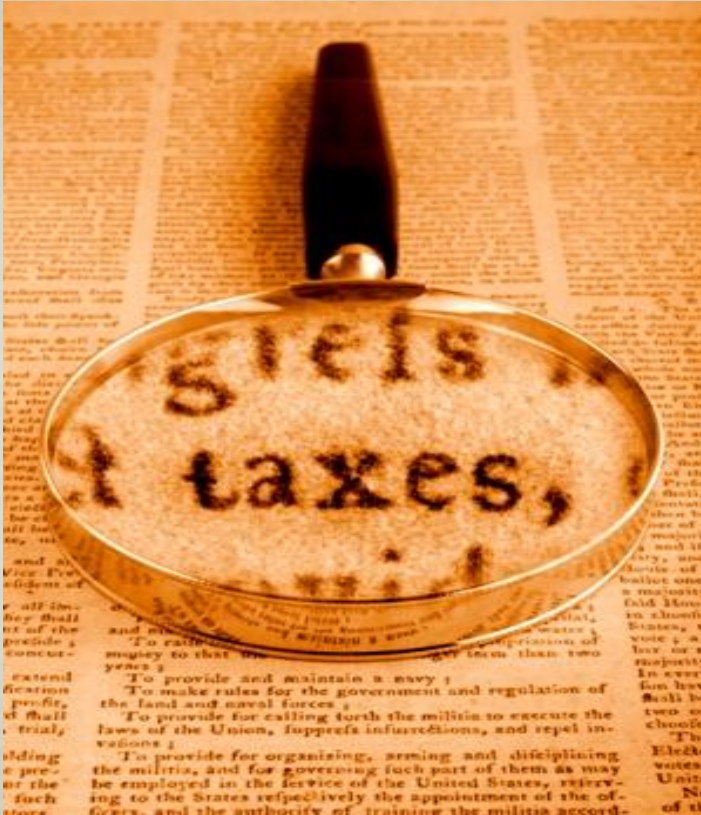
- Full exemption from Custom duty on gold ores and concentrates. However they will be chargeable to CVD @ Rs.140 per 10 gram of gold content.
- Bio polymers/bio-plastic used for manufacture of bio-degradable agro mulching films, nursery plantation and flower pots are fully exempted from basic customs duty.
- Additional Custom Duty is exempted on Wastepaper, paper scrap and carbon paper.
- Truck refrigeration unit for the manufacture of refrigerated vans are fully exempted from basic customs duty.
- Full exemption from Basic Customs duty and CVD on battery chargers and hands-free headphones of mobile handsets including cellular phones (includes parts thereof).
- Tunnel boring machines used for hydro-electric projects is being fully exempted from basic customs duty and CVD.
- Goods imported in pre-packaged form and intended for retail sale, ready-made garments, mobile phones and watches are being provided an outright exemption from additional duty of customs of 4%.
- Full exemption from basic customs duty and special additional duty of customs to certain specified goods for use in manufacture of electrically operated vehicles. Such goods will, however, be subject to CVD at the rate of 4% at the time of import

Indirect Taxes

Change in Duty

ITEMS	Existing	Proposed
Long pepper (Piper longum)	70%	30%
Asafoetida (Heeng)	30%	20%
Crude	Nil	5%
Motor Spirit (Petrol) and HSD (Diesel)	2.5%	7.5%
Other specified petroleum products	5%	10%
Rhodium	10%	2%
Specified Agricultural machinery	7.5%	5%
Magnetrons of upto 1000KW used in manufacturing of domestic microwave ovens	10%	5%
Platinum	Rs.200 per 10 grams	Rs.300 per 10 grams
Silver	Rs.1000 per 1 Kg	Rs.1500 per 1 Kg
Serially numbered Gold bars	Rs.200 per 10 grams	Rs.300 per 10 grams
Other forms of Gold	Rs.500 per 10 grams	Rs.750 per 10 grams

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Indian Economy – An Overview

Direct Taxes

Indirect Taxes
Service Tax

Indirect Taxes

Service Tax

- ❑ **No changes in service tax rate as well as ceiling limit in taxable service.**
- ❑ Following **8 new services introduced** within the ambit of Service Tax Act from a date to be notified after enactment of Finance Bill, 2010:
 - Service of permitting commercial use or exploitation of any event organized by a person or organization.
 - Copyrights on (a) cinematographic films and (b) sound recording are being brought under the ambit of service tax. (excluding copyright on original)
 - Service tax on the health services under certain conditions covering employees of business entities and schemes offered by insurance companies
 - Service provided for maintenance of medical records of employees of a business entity.
 - Service provided by Electricity Exchanges
 - Additional services provided by a builder to the prospective buyers on extra charges except for providing vehicle parking space services.
 - Service of promoting of a 'brand' of goods, services, events, business entity etc
 - The promotion, marketing or organizing of games of chance, including lottery, is being introduced as a separate service.



