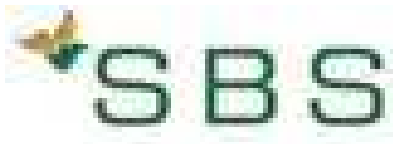


BUDGET - 2010

Snapshots of Tax Proposals

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Budget 2010- Snapshot of Tax proposals

Income Tax

A. Corporate Taxation

❖ Rates of Tax

Rates of corporate tax remain unchanged for both domestic and foreign companies. However there is a change in rate of surcharge applicable to domestic companies.

	Total Income < INR 1 Mn	Total Income > INR 1 Mn
Tax on	(%)	(%)
A) Domestic Company		
• Regular Tax	30.90	33.22*
• DDT	16.995	16.61*
B) Foreign Company		
• Regular Tax	41.2	42.23

*Surcharge is reduced to 7.5% from 10% applicable for Asst Year 2010-11, and will be applicable to sections 115JB, 115-O, 115R, etc.

❖ Minimum Alternate tax (MAT) - Section 115JB

- MAT rate is proposed to be increased from 15% to 18% (plus applicable surcharge and education cess) of book profits with effect from Assessment year 2010-11. For the purpose of MAT computation, book profits shall be increased by provision for diminution in value of any asset.

B. Personal Taxation

- ❖ The rates of income tax in the case of individual or HUF or every association of persons or body of individuals or every artificial juridical person have remained same as of previous year except the slabs of income for which the rates are applicable are modified. The Basic exemption limit for individuals has been retained at INR 160,000 (INR 190,000 for resident women below the age of 65 years and INR 240,000 for senior citizens). However, erstwhile middle level slab of Rs. 300000/- has been enlarged to Rs. 500000/-. The there is new slab coming in of Rs. 500000/- to Rs. 800000/- taxable at 20% and income above Rs. 800000/- will be taxable at 10%

Existing- AY 2010-11		Proposed- AY 2011-12	
Income (INR)	(%) [@]	Income (INR)	(%) [@]
0-160,000	Nil	0-160,000*	Nil
160,001-300,000	10	160,001-500,000	10
300,001-500,000	20	500,001-800,000	20
500,001 and above	30	800,001 and above	30

@ Education Cess at the rate of 3% will apply on Income tax

- ❖ Deduction of an additional amount of Rs. 20000/- is allowed, over and above the existing limit of Rs. One Lakh savings, for investment in long term infrastructure bonds as notified by the central government. This will take effect from Assessment year 2011-12.
- ❖ Besides contributions to health insurance schemes which are 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. This will take effect from Assessment year 2011-12.

C. Taxation of Non residents

- ❖ The source rule of determining the accrual or deemed accrual of income in India with reference to providing services outside India and their utilization in India has been a much debated one and has been undergoing amendment now and then.

Again due to the recent judgment by the Karnataka high court in *Jindal Thermal power Company Ltd Vs DCIT (TDS)* that the explanation inserted by finance act 2007 below subsection (2) of section 9 post the supreme court judgment in *Ishikawajima-Harima heavy industries* does not do away with the requirement of rendering services in India for any income to be deemed to accrue in India or arise to a non-resident under section 9, the explanation as such has been rendered ineffective.

In order to overcome this judgment and remove doubts about the legislative intent of the source rule, the existing Explanation is sought to be substituted with a new explanation with retrospective effect from 01.06.1976 the new explanation is as follows. “ the income of a non resident shall be deemed to accrue or arise in India under clause(V) or clause(VI) or clause (VII) of subsection (1) of section 9 and shall be included in his total income whether or not,

- a) The nonresident has a residence or place of business or business connection in India; or
- b) The nonresident has rendered services in India

D. Taxation of Firms / LLPs

- ❖ To facilitate the conversion of small companies into limited liability partnerships, transfer of assets as a result of such conversion in accordance with section 56 will not be regarded as transfer for the purpose of capital gains tax under section 45 i.e. such transfer will not be subject to capital gains tax, if certain conditions are complied with.

