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1. A BIRD'S EYE VIEW

1.1 Direct Taxes

- Enhancement of Income Tax slabs.
- Surcharge on domestic companies reduced to 7.5% from 10%.
- MAT increased to 18% from 15%.
- New Saral Form-II to be notified for salaried tax payers.
- No disallowance u/s 40(a)(ia) – if tax paid before the due date of filing the return of income.
- Limits of Tax audit increased as under :
 - For Business - Rs. 60 Lacs from Rs. 40 Lacs
 - For Professionals - Rs. 15 Lacs from Rs. 10 Lacs
- Limits of Presumptive tax, increased to Rs. 60 Lacs from Rs. 40 Lacs.
- Taxation of certain transactions without consideration or for inadequate consideration (Gifts) :
 - Bullion covered within the meaning of property.
 - Immovable property acquired without adequate consideration out of ambit of section 56.
 - Firms and companies covered for transactions in respect of shares of companies in which public is not substantially interested.
- Additional deduction of Rs. 20,000/- for investments in Long Term Infrastructure Bonds.
- Enhancement in threshold limits for TDS.
- Interest rate for late payment of TDS increased to 18% p.a. from 12% p.a.

- Conversion of LLP from small companies shall not be subjected to Capital Gains Tax.

1.2 Indirect Taxes

- Peak customs duty unchanged at 10%.
- Standard excise rate up from 8 to 10%.
- Service tax rate unchanged.
- 8 new services brought under the service tax net.
- The activity of construction would be deemed to be a taxable service provided by the builder / promoter / developer to the prospective buyer.
- It has been explicitly provided that the activity of 'renting' itself is a taxable service. The change has been given retrospective effect from 01.06.2007.
- Stimulus-led excise duty rollback partially reversed.

1.3 Prices of Commodities

- Customs duty on serially numbered gold bars (other than tola bars) and gold coins to be increased from Rs. 200 per 10 gram to Rs. 300 per 10 gram.
- Customs duty on other forms of gold to be increased from Rs. 500 per 10 gram to Rs. 750 per 10 gram.
- Customs duty on silver is increased from Rs.1000 per kg to Rs. 1500 per kg.
- Levy of Re. 1/litre excise duty on petrol.
- Large cars, SUVs excise up to 22% from 20%.
- Nominal duty of 4% electric cars.

1.4 The Economy & Reforms

- Industrial Sector growing at 8.2%
- Service Sector growing at 8.7%
- Manufacturing Sector growing at 8.9%
- Double digit Food Inflation figures - 19.8% in December 2009.
- Implementation of Direct Tax Code (DTC) and Goods and Service Tax (GST) by April 1, 2011.

1.5 Strengthening Transparency and Public Accountability

- The Government proposes to set up a Financial Sector Legislative Reforms Commission to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.
- Unique Identification Authority of India (UIDAI) - allocation of Rs. 1,900 crore to the Authority for 2010-11.
- Proposal to set up a Technology Advisor Group to look into various technological and systemic issues for Unique Projects under the Chairmanship of Mr. Nandan Nilekani.

1.6 Infrastructure

- Rs. 1,73,552 crore for infrastructure development in the country.
- Proposal to raise the allocation of road transport by over 13 per cent from Rs. 17,520 crore to Rs. 19,894 crore.

1.7 State Specific Allocation

- Rs. 200 crore towards the Textile Industry in Tamil Nadu.
- Rs. 200 crore for Goa to preserve the natural resources of the State by restoring the beaches.

1.8 Education

- Proposal to increase the allocation for school education from Rs. 26,800 crore in 2009-10 to Rs. 31,036 crore in 2010-11.

1.9 Health

- Ministry of Health and Family Welfare, from Rs. 19,534 crore to Rs. 22,300 crore for 2010-11.

2. ECONOMIC SURVEY – CHALLENGES & CONQUESTS

Indian Economy 2009-10

Despite being a year of recovery, 2009-10 has been difficult for policy makers in India and the world.

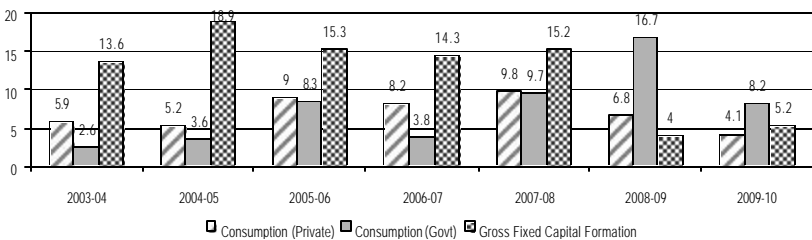
Policy makers were challenged to provide stimulus to counter the threat to growth.

