

CHOKSHI & CHOKSHI

INDIA BUDGET 2013



BUDGET 2013 - 14

DIRECT TAX

➤ **Sec 10(10D): Exemption on Maturity of LIC Policy on specified persons**

Amount received of Life Insurance Policy is exempt when premium payable does not exceed 15% of the total sum assured for policies issued after 01/04/2013 on life of the following persons:

- a) Person with disability as per section 80U.
- b) Person suffering from ailment as per section 80DDB

➤ **Sec. 10(23DA) - Exemption**

Income from a Securitization Trust is exempt.

➤ **Sec. 10(34A): Exemption to Shareholders on amount received on Buy Back of Shares**

Any income arising on buy back of shares to the share holders wherein the company (as per Sec. 115QA) is not listed on recognized stock exchange will be exempt.

➤ **Sec. 32AC: Deduction on Purchase of new asset under Business & Profession**

A deduction of 15% of the cost of new asset is allowed to the assessee engaged in the business of manufacture or production of any article or thing, acquires new asset before 01/04/2015 where the cost of asset exceeds Rs. 100 Cr. subject to certain conditions.

➤ **Sec 36(1) (xvi): Deduction of CTT paid under Business & Profession**

Deduction will be allowed of Commodities Transaction Tax (CTT) in respect of taxable commodities transactions under the head "Profits and Gains from Business and Profession"

➤ **Sec 43CA: Valuation of assets on transfer**

Provisions of Sec. 50C valuation is now applicable for considering on transfer of any asset (other than a capital asset) being land and building or both.

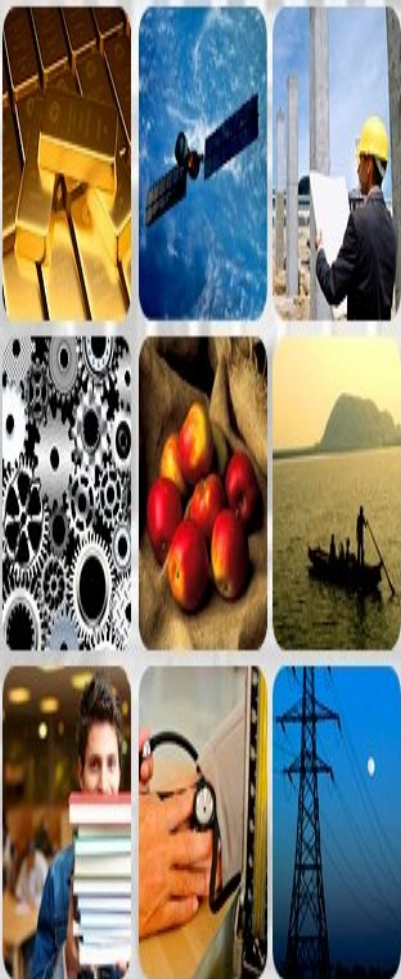
➤ **Sec 56(1) (vii) (b): Other Income**

Any transfer of immovable property for a consideration less than the stamp duty value, the value exceeding the consideration amount will be taxable, wherein the consideration exceeds Rs. 50,000/-.

➤ **Sec. 80C: Deduction on premium paid for Life Insurance Policy on specified persons**

Deduction of premium on life insurance policy taken on the life of the following persons where the premium amount does not exceed 15% of the sum assured.

- a) Person with disability as per section 80U
- b) Person suffering from ailment as per section 80DDB



- **Sec. 80CCG: Deduction in respect of investment under an equity saving scheme**
Deduction is now allowed even for investment in listed units of an equity oriented Mutual Fund. The limit of Rs 10 lakhs is increased to Rs.12 lakhs.
- **Sec. 80EE: Deduction for Interest paid on Housing Loan**
Deduction is now allowed for interest payments not exceeding Rs. 100000/- on the 1st housing loan up to Rs. 25,00,000/- taken from any financial institution subject to the following conditions
 - a) The value of the property should not exceed Rs. 40,00,000/-.
 - b) The assessee should not own any residential property as on the date of sanction of loan.