E. Taxation of SEZ units

- ❖ Proviso to subsection (7) of the section 10AA is amended to give effect of this proviso retrospectively from Asst year 2006-07 and onwards. The proviso was inserted by finance act 2009 to remove the discrimination in the formula computing proportionate turnover of SEZ and DTA by the assesses having the businesses in the SEZ as well as DTA.

F. Audit under Section 44AB and Presumptive Tax

- ❖ Limits of turnover over which accounts need to be audited, enhanced to Rs. 60 Lakh for businesses and to Rs. 15 Lakh for professionals
- ❖ Limit for turnover for the purpose of presumptive taxation of small businesses enhanced to Rs. 60 Lakh
- ❖ The penalty for failure to get accounts audited u/s 44AB has been enhanced to Rs. 1.5 lacs from the existing 1.0 lakh
- ❖ These limits will take effect from Assessment year 2011-12

G. TDS

- ❖ Threshold limits on certain types of payments are modified*

Description	Existing threshold limit (In Rs.)	Proposed threshold limit (In Rs.)
Winnings from lottery or cross word puzzle	5,000/-	10,000/-
Winnings from horse race	2,500/-	5,000/-
Payment to contractors (Single transaction)	20,000/-	30,000/-
(For aggregate of transactions during a financial year)	50,000/-	75,000/-
Insurance commission	5,000/-	20,000/-
Commission or brokerage	2,500/-	5,000/-
Rent	1,20,000/-	1,80,000/-
Fees for professional or technical fees	20,000/-	30,000/-

*the proposed amendments are to take effect from 01.07.2010

- ❖ TDS on certain payments to the company other than domestic company continues to be levied at the rate of two and a half percent of such where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees.
- ❖ If tax has been deducted on any expenditure and is paid before the due date of the filing the return, such expenditure to be allowed for deduction.

- ❖ Interest charged on tax deducted but not deposited by the specified date to be increased from 12% to 18% per annum
- ❖ Furnishing of Certificate of TDS and TCS by the Deductor to the deductees shall continue even after 1st April 2010. This amendment is proposed to take effect retrospectively from 1st April 2010.

H. Weighted deduction on R&D

- ❖ To further encourage R&D across all sectors of the economy, weighted deduction on expenditure incurred on in-house R&D under section 35 (2AB) enhanced from 150% to 200%.
- ❖ Weighted deduction on payments made to, approved research associations, colleges, universities and other institutions, for scientific research under section 35 (1) (ii) and to National Laboratories and IITs under section 35 (2AA) enhanced from 125% to 175%.
- ❖ Section 35 (1) (iii) is proposed to be amended to include an approved research association which has as its objects undertaking of research in social sciences or statistical research therefore any sum paid to such institutions will be eligible for weighted deduction at the rate of 175%. Further, The Income of such approved research association is proposed to be exempted from tax by amending section 10 (21).

These above amendments are to take effect from Asst Year 2011-12 onwards

I. Amendments relating to charitable trusts and institutions

- ❖ “The advancement of any other object of general public utility” to be considered as “charitable purpose” even if it involves carrying on of any activity in the nature of trade, commerce or business provided that the receipts from such activities do not exceed Rs. 10 Lakh in the year. This amendment to section 2(5) will take effect from assessment year 2009-10
- ❖ The 12AA is amended to give an authority to commissioner to cancel the registration obtained under section 12A. This amendment is to take effect from 01.06.2010

J. Amendments to section 56

- ❖ It is proposed to amend the section 56 to include within its ambit transfer of shares of unlisted company either for inadequate or without consideration to a firm or unlisted company.
- ❖ The definition of property for the purpose of section 56 (2) (Vii) to be amended to have the application to the property which is in the nature of capital asset to the recipient, not to be made applicable to stock in trade, raw material etc. of any business of the recipient.
- ❖ Section 56 (2) (Vii) to be amended to provide that it would apply only to immovable property without any consideration and would exclude transactions involving cases of inadequate consideration in respect of immovable properties.
- ❖ Bullion to be included in definition of property under section 56.