- **A difficult start** : GDP growth slowed down in the second half of 2008-09 following the financial crisis. The effect of this spilled over
- **Monsoon** : The poor south-west monsoons resulted in a 0.2% decline in agricultural output. This was a drag on rural consumption and overall growth.
- **Food led inflation** : Poor monsoons and declining agricultural production led to food price inflation creating challenges for policy makers. Discretionary spending was affected as consumers were forced to spend a larger part of income on food.
- **Export recovery delayed** : Challenges faced by the developed world lead to a slower export recovery
- **Policy action and fiscal deficit** : The fiscal stimulus provided to the economy has resulted in the fiscal deficit reaching 6.5% compared to 4% average in the previous 5 years.
- **Global uncertainties** : The pace and shape of the recovery in advanced economies remains uncertain with a 3.2% decline in 2009 GDP and a likely 2.1% growth in 2010. For emerging economies, the modest 2.1% growth in 2009 is expected to be followed by a rise of about 6% in 2010.

THE CONQUESTS

Despite the challenges, 2009-10 has proved India's resilience and inherent strength.

- **'V' Shaped recovery** : In a matter of a few months, India witnessed a sharp recovery. This was confirmed by the 7.9% growth in Q2 2009-10.
- **Broad based recovery** : Seven out of eight sectors/sub-sectors show a growth rate of 6.5% or higher. The exception was agriculture.
- **Fiscal condition better relative to others** : Despite the fiscal stimulus, India's deficit, overall debt to GDP and interest servicing capacity is better than other countries. India has also a definitive roadmap for fiscal consolidation.
- **Structural positives to continue** : India has a number of long term structural positives like a young population, low urbanization and the growth of middle-income households. India's troubles are only cyclical and not structural like other countries.



3. DIRECT TAXATION (INCOME TAX)

3.1 Rates of Taxes for F.Y. 2010-11 (A.Y. 2011-12) :

i) In case of Individual, HUF, AOP and BOI other than woman assessee and senior citizen :

<i>Income Slabs</i>	<i>Rate of Tax</i>
Upto Rs. 1,60,000	NIL
Rs. 1,60,001 to Rs. 5,00,000	10 %
Rs. 5,00,001 to Rs. 8,00,000	20 %
Above Rs. 8,00,000	30 %

In case of Resident woman assessee (below 65 years) :

<i>Income Slabs</i>	<i>Rate of Tax</i>
Upto Rs. 1,90,000	NIL
Rs. 1,90,001 to Rs. 5,00,000	10 %
Rs. 5,00,001 to Rs. 8,00,000	20 %
Above Rs. 8,00,000	30 %

In case of Resident Senior Citizen :

<i>Income Slabs</i>	<i>Rate of Tax</i>
Upto Rs. 2,40,000	NIL
Rs. 2,40,001 to Rs. 5,00,000	10 %
Rs. 5,00,001 to Rs. 8,00,000	20 %
Above Rs. 8,00,000	30 %

Notes :

- 1) No Surcharge.
- 2) Education Cess @ 3% on tax.

Chart showing savings due to enhancement of income slabs for levy of tax :

	Male Assessee		Female Assessee		Senior Citizen	
	Proposed	Current	Proposed	Current	Proposed	Current
Total Income	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000
Tax Payable	96,820	1,48,320	93,730	1,45,230	88,580	1,40,080
Saving	51,500		51,500		51,500	

- ii) In case of Corporates, Minimum alternate tax has been raised to 18% from existing rate of 15%.
- iii) In case Domestic companies, surcharge has been reduced to 7.5% from the existing rate of 10%.
- iv) All other tax rates remain unchanged.

3.2 Streamlining the Definition of “Charitable Purpose”

At present “charitable purpose” has been defined in section 2(15) which, among others, includes “the advancement of any other object of general public utility”. However, “the advancement of any other object of general public utility” is not a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration.

To remove the hardships caused to organisations on account of absolute restriction on any receipt of commercial nature it is proposed to amend section 2(15) to provide that “the advancement of any other

object of general public utility" shall continue to be a "charitable purpose" if the total receipts from any activity in the nature of trade, commerce or business do not exceed Rs.10 lakhs in the previous year.

This amendment is proposed to take effect retrospectively from 1st April, 2009 and will, accordingly, apply in relation to the assessment year 2009-10 and subsequent years.

