

India in Business
Ministry of External Affairs, Govt. of India
Investment and Technology Promotion Division



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The 3rd meeting of prospective member countries of International Solar Alliance was organised by Ministry of New & Renewable Energy, facilitated by the ITP&ES Division on 6 April 2016, and was chaired by Shri Piyush Goyal, Hon'ble Minister for Power, Coal and New & Renewable Energy. The meeting was attended by more than 85 representatives from 73 countries.

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Investment

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Taxation System in India

Taxation System in India

India has a well-developed tax structure with clearly demarcated authority between Central and State Governments and local bodies.

Central Government levies taxes on income (except tax on agricultural income, which the State Governments can levy), customs duties, central excise and service tax.

Value Added Tax (VAT), stamp duty, state excise, land revenue and profession tax are levied by the State Governments.

Local bodies are empowered to levy tax on properties, octroi and for utilities like water supply, drainage etc.

Indian taxation system has undergone tremendous reforms during the last decade. The tax rates have been rationalized and tax laws have been simplified resulting in better compliance, ease of tax payment and better enforcement. The process of rationalization of tax administration is ongoing in India.

Direct Taxes

In case of direct taxes (income tax, wealth tax, etc.), the burden directly falls on the taxpayer.

Income tax

According to Income Tax Act 1961, every person, who is an assessee and whose total income exceeds the maximum exemption limit, shall be chargeable to the income tax at the rate or rates prescribed in the Finance Act. Such income tax shall be paid on the total income of the previous year in the relevant assessment year.

Assessee means a person by whom (any tax) or any other sum of money is payable under the Income Tax Act, and includes -

- Every person in respect of whom any proceeding under the Income Tax Act has been taken for the assessment of his income (or assessment of fringe benefits) or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or of the amount of refund due to him or to such other person;
- Every person who is deemed to be an assessee under any provisions of the Income Tax Act;
- Every person who is deemed to be an assessee in default under any provision of the Income Tax Act.

Where a person includes:

- ▶ Individual
- ▶ Hindu Undivided Family (HUF)
- ▶ Association of persons (AOP)
- ▶ Body of individuals (BOI)
- ▶ Company
- ▶ Firm
- ▶ A local authority and,
- ▶ Every artificial judicial person not falling within any of the preceding categories.

Income tax is an annual tax imposed separately for each assessment year (also called the tax year). Assessment year commences from 1st April and ends on the next 31st March.

The total income of an individual is determined on the basis of his residential status in India. For tax purposes, an individual may be resident, nonresident or not ordinarily resident.

Resident

An individual is treated as resident in a year if present in India:

- For 182 days during the year or
- For 60 days during the year and 365 days during the preceding four years. Individuals fulfilling neither of these conditions are nonresidents. (The rules are slightly more liberal for Indian citizens residing abroad or leaving India for employment abroad.)

Resident but not Ordinarily Resident

A resident who was not present in India for 730 days during the preceding seven years or who was nonresident in nine out of ten preceding years is treated as not ordinarily resident.

Non-Residents

Non-residents are taxed only on income that is received in India or arises or is deemed to arise in India. A person not ordinarily resident is taxed like a non-resident but is also liable to tax on income accruing abroad if it is from a business controlled in or a profession set up in India.

Non-resident Indians (NRIs) are not required to file a tax return if their income consists of only interest and dividends, provided taxes due on such income are deducted at source. It is possible for non-resident Indians to avail of these special provisions even after becoming residents by following certain procedures laid down by the Income Tax act.

Status	Indian Income	Foreign Income
Resident and ordinarily resident	Taxable	Taxable
Resident but not ordinary resident	Taxable	Not taxable
Non-Resident	Taxable	Not taxable

Personal Income Tax

Personal income tax is levied by Central Government and is administered by Central Board of Direct taxes under Ministry of Finance in accordance with the provisions of the **Income Tax Act**.

Rates of Withholding Tax

To view tax rates applicable in India under Avoidance of Double Taxation (ADT) agreement [Click here](#)

Tax upon Capital Gains**Corporate tax****Definition of a company**

A company has been defined as a juristic person having an independent and separate legal entity from its shareholders. Income of the company is computed and assessed separately in the hands of the company. However the income of the company, which is distributed to its shareholders as dividend, is assessed in their individual hands. Such distribution of income is not treated as expenditure in the hands of company; the income so distributed is an appropriation of the profits of the company.