These amendments are to take effect from Asst year 2010-11.

K. Other Amendments

- ❖ It is proposed to amend section 80–IB to allow pending housing projects approved after 1-4-05 to be completed within a period of five years instead of four years for claiming a deduction of their profits, as a onetime interim relief to the housing and real estate sector. This amendment will take effect from assessment year 2010-11
- ❖ Norms for built up area of shops and other commercial establishments in housing projects to be relaxed to enable basic facilities for their residents by amending section 80 IB. It is proposed to be enhanced to 3% of the aggregate built up area or 5000 sq. ft whichever is higher from the existing requirement of 5% or 3000 sq.ft whichever is lower. This amendment will take effect from assessment year 2010-11
- ❖ Benefit of investment linked deduction under the act extended to new hotels of two star category and above anywhere in India to boost investment in the tourism sector, by amending the definition of “specified business” under section 35AD, provided the new hotel starts functioning after 1.4.2010. Further, it is also proposed to amend section 35AD to provide that, where a deduction has been

claimed under that section and no deduction under chapter VI-A will be allowed. These amendments will take effect from Asst Year 2010-11

- ❖ The time limit for completion of the hotel facility under section 80ID has been extended from 31.3.2010 to 31.07. 2010. Amendment to this section will take effect from 2011-12

L. Other pronouncements with respect to direct taxes

- ❖ The income tax department to notify SARAL-II form for individual salaried tax payers for the coming assessment year.
- ❖ Scope of cases which may be admitted by the settlement commission expanded to include proceedings related to search and seizure cases pending for assessment. The limit for filing the application before settlement commission is enhanced from existing three Lakhs with effect from 1.6.2010.
- ❖ It is proposed to amend section 260A by inserting section 2A to empower the high court to condone the delay in filing of appeals after an expiry of the days allowed for filing appeal against the order of the income tax appellate tribunal. The high court can condone the delay if it is satisfied that there was sufficient cause for not filing the appeal within such period. This amendment will take effect retrospectively from 1.10.1998.
- ❖ The issuing of document identification number for all the notices, order, letter or any correspondence with IT depts. vide insertion of section 282B by finance act 2009 is proposed to take effect from 1st October 2010.
- ❖ Amendments proposed to section 44BB and 44DA respectively so as to exclude the applicability that section if the income is covered by the other section. This amendment will take effect from Asst Year 2011-12.
- ❖ Two more centralized processing centres to be set up for the processing of income tax returns.

Customs duty

1. The following changes are made in the duty structure applicable to crude petroleum and refined petroleum products:
 - a. Basic customs duty on crude petroleum increased from Nil to 5%.
 - b. Basic customs duty on Motor Spirit (petrol) and HSD (diesel) increased from 2.5% to 7.5%.
 - c. Basic customs duty on some other specified petroleum products increased from 5% to 10%.
2. The rates of duty on precious metals increased irrespective of whether these are imported as cargo or baggage (except platinum). The details are as under:

S.No.	Description of goods	From	To
1	Serially numbered gold bars (other than tola bars) and gold coins	Rs.200 per 10 gram	Rs.300 per 10 gram
2	Other forms of gold	Rs.500 per 10 gram	Rs.750 per 10 gram
3	Silver	Rs.1500 per kg	Rs.1500 per kg
4	Platinum	Rs.200 per 10 gram	Rs.300 per 10 gram

3. Outright exemption from additional duty of customs of 4% provided to goods imported in a pre-packaged form and intended for retail sale. The condition of the exemption is that the goods have to be such as requiring the declaration of the retail sale price either under the Standards of Weights and Measures Act or under any other law.