3.3 Income deemed to accrue or arise in India

Section 9 provides for situations where income is deemed to accrue or arise in India as per the source rule of taxation. Thus, for incomes by way of fees for technical services, income is deemed to accrue or arise in India even in case where services are provided outside India as long as they are utilized in India.

However, recently courts have interpreted the section to mean that for income to be taxable in India the services have to be rendered and also utilized in India.

As this is not the intention of the legislature, explanation to Sec. 9 is proposed to be amended to provide that for such income to be taxed in India it is not necessary that the non-resident should have rendered services in India.

3.4 Weighted deduction for scientific research and development expenditure

- 1) The weighted deductions available for expenditure on research or contribution to approved institutions, etc. for research have been enhanced as under ;

<i>Section</i>	<i>Particulars</i>	<i>Current</i>	<i>Proposed</i>
35(1)(ii)	Any sum paid to a research association which has as its object the undertaking of scientific research or to a university, college or other institution, college or other institution to be used for scientific research.	125%	175%
35(2AB)	Expenditure incurred by a company engaged in the business of bio-technology or in the business of manufacture or production of any drugs, pharmaceuticals, electronic equipments, computers, telecommunication equipments, chemicals or scientific research (excluding expenditure in the nature of cost of land or building) on in-house research and development facility as approved by the prescribed authority.	150%	200%
35(2AA)	Any sum paid by an assessee to a National Laboratory or a University or an IIT or a specified person with a specific direction that the said sum	125%	175%

	shall be used for approved scientific research programme.		
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- 2) The deduction u/s 35(1)(iii) available in respect of any sum paid for research in social science or statistical research is proposed to be made available for contribution made to a research association besides a university, college or other institutions.

It is also proposed that the income of research association specified in Sec. 35(1)(iii) will be exempt u/s 10(21).

3.5 Investment linked deduction for specified hotels

The investment linked deduction available u/s 35AD has been proposed to be extended to the hotel sector. Thus, business of building and operating a new hotel of two star or above category A as classified by the Central Government, anywhere in India, which starts functioning on or after 1.4.2010 will be eligible for 100 per cent deduction in respect of the whole of the expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively for the purposes of the business, in the previous year in which such expenditure is incurred.

It is also proposed to substitute sub-section (3) of section 35AD to provide that where a deduction under this section is claimed and allowed in respect of the specified business for any assessment year, no deduction shall be allowed under the provisions of Chapter VI-A.

3.6 Disallowance of expenses for TDS Defaults

Under the existing provisions in case where tax is deductible and is so deducted during the previous year other than in the month of March, but is not paid on or before the last day of the previous year, the expenses on which such tax was deducted, are disallowed even though the tax is paid before the due date of filing of return of income. The deduction for such expenses is allowed as a deduction in computing the income of the previous year in which such tax has been paid.

It is now proposed that, no disallowance of such expenses shall be made in case the tax deducted during the previous year is paid on or before the due date of filing of return of income.

This amendment will take effect retrospectively from 1st April, 2010, and will, accordingly, apply in relation to the assessment year 2010-2011 and subsequent years.

3.7 Audit of Accounts of certain persons carrying on business or profession

Under the existing provision of section 44AB every person carrying on business or profession needs to get his accounts audited if the total sales, turn over or gross receipts in case of a business or his gross receipts in case of a profession exceeds Rs. 40 Lacs or Rs. 10 Lacs respectively.

It is proposed to enhance the said limit from Rs. 40 Lacs and Rs. 10 Lacs to Rs. 60 Lacs and Rs. 15 Lacs respectively.

3.8 Failure to get accounts audited

Under the existing provision if any person fails to get his accounts audited in respect of any previous year relevant to an assessment year or furnish a report of such audit as required under section 44AB, he is liable to a penalty equal to $\frac{1}{2}$ % of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such previous year or a sum of Rs. 1 Lac, whichever is less.

It is proposed to enhance the said limit from Rs. 1 Lac to Rs. 1.5 Lacs.

3.9 Special provision for computing profits and gains of business on presumptive basis

Under the existing provision of this section only an eligible assessee engaged in an eligible business will be taxed on presumptive basis. Explanation to this section states that eligible business mean any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE and whose total turnover or gross receipts in previous year does not exceed Rs. 40 Lacs.

It is proposed to enhance the said limit from Rs. 40 Lacs to Rs. 60 Lacs.