If the interest paid in the first year is less than Rs. 1 lakh, the balance is carried forward to the next year.
- **Sec. 80G: Donations**
Donations made to National Childrens Fund will be allowed deduction of 100%.
- **Sec 80GGB: Deduction for contribution given to Political Parties by Companies**
No deduction shall be allowed to companies for contribution to political parties in cash.
- **Sec 80GGC: Deduction for contribution given to Political Parties by other persons**
No deduction shall be allowed to persons for contribution to political parties in cash.
- **Sec 80IA: Entities engaged in Infrastructure Development etc**
Deduction is extended under this section for the F Y 2013-14.
- **Sec 80JJAA: Deduction for employment of new workmen in Factory**
Deduction is now allowed only for new workmen employed in the factory.
- **Sec. 87A: Tax Rebate for a individual**
Where the total income of an Individual does not exceed Rs. 5 lakhs, he shall be allowed a deduction of 100% or Rs2000/- from his income tax whichever is less.
- **Sec. 90(2A) & Sec. 90A (2A): Double taxation relief**
The sub section (2A) to both the sections is now applicable w.e.f. 01/04/2016.
- **Sec. 90(5): Tax Residency Certificate**
The certificate of being a resident in a specified territory outside India shall be necessary but not sufficient condition for claiming relief under the agreement.
- **Sec 115A: Taxation on Royalty and Fees for Technical Services**
The tax rates have been increased from 10% to 25% on any income of non-residents by way of royalty and fees for technical services
- **Sec 115-O: Dividend Distribution Tax**
No Dividend Distribution Tax to be paid by the Company if it receives dividend from its foreign subsidiary on which tax u/s 115BBD has been paid.

➤ **Sec. 115QA: Tax on Buyback of Shares by Companies**

The Company has to pay tax at the rate of 20% on the difference of consideration paid on buy back of Shares (not being shares listed on a recognized stock exchange) and the money received by the company at the time of issue of such shares. This tax has to be paid within 14 days from the date of payment of consideration to the shareholder on buyback of shares. No credit for tax paid is available either to the Company or the Shareholders

➤ **Sec. 115R: Tax on distributed income to unit holders**

Income Distribution Tax to unit holders increased from 12.5% to 25% on the distributed income by a fund other than a money market fund or a liquid fund. If the income is distributed by a Mutual Fund under an Infrastructure Debt Fund to a Non-Resident (not being a Company) or a Foreign Company, Tax @ 30% is to be deducted.

➤ **Sec. 115TA: Tax on Income Distributed by Securitization Trust**

Income Distribution Tax on Income distributed by a Securitization trust shall be

- a) 25% on the income distributed to any person being an Individual or a Hindu Undivided Family.
- b) 30% to any other person.

This tax has to be paid within 14 days from the date of distribution of payment

➤ **Sec. 194-IA: TDS on transfer of immovable properties**

TDS @ 1% is to be deducted on payment made to the transferor for purchase of immovable property (other than agricultural land) above Rs. 50 lakhs.

INDIRECT TAXES

Service Tax

Rates

- No change in the normal rates of 12% for service tax.

Exemptions

- Vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agricultural produce also included in the negative list for service tax.
- Exemption of Service Tax on copyright on cinematography limited to films exhibited in cinema halls.
- Proposals to levy Service Tax on all air conditioned restaurant irrespective whether restaurant serve liquor or not.

Abatements

- For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of 1 crore or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from 75% to 70%.

Schemes

- Introduction of the 'Voluntary Compliance Encouragement Scheme' for Service Tax evaders or Defaulter to avail this scheme for waiver of interest, penalty and other consequences on condition of submission of truthful declaration of Service Tax dues since 1st October 2007 and payment in one or two installments before prescribed dates.

Customs

Rates

- No change in the peak rate of basic customs duty of 10 % for non-agricultural products.
- Introduction of export duty of 10% on unprocessed ilmenite and 5% on ungraded ilmenite.
- Duty on import of specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5% to 5%.
- Duty on import of pre-forms precious and semi-precious stones reduced from 10% to 2%.
- Duty on Import of Set Top Boxes increased from 5% to 10 %.
- Duty on Import of Raw Silk increased from 5% to 15%
- Duties on Steam Coal and Bituminous Coal equalised and 2% custom duty and 2% Counter Vailing Duty levied on both kinds coal. Previously, steam coal was exempt from custom duty but attracted 1% Counter Vailing Duty and in case of Bituminous Coal it attracted 5% of custom duty and 2% Counter Vailing Duty.
- Duty on imported luxury goods such as high end motor vehicles has been increased from 75% to 100%, on motorcycles with engine capacity of 800cc or more increased from 60% to 75% and on yachts and similar vessels increased from 10% to 25%.
- Export duty on de-oiled rice bran oil cake has been withdrawn.