Residence of a company

- ▶ A company is said to be a resident in India during the relevant previous year if:
 - It is an Indian company
 - If it is not an Indian company but, the control and the management of its affairs is situated wholly in India
- ▶ A company is said to be non-resident in India if it is not an Indian company and some part of the control and management of its affairs is situated outside India.

Corporate sector tax

The taxability of a company's income depends on its domicile. Indian companies are taxable in India on their worldwide income. Foreign companies are taxable on income that arises out of their Indian operations, or, in certain cases, income that is deemed to arise in India. Royalty, interest, gains from sale of capital assets located in India (including gains from sale of shares in an Indian company), dividends from Indian companies and fees for technical services are all treated as income arising in India. Current rates of corporate tax.

Different kinds of taxes relating to a company**Minimum Alternative Tax (MAT)**

Normally, a company is liable to pay tax on the income computed in accordance with the provisions of the income tax Act, but the profit and loss account of the company is prepared as per provisions of the Companies Act. There were large number of companies who had book profits as per their profit and loss account but were not paying any tax because income computed as per provisions of the income tax act was either nil or negative or insignificant. In such case, although the companies were showing book profits and declaring dividends to the shareholders, they were not paying any income tax. These companies are popularly known as Zero Tax companies. In order to bring such companies under the income tax act net, section 115JA was introduced w.e.f assessment year 1997-98.

A new tax credit scheme is introduced by which MAT paid can be carried forward for set-off against regular tax payable during the subsequent five year period subject to certain conditions, as under:-

- ▶ When a company pays tax under MAT, the tax credit earned by it shall be an amount, which is the difference between the amount payable under MAT and the regular tax. Regular tax in this case means the tax payable on the basis of normal computation of total income of the company.
- ▶ MAT credit will be allowed carry forward facility for a period of five assessment years immediately succeeding the assessment year in which MAT is paid. Unabsorbed MAT credit will be allowed to be accumulated subject to the five-year carry forward limit.
- ▶ In the assessment year when regular tax becomes payable, the difference between the regular tax and the tax computed under MAT for that year will be set off against the MAT credit available.
- ▶ The credit allowed will not bear any interest

Fringe Benefit Tax (FBT)

The Finance Act, 2005 introduced a new levy, namely Fringe Benefit Tax (FBT) contained in Chapter XIIH (Sections 115W to 115WL) of the Income Tax Act, 1961.

Fringe Benefit Tax (FBT) is an additional income tax payable by the employers on value of fringe benefits provided or deemed to have been provided to the employees. The FBT is payable by an employer who is a company; a firm; an association of persons excluding trusts/a body of individuals; a local authority; a sole trader, or an artificial juridical person. This tax is payable even where employer does not otherwise have taxable income. Fringe Benefits are defined as any privilege, service, facility or amenity directly or indirectly provided by an employer to his employees (including former employees) by reason of their employment and includes expenses or payments on certain specified heads.

The benefit does not have to be provided directly in order to attract FBT. It may still be applied if the benefit is provided by a third party or an associate of employer or by under an agreement with the employer.

The value of fringe benefits is computed as per provisions under Section 115WC. FBT is payable at prescribed percentage on the taxable value of fringe benefits. Besides, surcharge in case of both domestic and foreign companies shall be leviable on the amount of FBT. On these amounts, education cess shall also be payable.

Every company shall file return of fringe benefits to the Assessing Officer in the prescribed form by 31st October of the assessment year as per provisions of Section 115WD. If the employer fails to file return within specified time limit specified under the said section, he will have to bear penalty as per Section 271FB.

The scope of Fringe Benefit Tax is being widened by including the employees stock option as fringe benefit liable for tax. The fair market value of the share on the date of the vesting of the option by the employee as reduced by the amount actually paid by him or recovered from him shall be considered to be the fringe benefit. The fair market value shall be determined in accordance with the method to be prescribed by the CBDT.