4. Full exemption provided to mobile phones, watches and ready made garments falling under specified headings of the Tariff.
5. The exemption based on refunds contained in notification No. 102/2007-Customs dated 14.9.2007 retained to enable other importers to claim exemption by way of refund, if VAT is paid on the goods. Full exemption from this duty provided to Carbon Black Feedstock and Waste Paper.
6. The following projects have been notified under heading 98.01 (6) as project imports
 - (i) Cold storage, cold room (including farm pre-coolers) or industrial projects for preservation, storage or processing of agricultural, apiary, horticultural, dairy, poultry, aquatic & marine produce and meat- (5% basic duty)
 - (ii) Project for installation of Mechanized Handling Systems & Pallet Racking Systems, in mandis or warehouses for food grains and sugars (basic customs duty 5% +nil CVD + Nil Spl CVD)
 - (iii) Mono Rail Projects for urban public transport (5% basic customs duty)
 - (iv) Setting up of Digital Head End (5% basic customs duty + Nil Spl CVD)
7. Full exemption from Custom duty extended to
 - a. Truck Refrigeration units for the manufacture of refrigerated vans/trucks
 - b. Bio-polymer/bio-plastics (HS Code 39139090) used for manufacture of biodegradable agro mulching films, nursery plantation & flower pots
 - c. Tunnel Boring machine for hydro-electric power projects
 - d. Ground source heat pump (geo-thermal energy) (with full exemption from special CVD of 4%)
 - e. Specified capital goods and raw materials for the manufacture of electronic hardware.
 - f. Specified parts namely, batteries including battery chargers, electric motors and AC or DC motor controllers imported for manufacture of all categories of electrical vehicles including cars, two wheelers and three wheelers (like Soleckshaw) with CVD of 4% and full exemption from special CVD till 31.03.2013.

- g. Parts for the manufacture of battery chargers and hands-free headphones (accessories of mobile phones) along with full CVD and special CVD (time-bound) exemption
 - h. Specified components, raw materials and accessories for the manufacture of sports goods (Nil basic duty)
 - i. Security thread, security fibers, M-features for use in the manufacture of security paper by Security paper Mill, Hoshangabad.
8. Concessional basic customs duty of 5% levied in the budget on
- a. Specified agricultural machinery e.g. paddy transplanter, laser land leveler, cotton picker, reaper-cum-binder, straw or fodder balers, sugarcane harvesters, track used for manufacture of track-type combine harvester
 - b. Specified machinery for tea, coffee and rubber plantation is being extended up to 31.03.2011 (along with full excise/ CVD exemption)
 - c. Machinery items, instruments, appliances required for initial setting up of solar power generation projects or facilities with full exemption from excise duty/ CVD
9. Concessions extended in the budget for the following:-
- a. Basic customs duty on long pepper reduced from 70% to 30%.
 - b. Basic customs duty on asafetida (heeng) reduced from 30% to 20%.
 - c. Basic customs duty on magnetrons of up to 1,000 kW for the manufacture of domestic microwave ovens reduced from 10% to 5%.
 - d. Basic customs duty on Rhodium from 10% to 2%.
10. Specified road construction machinery items are presently fully exempt from customs duty subject to certain conditions in terms of S. No. 230 of notification No.21/2002-Customs dated 1.3.2002. One of the conditions of this exemption is that the equipment imported under it cannot be sold or disposed of for a period of five years from the date of import. The condition is now relaxed to allow the sale or disposal of such machinery items on payment of customs duties on depreciated value at the rate of duty applicable at the time of import. In order to claim this benefit, the importer is to produce a certificate from the sponsoring authority that the equipment is no longer required for the project. Another condition of the exemption is that the importer is required to undertake that he

shall use the goods exclusively for the construction of roads. In view of the department's stand that the imported machinery may be used only for the project for which it was initially imported, has resulted in the idling of machinery/ equipment. It has now been clarified in the Budget that it is permissible to relocate or re-deploy the machinery imported under the exemption to another road construction project for which the importer would have been otherwise eligible to claim the benefit of the exemption.

