



UNION BUDGET 2011

Bird's Eye View of Tax Proposals in The Budget 2011

DIRECT TAXES

- Exemption limit for general category of individual taxpayers enhanced from Rs. 1,60,000 to Rs. 1,80,000 giving uniform tax relief of Rs. 2,000
- Exemption limit enhanced and qualifying age reduced for senior citizens from 65 to 60
- Higher exemption limit for very Senior Citizens, who have attained the age of 80 Years
- Current surcharge of 7.5% on domestic companies reduced to 5%
- Rates of Minimum Alternative Tax (MAT) increased from 18% to 18.5% of book profits on corporate entities
- Tax incentive extended to attract foreign funds financing of infrastructure
- Additional deduction of Rs. 20,000 for investment in long term Infrastructure bonds extended for one more year
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- Lower rate of 15% tax on dividends received by an Indian company from its foreign subsidiary

- Benefit of investment linked deduction extended to business entities engaged in the production of fertilizers
- Investment linked deduction on payments made to national laboratories, Universities and Institutes of Technology to be enhanced to 200 %
- System of collection of information from foreign tax jurisdictions to be strengthened

INDIRECT TAXES

- To stay on course for transition to GST
- Constitution Amendment Bill for introduction of GST to be introduced in the current session of Parliament
- Pilot E-portal to be set up in collaboration with 11 states by June, 2011
- Central Excise Duty to be maintained at standard rate of 10%
- Reduction in number of exemptions in Central Excise rate structure
- Nominal Central Excise Duty of 1% imposed on 130 items entering in the tax net
- Lowest slab of Central Excise Duty enhanced from 4% - 5%
- Optional levy on branded garments or made up to be converted into a mandatory levy at an unified rate of 10%
- Peak rate of Custom Duty held at its current level

EXCISE DUTY

- An excise duty of 5% is being imposed on automatic looms & projectile looms

- Exemption from excise duty available to clearances upto 3500 tons of paper manufactured from non-conventional material is being withdrawn
- Full exemption from excise duty is being withdrawn on micro-processors for computers, other than mother boards, floppy disc drives, hard disc drives, CDROM Drives, DVD Drives/DVD writers, flash memory & combo drives meant for fitment inside the CPU or laptop. These goods will attract a concessional rate of excise duty of 5%
- Excise Duty exemptions are being extended to food/agro processing industry & capital goods sector

SERVICE TAX

- Standard rate of Service Tax retained at 10%, while seeking a closer fit between present regime and its GST successor
- Hotel accommodation in excess of Rs. 1,000 per day and service provided by air conditioned restaurants that have license to serve liquor added as new services for levying Service Tax
- Tax to be imposed on all services by hospitals with 25 or more beds with facility of central air conditioning
- Service Tax on air travel both domestic and international raised
- Scope of life insurance service being widened to cover all services provided to a policy holder or any person by an insurer, including reinsurer carrying on life insurance business. Composition rate increased from 1% to 1.5%
- Scope of club or association service being expanded to include services provided to non-members within its ambit
- Scope of Authorized Service Station Service being expanded
- Definition of Business Support Services being amended to include services provided by way of operational or administrative assistance in any manner

- Scope of legal consultancy services being expanded to include within its ambit:
 - Services provided by a business entity to individuals in relation to advice, consultancy or assistance in any branch of law in any manner
 - Representational service provided by any person to any business entity (representational services provided to individuals will continue to be exempt); and
 - Services of arbitration provided by an arbitral tribunal to any business entity
- In commercial training or coaching services, the definition of commercial training or coaching centre is being amended to include all unrecognised courses within the tax net irrespective of the fact that such courses are conducted by an institute which also conducts courses which may lead to grant of a recognised degree or diploma
- The scope of Health services being expanded
- All individual and sole proprietor tax payers with a turnover Rs. 60 lakh freed from the formalities of audit
- To encourage voluntary compliance the penal provision for Service Tax are being rationalised. Similar changes being carried out in Central Excise and Customs Laws

OTHER PROPOSALS

- Scope of exemptions from basic Custom Duty for work of art and antiquities extended to apply for exhibition or display in private art galleries open to the general public
- Exemptions from Import Duty for spares and capital goods requires for ship repair units extended to import by ship owners
- Concessional basic Custom Duty of 5% and CVD of 5% available to newspaper establishments for high speed printing presses extended to mailroom equipment

- Jumbo rolls of cinematographic film fully exempted from CVD by providing full exemption from Excise Duty
- Outright concession to factory built ambulances from Excise Duty
- Relief measures proposed for raw pistachio, bamboo for agrabatii, lactose for the manufacture of homeopathic medicines, sanitary napkins
- Proposals relating to Customs and Central Excise estimated to result in a net revenue of Rs. 7,300 crore

Proposals relating to transfer pricing regulations and transactions

5 % Range Section 92C:

Through Finance Bill 2011, it is proposed that instead of “5%” variation in price as allowed currently in section 92 (C), the central government will notify “certain percentage” through the official gazette. This amendment is proposed to take effect from 1st April 2012.

Power of Transfer pricing officer (TPO):

Computation of arm's length price of international Transaction.

It is proposed to introduce “sub section (2A)” which will grant power to the TPO to compute the arm's length price of the newly identified international transactions even though they may not be referred by the Assessing Officer for computation of arm's length price.

Power of Survey:

It is proposed to amend sub section (7) of 92 CA to give additional power to the TPO to conduct the survey as embedded under section 133A of the Act. These amendments are proposed to take effect from 1st June 2011.