Dividend Distribution Tax (DDT)

Under Section 115-O of the Income Tax Act, any amount declared, distributed or paid by a domestic company by way of dividend shall be chargeable to dividend tax. Only a domestic company (not a foreign company) is liable for the tax. Tax on distributed profit is in addition to income tax chargeable in respect of total income. It is applicable whether the dividend is interim or otherwise. Also, it is applicable whether such dividend is paid out of current profits or accumulated profits.

The tax shall be deposited within 14 days from the date of declaration, distribution or payment of dividend, whichever is earliest. Failing to this deposition will require payment of stipulated interest for every month of delay under Section 115-P of the Act.

Rate of dividend distribution tax to be raised from 12.5 per cent to 15 per cent on dividends distributed by companies; and to 25 per cent on dividends paid by money market mutual funds and liquid mutual funds to all investors.

Banking Cash Transaction Tax (BCTT)

The Finance Act 2005 introduced the Banking Cash Transaction Tax (BCTT) w.e.f. June 1, 2005 and applies to the whole of India except in the state of Jammu and Kashmir. BCTT continues to be an extremely useful tool to track unaccounted monies and trace their source and destination. It has led the Income Tax Department to many money laundering and hawala transactions.

BCTT is levied at the rate of 0.1 per cent of the value of following "taxable banking transactions" entered with any scheduled bank on any single day:

- ▶ Withdrawal of cash from any bank account other than a saving bank account; and
- ▶ Receipt of cash on encashment of term deposit(s).

However, Banking Cash Transaction Tax (BCTT) has been withdrawn with effect from April 1, 2009.

Securities Transaction Tax (STT)

Securities Transaction Tax or turnover tax, as is generally known, is a tax that is leviable on taxable securities transaction. STT is leviable on the taxable securities transactions with effect from 1st October, 2004 as per the notification issued by the Central Government. The surcharge is not leviable on the STT.

Wealth Tax

Wealth tax, in India, is levied under Wealth-tax Act, 1957. Wealth tax is a tax on the benefits derived from property ownership. The tax is to be paid year after year on the same property on its market value, whether or not such property yields any income.

Under the Act, the tax is charged in respect of the wealth held during the assessment year by the following persons: -

- ▶ Individual
- ▶ Hindu Undivided Family (HUF)
- ▶ Company

Chargeability to tax also depends upon the residential status of the assessee same as the residential status for the purpose of the Income Tax Act.

Wealth tax is not levied on productive assets, hence investments in shares, debentures, UTI, mutual funds, etc are exempt from it. The assets chargeable to wealth tax are Guest house, residential house, commercial building, Motor car, Jewellery, bullion, utensils of gold, silver, Yachts, boats and aircrafts, Urban land and Cash in hand (in excess of Rs 50,000 for Individual & HUF only).

The following will not be included in Assets: -

- ▶ Assets held as Stock in trade.
- ▶ A house held for business or profession.
- ▶ Any property in nature of commercial complex.
- ▶ A house let out for more than 300 days in a year.
- ▶ Gold deposit bond.
- ▶ A residential house allotted by a Company to an employee, or an Officer, or a Whole

Time Director (Gross salary i.e. excluding perquisites and before Standard Deduction of such Employee, Officer, Director should be less than Rs 5,00,000).

The assets exempt from Wealth tax are "Property held under a trust", Interest of the assessee in the coparcenary property of a HUF of which he is a member, "Residential building of a former ruler", "Assets belonging to Indian repatriates", one house or a part of house or a plot of land not exceeding 500sq.mts (for individual & HUF assessee)

Wealth tax is chargeable in respect of Net wealth corresponding to Valuation date where Net wealth is all assets less loans taken to acquire those assets and valuation date is 31st March of immediately preceding the assessment year. In other words, the value of the taxable assets on the valuation date is clubbed together and is reduced by the amount of debt owed by the assessee. The net wealth so arrived at is charged to tax at the specified rates. Wealth tax is charged @ 1 per cent of the amount by which the net wealth exceeds Rs 15 Lakhs.