11. Gold ore and concentrate fully exempted from basic customs duty and special additional duty of customs. They will, however, be chargeable to CVD @ Rs.140 per 10 gram of gold content. This duty structure is subject to actual user condition.
12. The current limit of Rs. 1 Lakh per annum for duty free import of samples in terms of notification no. 154/94-Customs dated 13.7.1994 enhanced to Rs. 3 Lakh per annum.
13. The rate structure applicable to medical, surgical, dental and veterinary equipment falling under heading nos. 90.18, 90.19, 90.20, 90.21 and 90.22 is also rationalized in the budget. The equipments which attracted varying rates of customs duty and are spread over many lists will attract 5% basic customs duty, 4% CVD/ excise duty and Nil special additional duty of customs [i.e. effective duty of 9.2%] with some exceptions.
14. Parts required for the manufacture and accessories of medical equipment will also attract 5% concessional basic customs duty with nil special CVD. This concession will not be confined to parts classifiable in Chapter 90 but also to parts falling under any chapter of the tariff.
15. Concessional customs duty available to spares for the maintenance of medical equipment withdrawn except in specified cases.
16. Full exemption from basic customs duty and CVD/excise duty retained for specified medical devices (exempt by description) as well as for assistive devices, rehabilitation aids and other goods for disabled.
17. Cobalt-chrome alloys special grade stainless steel etc. for the manufacture of orthopedic implants exempted from basic customs duty subject to actual user condition.

18. Movies imported on cinematographic film are exempt from so much of the customs duty as is in excess of the duty payable on the aggregate of the cost of the print and the freight and insurance charges in terms of notification no.33/2003-Customs dated 1.3.2003. This exemption has been rescinded and fresh exemption provided whereby customs duty on movies/ motion pictures recorded on cinematographic film or digital medium (CD/DVD etc.) would be charged only on the cost of the medium and the freight and insurance. The exemption would also apply to music and gaming software (meant for use with gaming consoles) but not to such goods when they are imported in a pre-packaged form for retail sale.
19. Full exemption from customs duty provided to promotional material like trailers, making of films etc. imported free of cost in the form of electronic promotion kits (EPK)/Betacams.
20. Electrical energy supplied from a Special Economic Zone to the Domestic Tariff Area and non - processing areas of SEZ will attract duty of 16% ad valorem + Nil Special CVD. This change is being made retrospectively w.e.f. 26th June, 2009. Exemption on supplies or imports of electrical energy, other than the above, would continue.
21. Packaged software is exempt from so much of the CVD as is equivalent to the duty payable on the portion of the value which represents the consideration paid or payable for transfer of the right to use such goods provided that the said transfer is for commercial exploitation. The condition of commercial exploitation removed in the budget. Similar change is being effected on the excise side as well.
22. The provisions relating to Settlement Commission in Section 127 of the Customs Act, 1962 amended to expand the scope of cases that may be taken up for settlement, to enable repeated applications for settlement except in specified cases and to empower the Commission to extend the period for disposal of cases by three months.
23. Section 3 of the Customs Tariff Act amended to provide that the value of the imported goods for the purpose of charging CVD in respect of goods chargeable to excise duty on the basis of Maximum Retail Sale Price under Medicinal and Toilet Preparations (Excise Duties) Act, 1955 shall be the retail sale price declared on such imported goods less the amount of abatement, if any. This change will come into effect on enactment of the Finance Bill.

24. Consequent upon insertion of a new tariff item covering filter cigarettes of length not exceeding 60 mm and other changes in the schedule to the Central Excise Tariff Act, similar change is carried out in heading 2402 with the new tariff item attracting customs duty of 30% ad valorem.

25. Changes in Chapter 27 carried out in the First Schedule to the Central Excise Tariff Act have been replicated in the Customs Tariff Schedule so as to align the two.

Excise Duty.