SCOPE OF SPECIFIED TAXABLE SERVICES IS BEING AMENDED AS FOLLOWS:

- The scope of air passenger transport service is being expanded to include domestic journeys, and international journeys in any class.
- Information Technology Software Service to cover all cases of IT software irrespective of its use
- In the case of 'Commercial training or coaching' service, to include any training or coaching, which is provided for a consideration, whether or not for profit. This change is being given retrospective effect from 01.07.2003
- In the definition of 'Sponsorship Service', the exclusion relating to sponsorship pertaining to sports is being removed.
- In the 'Construction of complex service', it is being provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after receipt of completion certificate from the competent authority), the activity of construction would be deemed to be a taxable service.
- Definition of 'Renting of immovable property service' is amended to –
 - (i) provide explicitly that the activity of 'renting' itself is a taxable service. The change has been given retrospective effect from 01.06.2007; and
 - (ii) levy service tax on rent of vacant land where there is an agreement or contract between the lessor and lessee for undertaking construction of buildings or structures on such land for furtherance of business or commerce during the tenure of the lease.
- All services provided entirely within the Airport/Port premises would be classified under Airport services/port services & authorization from the Airport/Port authority would not be required to tax this services.
- In 'Auctioneer s service' it is clarified that auction by government means an auction involving sale of government property only.

Indirect Taxes

Service Tax

Exemptions:

- Pre-packaged I.T. software, with the license for right to its use, is being exempted from service tax, subject to specified conditions
- At present exemption from service tax is available to transport of fruits, vegetables, eggs or milk by road by a goods transport agency. The scope of exemption is being expanded to include food grains and pulses in the list of exempted goods.
- Exemption from service tax is being provided to the transmission of electricity.
- Exemption from service tax is being provided to Indian news agencies under 'Online Information and Database Retrieval Service' subject to specified conditions.

Withdrawal of exemption:

- Exemption from service tax on 'Service provided in relation to transport of goods by rail' is being withdrawn. The levy will come into effect from 01.04.2010.
- The exemption from service tax on 'Commercial training or coaching service' is being restricted to vocational training courses in the designated Trades notified under the Apprentices Act, 1961.



Road Maps



- **Direct Tax Code from April 1st 2011**
- **GST rollout from April 1st 2011**
- **Banking license to Pvt banks and NBFC's**
- **Market linked subsidy on fertilizer from April 1st 2010**

Gujarat Budget 2010

Highlights

- Input tax credit of VAT slashed by 2% on purchase of goods made from within the state and used in interstate sales. This reduction in the tax credit, is conditional and will be implemented with effect from July 1, 2010 if the Central Government does not compensate for losses of the Central Sales Tax (CST) revenue for the year 2010-2011.
- Increased VAT on tobacco and its products from 15 per cent to 20 per cent will fetch Rs.100 crore.
- Imposition of 15% tax on Resale of Vehicles. Such Tax on sale of second hand vehicles is likely to fetch Rs.30 crore. However Finance Minister exempted tractors, autorickshaws carrying upto three persons and vehicles used by the physically challenged from the tax category.
- No changes in Gujarat Luxury Tax, Stamp duty, Professional Tax and Entertainment Tax.



Gujarat Budget 2010

Sectoral Highlights



Industry

- Rs.178 crore for connectivity to various industrial zones.
- 30 new GIDC estates.
- 100 skill upgradation centers in GIDC.

Agriculture

- Rs.12 crore for setting up 30 soil-testing laboratories.
- Rs.295 crore for water harvesting and conservation schemes.

Health & Family welfare

- Upgradation of Ahmedabad Civil Hospital.
- 3 new medical colleges in the golden jubilee year.
- 600 new seats in medical colleges at Patan, Gotri, Sola and Valsad/

Miscellaneous

- Rs.564 crore for improving road linkages to ports, SEZs and Special Investment Regions.
- Rs.4200 crore for Swarnim Gujarat Saurashtra-Kutch Grid.
- New Courts in 45 talukas.
- Rs.56 crore for computerization of all RTO offices and checkpoints



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