Tax Rebates for Corporate Tax

The classical system of corporate taxation is followed in India

- ▶ Domestic companies are permitted to deduct dividends received from other domestic companies in certain cases.
- ▶ Inter Company transactions are honored if negotiated at arm's length.
- ▶ Special provisions apply to venture funds and venture capital companies.
- ▶ Long-term capital gains have lower tax incidence.
- ▶ There is no concept of thin capitalization.
- ▶ Liberal deductions are allowed for exports and the setting up on new industrial undertakings under certain circumstances.
- ▶ There are liberal deductions for setting up enterprises engaged in developing, maintaining and operating new infrastructure facilities and power-generating units.
- ▶ Business losses can be carried forward for eight years, and unabsorbed depreciation can be carried indefinitely. No carry back is allowed.
- ▶ Dividends, interest and long-term capital gain income earned by an infrastructure fund or company from investments in shares or long-term finance in enterprises carrying on the business of developing, monitoring and operating specified infrastructure facilities or in units of mutual funds involved with the infrastructure of power sector is proposed to be tax exempt.

Capital Gains Tax

A capital gain is income derived from the sale of an investment. A capital investment can be a home, a farm, a ranch, a family business, work of art etc. In most years slightly less than half of taxable capital gains are realized on the sale of corporate stock. The capital gain is the difference between the money received from selling the asset and the price paid for it.

Capital gain also includes gain that arises on "transfer" (includes sale, exchange) of a capital asset and is categorized into short-term gains and long-term gains.

The capital gains tax is different from almost all other forms of taxation in that it is a voluntary tax. Since the tax is paid only when an asset is sold, taxpayers can legally avoid payment by holding on to their assets—a phenomenon known as the "lock-in effect."

The scope of capital asset is being widened by including certain items held as personal effects such as archaeological collections, drawings, paintings, sculptures or any work of art. Presently no capital gain tax is payable in respect of transfer of personal effects as it does not fall in the definition of the capital asset. To restrict the misuse of this provision, the definition of capital asset is being widened to include those personal effects such as archaeological collections, drawings, paintings, sculptures or any work of art. Transfer of above items shall now attract capital gain tax the way jewellery attracts despite being personal effect as on date.

Short Term and Long Term capital Gains

Gains arising on transfer of a capital asset held for not more than 36 months (12 months in the case of a share held in a company or other security listed on recognised stock exchange in India or a unit of a mutual fund) prior to its transfer are "short-term". Capital gains arising on transfer of capital asset held for a period exceeding the aforesaid period are "long-term".

Section 112 of the Income-Tax Act, provides for the tax on long-term capital gains, at 20 per cent of the gain computed with the benefit of indexation and 10 per cent of the gain computed (in case of listed securities or units) without the benefit of indexation.

Double Taxation Relief

Double Taxation means taxation of the same income of a person in more than one country. This results due to countries following different rules for income taxation. There are two main rules of income taxation i.e. (a) Source of income rule and (b) residence rule.

As per source of income rule, the income may be subject to tax in the country where the source of such income exists (i.e. where the business establishment is situated or where the asset / property is located) whether the income earner is a resident in that country or not.

On the other hand, the income earner may be taxed on the basis of the residential status in that country. For example, if a person is resident of a country, he may have to pay tax on any income earned outside that country as well.

Further, some countries may follow a mixture of the above two rules. Thus, problem of double taxation arises if a person is taxed in respect of any income on the basis of source of income rule in one country and on the basis of residence in another country or on the basis of mixture of above two rules.

In India, the liability under the Income Tax Act arises on the basis of the residential status of the assessee during the previous year. In case the assessee is resident in India, he also has to pay tax on the income, which accrues or arises outside India, and also received outside India. The position in many other countries being also broadly similar, it frequently happens that a person may be found to be a resident in more than one country or that the same item of his income may be treated as accruing, arising or received in more than one country with the result that the same item becomes liable to tax in more than one country.

Relief against such hardship can be provided mainly in two ways: (a) Bilateral relief, (b) Unilateral relief.

Bilateral Relief

The Governments of two countries can enter into Double Taxation Avoidance Agreement (DTAA) to provide relief against such Double Taxation, worked out on the basis of mutual agreement between the two concerned sovereign states. This may be called a scheme of 'bilateral relief' as both concerned powers agree as to the basis of the relief to be granted by either of them.