1. The excise duty of all goods which attracted 8% Central Excise duty previously will now be taxed at 10%.
2. The rates of duty on cement manufactured by units other than Mini Cement Plant in packaged form and bulk form have also been revised upwards. Corresponding changes have been made to increase the rates of duty applicable to cement manufactured by mini-cement plants too.
3. Excise duty on cement clinker has been increased from Rs.300 per metric tone to Rs.375 per metric tone.
4. Central Excise duty on large cars, Multi Utility Vehicles and Sports Utility Vehicles etc. and chassis thereof has been increased from 20% to 22%. The specific component of duty on such vehicles remains unchanged.
5. The rates of excise duty on Motor Spirit (petrol) and HSD (diesel) have been increased by Re.1 per liter. The increase is applicable to both branded and unbranded products. The rates of duty on other petroleum products remain unchanged.
6. The rates of basic excise duty have been raised on all forms of tobacco and tobacco products (e.g. branded unmanufactured tobacco and tobacco refuse, branded hookah or gudaku tobacco, chewing tobacco, preparations containing chewing tobacco, jarda scented tobacco, snuff and its preparations, tobacco extracts and essences etc ; smoking tobacco, cut tobacco, smoking mixtures etc.), On some of these item notified under section 4A which are assessed to duty on Retail Sales Price (RSP) the rates of abatement are also revised. The rates of duty on bidis have not been touched.
7. The existing slab of filter cigarettes of length not exceeding 70 mm has been broken up into two slabs, filter cigarettes of length not exceeding 60 mm and filter cigarettes of length exceeding 60 mm but not exceeding 70 mm and the basic excise duty (BED) on all cigarettes, other than cigarettes of length not exceeding 60 mm (both filter and non-filter), has been increased. In respect of cigars, cheroots and cigarillos of tobacco, the revised rates of Basic Excise duty basis is 10% of the value or Rs.1227 per thousand, whichever is higher Additional Excise duty 1s 1.6% of the value or Rs.246 per thousand, whichever is higher. Similarly cigars, cheroots and cigarillos manufactured from tobacco substitutes will attract Basic Excise Duty of 10% of value or Rs.1473 per 1000, whichever is higher.

8. Compounded levy under section 3A of the Central Excise Act introduced on chewing tobacco and branded unmanufactured tobacco packed in pouches with the aid of packing machines. The scheme is similar to the one already in operation for Guthka and pan masala with the difference that the facility of input credit of the duty paid on bulk packs of chewing tobacco shall be available to the manufacturer of packaged products subject to the levy. This scheme will come into effect on 08.03.2010.
9. Pan Masala Packing Machines (Capacity Determination and Collection of Duty) Rules, 2008 have also been amended to effect certain technical changes. A manufacturer is now allowed to remove goods, other than notified goods, from his factory during the period of abatement specified in rule 10 and the notified goods already produced before the commencement of said period can also be removed within the first two days of the abatement period.
10. A Clean Energy Cess is imposed on coal, lignite and peat produced in India. This cess would be levied and collected as a duty of excise from coal mines. This cess would apply to imported coal as CVD.
11. Exemptions from payment of Central Excise duty withdrawn in respect of Mosquito nets impregnated with insecticide, Microprocessor for computers (other than motherboard), Floppy disk drive, Hard disk drive, flash drive. CD/DVD and Combo Drive meant for external use and Baby & clinical diapers and sanitary napkins.
12. In respect of open to sanitary (OTS) cans and Goggles other than for correcting vision the Central Excise duty has been revised from 4% to 10%.
13. Full exemption has been provided from Central Excise duty in respect of Betel nut product known as "Supari", Dementholised oil, Deterpenated Mentha oil, Spearmint/ Mentha Piperita oils and all intermediates and by-products of Menthol, Toy balloons made of natural rubber and Articles of bedding wholly made of quilted textile materials
14. Excise duty exemption on specified plantation machinery is being reintroduced up to 31.3.2011.
15. Goods supplied to mega power projects from which power supply has been tied up through tariff-based competitive bidding, or awarded through tariff-based competitive bidding. Cenvat Credit Rules is also being amended so as to allow Cenvat credit of duty paid on inputs used in the manufacture of such exempted supplies.
16. Few more specified raw materials for the manufacture of rotor blades for wind operated electricity generators are also exempted from Central Excise duty.
17. Central Excise duty exemption is extended to Self-loading/self-unloading trailers & semi trailers for agricultural purposes (tariff item 8716 20 00).