Exemptions

- The baggage rules permitting eligible passengers to bring jewellery for Duty free gold limit increased to Rs. 50,000 in case of male passenger and Rs. 100,000 in case of a female passenger, subject to conditions.
- Concession for specified part of electric and hybrid vehicles has been extended upto 31 March 2015

Excise duty

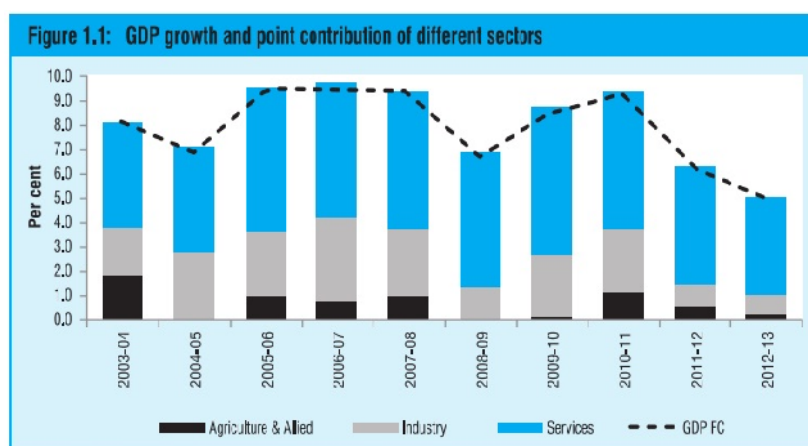
- No change in the normal rates of 12% for excise duty.
- In case of cotton, 0% excise duty at fibre stage. In case of spun yarn made of man made fibre, duty of 12% at the fibre stage. The 0% excise duty route will be in addition to the CENVAT route.
- Duty on mobile phones priced at more than Rs. 2,000/- raised to 6%.
- Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.
- Ships and vessels exempted from excise duty. No Counter Vailing Duty on imported ships and vessels.
- Specific excise duty on cigarettes increased by about 18%. Similar increase on cigars, cheroots and cigarillos.
- Proposals to levy 4% excise duty on silver manufactured from smelting zinc or lead.
- Excise duty on SUVs increased from 27% to 30%. Not applicable for SUVs registered as taxies.
- Excise duty on marble increased from 30 per square meter to 60 per square meter.
- MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.

Good and Services Tax

- Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.

FOREIGN INVESTMENT POLICIES

- SEBI will simplify the procedures and prescribe uniform registration and other norms for entry for foreign portfolio investors.
- It has been proposed that, where an investor has a stake of 10 percent or less in a company, it will be treated as Foreign Institutional Investment (FII) \ and, where an investor has a stake of more than 10 percent, it will be treated as Foreign Direct Investment (FDI).
- FIIs will be allowed to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.
- FIIs will also be permitted to use their investment in corporate bonds and Government securities.



Note : Data for 2012-13 is as per Advance Estimates released by CSO.

BANKING SECTOR

- Compliance of public sector banks with Basel III regulations to be ensured Rs. 14,000 crore provided in Budget Estimates 2013-14 for infusing capital.
- All branches of public sector banks to have ATM by 31.3.2014.
- Proposal to set up India's first Women's Bank as a public sector bank. Provision of Rs. 1,000 crore as initial capital.
- Rs. 6,000 crore allocated to Rural Housing Fund in 2013-14.
- National Housing Bank to set up Urban Housing Fund. Rs. 2,000 crore to be provided to the fund in 2013-14.

INSURANCE SECTOR

- All towns of India with a population of over 10,000 to have an LIC office.
- Insurance companies will be empowered to open branches in tier II cities without prior IRDA approval
- KYC of banks will be sufficient to acquire insurance policies

MICRO, SMALL AND MEDIUM ENTERPRISES

- Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.
- Ministry of Corporate Affairs to notify that funds provided to technology incubators located within academic Institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.
- Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).

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