Unilateral relief

The above procedure for granting relief will not be sufficient to meet all cases. No country will be in a position to arrive at such agreement with all the countries of the world for all time. The hardship of the taxpayer however is a crippling one in all such cases. Some relief can be provided even in such cases by home country irrespective of whether the other country concerned has any agreement with India or has otherwise provided for any relief at all in respect of such double taxation. This relief is known as unilateral relief.

Double Taxation Avoidance Agreement (DTAA)

List of countries with which India has signed Double Taxation Avoidance Agreement :

- ▶ [DTAA Comprehensive Agreements - \(With respect to taxes on income\)](#)
- ▶ [DTAA Limited Agreements – With respect to income of airlines/ merchant shipping](#)
- ▶ [Limited Multilateral Agreement](#)
- ▶ [DTAA Other Agreements/Double Taxation Relief Rules](#)
- ▶ [Specified Associations Agreement](#)
- ▶ [Tax Information Exchange Agreement \(TIEA\)](#)

Indirect Taxation

Sales tax

Central Sales Tax (CST)

Central Sales tax is generally payable on the sale of all goods by a dealer in the course of inter-state trade or commerce or, outside a state or, in the course of import into or, export from India.

The ceiling rate on central sales tax (CST), a tax on inter-state sale of goods, has been reduced from 4 per cent to 3 per cent in the current year.

Value Added Tax (VAT)

VAT is a multi-stage tax on goods that is levied across various stages of production and supply with credit given for tax paid at each stage of Value addition. Introduction of state level VAT is the most significant tax reform measure at state level. The state level VAT has replaced the existing State Sales Tax. The decision to implement State level VAT was taken in the meeting of the Empowered Committee (EC) of State Finance Ministers held on June 18, 2004, where a broad consensus was arrived at to introduce VAT from April 1, 2005. Accordingly, all states/UTs have implemented VAT.

The Empowered Committee, through its deliberations over the years, finalized a design of VAT to be adopted by the States, which seeks to retain the essential features of VAT, while at the same time, providing a measure of flexibility to the States, to enable them to meet their local requirements. Some salient features of the VAT design finalized by the Empowered Committee are as follows:

- ▶ The rates of VAT on various commodities shall be uniform for all the States/UTs. There are 2 basic rates of 4 per cent and 12.5 per

cent, besides an exempt category and a special rate of 1 per cent for a few selected items. The items of basic necessities have been put in the zero rate bracket or the exempted schedule. Gold, silver and precious stones have been put in the 1 per cent schedule. There is also a category with 20 per cent floor rate of tax, but the commodities listed in this schedule are not eligible for input tax rebate/set off. This category covers items like motor spirit (petrol), diesel, aviation turbine fuel, and liquor.

- There is provision for eliminating the multiplicity of taxes. In fact, all the State taxes on purchase or sale of goods (excluding Entry Tax in lieu of Octroi) are required to be subsumed in VAT or made VATable.
- Provision has been made for allowing "Input Tax Credit (ITC)", which is the basic feature of VAT. However, since the VAT being implemented is intra-State VAT only and does not cover inter-State sale transactions, ITC will not be available on inter-State purchases.
- Exports will be zero-rated, with credit given for all taxes on inputs/ purchases related to such exports.
- There are provisions to make the system more business-friendly. For instance, there is provision for self-assessment by the dealers. Similarly, there is provision of a threshold limit for registration of dealers in terms of annual turnover of Rs 5 lakh. Dealers with turnover lower than this threshold limit are not required to obtain registration under VAT and are exempt from payment of VAT. There is also provision for composition of tax liability up to annual turnover limit of Rs. 50 lakh.
- Regarding the industrial incentives, the States have been allowed to continue with the existing incentives, without breaking the VAT chain. However, no fresh sales tax/VAT based incentives are permitted.

Roadmap towards GST

The Empowered Committee of State Finance Ministers has been entrusted with the task of preparing a roadmap for the introduction of national level goods and services tax with effect from 01 April 2007. The move is towards the reduction of CST to 2 per cent in 2008, 1 per cent in 2009 and 0 per cent in 2010 to pave way for the introduction of GST (Goods and Services Tax).