18. Full exemption from excise duty presently available to 20 specified equipments for preservation, storage or transport of agricultural produce has been extended to apiary, horticultural, dairy, poultry, aquatic & marine produce and meat as well as processing thereof.
19. Full exemption from excise duty is being provided to security inks manufactured by Bank Note Press Dewas and supplied to Bank Note Press Dewas, Currency Note Press, India Security Printing Press, Nasik, Security Printing Press, Hyderabad etc.
20. Full exemption is also being provided to Circulation Coins, blanks etc and scrap generated in the manufacture of blanks by India Government Mints at Mumbai, Kolkata, Hyderabad and Noida.
21. Concessional duty of 4% has been prescribed in the following cases: LED lights/lighting fixtures Replaceable kits for all household type water filters (except those operating on RO technology) Corrugated boxes/ cartons manufactured by stand- alone manufacturers, subject to conditions Latex rubber thread.
22. A uniform concessional rate of duty of 4% is being prescribed for parts, namely batteries including battery chargers, electric motors and AC or DC motor controllers required for manufacture of all categories of electrical vehicles including cars, two wheelers and three wheelers (like „Soleckshawâ) subject to actual user condition. This concession will be available till 31.03.2013. Such vehicles will also be charged to excise duty @ 4%.
23. Refined serially numbered gold bars made from the ore/concentrate stage will now attract excise duty of Rs.280 per 10 grams (instead of 10% ad valorem) with Cenvat credit facility on inputs and capital goods.
24. The relaxation from brand name restriction under the general SSI exemption scheme has been extended to plastic bottles and plastic containers used as packing material.
25. Excise duty on DTA clearances of plain gold and silver jewellery manufactured by a 100% EOU is being increased from Rs.500 per 10 gram to Rs.750 per 10 gram for gold jewellery; and Rs.1000 per kg to Rs.1500 per kg. for silver jewellery.
26. The rates of excise duty are being equalized/ unified in respect of maize starch, tapioca starch and potato starch at 4%, umbrellas, umbrella parts and umbrella cloth panels at 4% and ceramic tiles manufactured in kilns fired by not using electricity, and other ceramic tiles at 10%, with Cenvat credit.

27. In respect of Small Scale sector full Cenvat credit on capital goods in one installment in the year of receipt of such capital goods in the factory and payment of duty on quarterly rather than monthly basis. These amendments come into effect on the 1st of April, 2010. The important point about these relaxations is that they are available to any assessee who is eligible to claim SSI exemption regardless of whether he actually claims it or opts to pay duty. An eligible unit has been defined as one whose aggregate value of clearances did not exceed Rs. 4 crores in the preceding financial year. Moreover, the benefit is available to a unit that is eligible for the entire financial year even if it crosses the limit of Rs. 4 crores (aggregate value of clearances) during the year.
28. The date of filing of quarterly returns by SSI units is being aligned with the date for non-SSI units so that all returns are required to be filed by the 10th of the month following the said quarter.
29. Some of the other procedural simplification measures that are contained in the budget proposals are Pre-authentication of invoices has been dispensed with, benefit of allowing Cenvat credit to be reversed on proportionate basis (when common inputs are used for the manufacture of dutiable and exempt products) is being extended retrospectively for pending cases.
30. Accelerated depreciation of the credit amount has been allowed for reversing credit taken on computers and computer peripherals when they are cleared after use in the factory.
31. Movement of moulds, dies, jigs and fixtures by the main manufacturer to vendors (other than job-workers) without loss of Cenvat credit has been facilitated by suitably amending the Cenvat Credit Rules.
32. In cases of voluntary payment of duty under section 11A (2B) of the Central Excise Act, it is being clarified that no penalty shall be imposed.
33. Settlement of cases through the Settlement Commission has been liberalized by removing restrictions on the nature of cases that may be settled and the number of times the Commission may be approached by an assessee.
34. Among the important legislative provisions is the amendment of section 37 of the Central Excise Act, 1944 to enable the Central Government to make rules providing for deterrent action through the withdrawal of certain facilities to deal with evasion.