Excise Duty

Central Excise duty is an indirect tax levied on goods manufactured in India. Excisable goods have been defined as those, which have been specified in the Central Excise Tariff Act as being subjected to the duty of excise.

There are three types of Central Excise duties collected in India namely

Basic Excise Duty

This is the duty charged under section 3 of the Central Excises and Salt Act, 1944 on all excisable goods other than salt which are produced or manufactured in India at the rates set forth in the schedule to the Central Excise tariff Act, 1985.

Additional Duty of Excise

Section 3 of the Additional duties of Excise (goods of special importance) Act, 1957 authorizes the levy and collection in respect of the goods described in the Schedule to this Act. This is levied in lieu of sales Tax and shared between Central and State Governments. These are levied under different enactments like medicinal and toilet preparations, sugar etc. and other industries development etc.

Special Excise Duty

As per the Section 37 of the Finance Act, 1978 Special excise Duty was attracted on all excisable goods on which there is a levy of Basic excise Duty under the Central Excises and Salt Act, 1944. Since then each year the relevant provisions of the Finance Act specifies that the Special Excise Duty shall be or shall not be levied and collected during the relevant financial year.

Customs Duty

Custom or import duties are levied by the Central Government of India on the goods imported into India. The rate at which customs duty is leviable on the goods depends on the classification of the goods determined under the Customs Tariff. The Customs Tariff is generally aligned with the Harmonised System of Nomenclature (HSL).

In line with aligning the customs duty and bringing it at par with the ASEAN level, government has reduced the peak customs duty from 12.5 per cent to 10 per cent for all goods other than agriculture products. However, the Central Government has the power to generally exempt goods of any specified description from the whole or any part of duties of customs leviable thereon. In addition, preferential/concessional rates of duty are also available under the various Trade Agreements.

Service Tax

Service tax was introduced in India way back in 1994 and started with mere 3 basic services viz. general insurance, stock broking and telephone. Today the counter services subject to tax have reached over 100. There has been a steady increase in the rate of service tax. From a mere 5 per cent, service tax is now levied on specified taxable services at the rate of 12 per cent of the gross value of taxable services. However, on account of the imposition of education cess of 3 per cent, the effective rate of service tax is at 12.36 per cent.

Union Budget 2013-14

Latest Union Budget for the year 2013-14 has been announced by the Finance Minister Mr P.Chidambaram on 28th of February 2013.

Here are the highlights of the key features of Direct and Indirect Tax Proposals:

Tax Proposals

Direct Taxes

- According to the Finance Minister, there is a little room to give away tax revenues or raise tax rates in a constrained economy.
- No case to revise either the slabs or the rates of Personal Income Tax. Even a moderate increase in the threshold exemption will put hundreds of thousands of Tax Payers outside Tax Net.
- However, relief for Tax Payers in the first bracket of USD 0.004 million to USD 0.009 million. A tax credit of USD 36.78 to every person with total income upto USD 0.009 million.
- Surcharge of 10 percent on persons (other than companies) whose taxable income exceed USD 0.18 million to augment revenues.
- Increase surcharge from 5 to 10 percent on domestic companies whose taxable income exceed USD 1.84 million.
- In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2 to 5 percent, if the taxable income exceeds USD 1.84 million.
- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent.
- Additional surcharges to be in force for only one year.
- Education cess to continue at 3 percent.
- Permissible premium rate increased from 10 percent to 15 percent of the sum assured by relaxing eligibility conditions of life insurance policies for persons suffering from disability and certain ailments.
- Contributions made to schemes of Central and State Governments similar to Central Government Health Scheme, eligible for section 80D of the Income tax Act.
- Donations made to National Children Fund eligible for 100 percent deduction.
- Investment allowance at the rate of 15 percent to manufacturing companies that invest more than USD 1.84 million in plant and machinery during the period 1st April 2013 to 31st March 2015.

- ▶ 'Eligible date' for projects in the power sector to avail benefit under Section 80- IA extended from 31st March 2013 to 31st March 2014.
- ▶ Concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary proposed to continue for one more year.
- ▶ Securitisation Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income for companies, individual or HUF etc. No further tax on income received by investors from the Trust.
- ▶ Investor Protection Fund of depositories exempt from Income-tax in some cases.
- ▶ Parity in taxation between IDF-Mutual Fund and IDF-NBFC.
- ▶ A Category I AIF set up as Venture capital fund allowed pass through status under Income-tax Act.
- ▶ TDS at the rate of 1 percent on the value of the transfer of immovable properties where consideration exceeds USD 0.092 million. Agricultural land to be exempted.
- ▶ A final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.
- ▶ Proposal to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent.
- ▶ Reductions made in rates of Securities Transaction Tax in respect of certain transaction.
- ▶ Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
- ▶ Modified provisions of GAAR will come into effect from 1st April 2016.
- ▶ Rules on Safe Harbour will be issued after examining the reports of the Rangachary Committee appointed to look into tax matters relating to Development Centres & IT Sector and Safe Harbour rules for a number of sectors.
- ▶ Fifth large tax payer unit to open at Kolkata shortly.
- ▶ A number of administrative measures such as extension of refund banker system to refund more than USD 918.86, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.

Indirect Taxes

- ▶ No change in the normal rates of 12 percent for excise duty and service tax.
- ▶ No change in the peak rate of basic customs duty of 10 percent for non-agricultural products.

Customs

- ▶ Period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.
- ▶ Duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 to 5 percent.
- ▶ Duty on pre-forms precious and semi-precious stones reduced from 10 to 2 percent.
- ▶ Export duty on de-oiled rice bran oil cake withdrawn.
- ▶ Duty of 10 percent on export of unprocessed ilmenite and 5 percent on export on ungraded ilmenite.
- ▶ Concessions to air craft maintenance, repair and overhaul (MRO) industry.
- ▶ Duty on Set Top Boxes increased from 5 to 10 percent.
- ▶ Duty on raw silk increased from 5 to 15 percent.
- ▶ Duties on Steam Coal and Bituminous Coal equalised and 2 percent custom duty and 2 percent CVD levied on both kinds coal.
- ▶ Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.
- ▶ Duty free gold limit increased to USD 918.86 in case of male passenger and USD 1,837.47 in case of a female passenger subject to conditions.

Excise duty

- ▶ Relief to readymade garment industry. In case of cotton, zero excise duty at fibre stage also. In case of spun yarn made of man made fibre, duty of 12 percent at the fibre stage.
- ▶ Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.
- ▶ To provide relief to ship building industry, ships and vessels exempted from excise duty. No CVD on imported ships and vessels.
- ▶ Specific excise duty on cigarettes increased by about 18 percent. Similar increase on cigars, cheroots and cigarillos.
- ▶ Excise duty on SUVs increased from 27 to 30 percent. Not applicable for SUVs registered as taxis.
- ▶ Excise duty on marble increased from USD 0.55 per square meter to USD 1.10 per square meter.
- ▶ Proposals to levy 4 percent excise duty on silver manufactured from smelting zinc or lead.
- ▶ Duty on mobile phones priced at more than USD 36.78 raised to 6 percent.
- ▶ MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.

Service Tax

- ▶ Maintain stability in tax regime.
- ▶ 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.
- ▶ For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of USD 0.18 million or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from 75 to 70 percent.
- ▶ Out of nearly 1.7 million registered assesses under Service Tax only 0.7 million file returns regularly. Need to motivate them to file returns and pay tax dues. A onetime scheme called 'Voluntary Compliance Encouragement Scheme' proposed to be introduced. Defaulter may avail of the scheme on condition that he files truthful declaration of Service Tax dues since 1st October 2007.
- ▶ Tax proposals on Direct Taxes side estimated to yield to USD 2,444.32 million and on the Indirect Tax side USD 863.68 million.

Good and Services Tax

- ▶ A sum of USD 1,653.78 million towards the first instalment of the balance of CST compensation provided in the budget.
- ▶ Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.

Useful Weblinks

[Union Budget of India](#)
[Central Board of Excise and Customs](#)
[Central Board of Direct Taxes](#)



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