35. In the First Schedule to the Central Excise Tariff Act, amendments have been made to

(i) Carry out editorial changes in sub-heading no.2712 20 through the deletion of the entry covering chlorinated paraffin wax and insertion of new entries for paraffin wax.

(ii) Prescribe that certain processes in respect of goods falling under chapters 68 and 76 as amounting to manufacture. These would come into effect immediately as the relevant provisions have been declared under the PCT Act.

36. Central excise duty on LED lights reduced from 8% to 4% at par with Compact Fluorescent Lamps.

Service tax

A. New Services (Proposed)

1. Service of Promoting, marketing or organizing of games of chance, including lottery
2. Health services, namely: - Health check up undertaken by hospitals or medical establishments for the employees of business entities and - Health services provided under health insurance schemes offered by insurance companies
3. Services provided for maintenance of medical records of employees of a business entity
4. Services of promoting of a 'brand' of goods, services, events, business entity etc
5. Services of permitting commercial use or exploitation of any event organized by a person or organization
6. Services provided by Electricity Exchanges
7. Services related to two types of copyrights hitherto not covered under existing taxable service 'Intellectual Property Right (IPR)', namely, those on (a) cinematographic films; and (b) sound recording
8. Special services provided by a builder etc. to the prospective buyers such as providing preferential location or external or internal development of complexes on extra charges.

B. Expansion in the scope of Services (Proposed)

1. 'Air Passenger Transport Service' is being expanded to include domestic journeys, and international journeys in any class.
2. Presently the taxable service, 'Information Technology Software Service' is subjected to tax only in cases where such IT software is used for furtherance of business or commerce. The scope of the taxable service is being expanded to tax such service even if the service provided is used for purposes other than business or commerce.

3. 'Commercial Training or Coaching Service' shall mean that such training or coaching is being provided for a consideration, whether or not such training or coaching is conducted with a profit motive. This change is being given retrospective effect from 01.07.2003.
4. In the definition of the taxable service 'Sponsorship Service' the exclusion relating to sponsorship pertaining to sports is being removed.
5. In the definition of the taxable services 'Construction of Complex service' and 'Commercial or industrial construction service' it is being provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after issuance of completion certificate by the competent authority), the activity of construction would be deemed to be a taxable service provided by the builder / promoter / developer to the prospective buyer and the Service Tax would be charged accordingly.
6. 'Renting of immovable property' - (i) provide explicitly that the activity of 'renting' itself is a taxable service. This change is being given retrospective effect from 01.06.2007; and (ii) provide that renting of vacant land, where the agreement or contract between the lessor and lessee provides for undertaking construction of buildings or structures on such land for furtherance of business or commerce during the tenure of the lease, shall be subjected to Service Tax.
7. All services provided entirely within the airport / port premises would fall under the 'Airport Services', the 'Port Services' and the 'Other Port Services'; and an authorization from the airport / port authority not a precondition for taxing these services.
8. Auctioneer's Service – Expansion of phrase - 'auction by government' means an auction involving sale of government property by any auctioneer and not when the government acts as an auctioneer for sale of the private property.
9. 'Management of Investment under ULIP Service'- the value of the taxable service for any year of the operation of policy shall be higher of the actual amount charged by the insurer or the maximum amount of fund management charges fixed by the Insurance Regulatory & Development Authority (IRDA)

C.Other Aspects:

- a. Rate of tax on services retained at 10 per cent to pave the way forward for GST.
- b. Proposals relating to Service Tax are estimated to result in a net revenue gain of Rs 3,000 CRORES FOR THE YEAR
- c. Process of refund of accumulated credit to exporters of services, especially in the area of Information Technology and Business Process Outsourcing, made easy by making necessary changes in the export procedures.
- d. Accredited news agencies which provide news feed online that meet certain criteria, exempted from Service Tax.

Sales tax

- No change in CST rate proposed.
- GST is proposed to be adopted with effect from 1 April 2011.