3.10 Taxation of certain transactions without consideration or for inadequate consideration (Gifts)

Under the existing provisions of section 56(2)(vii), any sum of money or any property in kind which is received without consideration or for inadequate consideration (in excess of Rs. 50,000/-) by an individual or a HUF is chargeable to income tax in the hands of recipient under the head 'income from other sources', except, receipts from certain specified relatives or on the occasion of marriage or under a will, etc.

3.10.1 Bullion covered within the meaning of 'property'

As per the existing provisions, property for the purposes of section 56(2)(vii) includes immovable property being land or building or both, shares and securities, jewellery, archaeological collection, drawings, paintings, sculpture or any work of art.

It is proposed to include "Bullion" within the scope of property w.e.f. 01.06.2010.

Bullion refers to any precious metal in a form in which its primary value come from the worth of metal not from an artificial currency value. Bullion is most often traded in the form of coins minted by the national government or in bulk ingots.

Essentially therefore gold bars, coins etc come within the net of section 56 w.e.f. 01.06.2010.

Arguable silver utensils still remain out of the ambit of section 56.

3.10.2 'Property means only 'capital asset' in the hands of the recipient.

- Retrospective amendment to the definition of property w.e.f. from 01.10.2009 is made to clarify, that the property only in the nature of capital assets for the recipient are covered within the ambit of this section.
- 'Capital asset' means property of any kind held by an assessee, whether or not connected with his business or profession, but does not include any stock in trade, consumable or raw materials held for the purpose of his business or profession.
- It may be noted here that the test of the asset being a capital asset is to be viewed from the angle of the recipient. Therefore for a trader in gold, purchase of gold will be out of the purview of section 56 but for a consumer or an investor in gold, purchase of gold will fall within the ambit of the provision.

3.10.3 Immovable property acquired without adequate consideration out of the ambit of section 56

- In case of immovable property the existing provisions are as under
 - In a case where an immovable property is received without consideration and the stamp duty value of such property exceeds Rs. 50,000/-,

the whole of the stamp duty value of such property shall be taxed as the income of the recipient.

- If an immovable property is received for a consideration which is less than the stamp duty value of the property (inadequate consideration) and if the difference between the two exceeds Rs. 50,000/-, the difference between the stamp duty value of such property and such consideration shall be taxed as the income of the recipient.

It is proposed to delete transfer of immovable property for inadequate consideration from the tax net w.e.f. 01.10.2009, Consequently, any transfer of immovable property for inadequate consideration shall be outside the purview of this section.

The above amendment shall remove the double taxation impact because as per existing provisions if the immovable property is transferred without inadequate consideration, the transferor is required to pay tax on the basis of value prescribed u/s 50C and simultaneously the recipient is also liable to pay tax under section 56(2) again for which fair valuation is considered as per section 50C.

Further this will also remove the anomaly that in several cases of immovable property transactions, there is a time gap between the booking of a property and the receipt of such property on registration, which results in a taxable differential.

3.10.4 Firm and Companies also covered

- **Under existing provisions only individual and HUF were covered u/s 56(2)(vii).** It is proposed to include Firm and Company not being company in which public are substantially interested, if they receive shares of the company in which public is not substantially interested, w.e.f. 01.06.2010.
 - In a case where any shares are received without consideration and the aggregate fair market value exceeds Rs. 50,000/-, the whole of the aggregate fair market value shall be taxed as the income of the recipient
 - If shares are received for a consideration which is less than the aggregate fair market value (inadequate consideration) and if the difference between the two exceeds Rs. 50,000/-, the difference between the aggregate fair market value and such consideration shall be taxed as the income of the recipient.

It is also proposed that this amendment shall not apply to any such property being shares, received by way of a transaction not regarded as transfer under clause (via) or clause (vic) or clause (vicb) or clause (vid) or clause (vii) of section 47.

It is further proposed that cost of acquisition of the above property being shares for section 49(4) shall be the fair value considered for taxation u/s 56(2)(viiia).

3.10.5 Power to Assessing officer for Valuation

It is proposed to give power to Assessing officer to refer the case to Valuation Officer for determining fair market value of any property referred to in Section 56(2), w.e.f. 01.07.2010.

3.11 Deduction for developing and building housing projects

Under the existing provisions of section 80-IB(10), 100 per cent deduction is available in respect of profits derived by an undertaking from developing and building housing projects approved by a local authority before 31.3.2008. This benefit is available subject to the following conditions :

- a) the project has to be completed within 4 years from the end of the financial year in which the project is approved by the local authority;
- b) the built-up area of the shops and other commercial establishments included in the housing project should not exceed 5 per cent of the total built-up area of the housing project or 2,000 sq. ft., whichever is less.

In this budget, it is proposed to increase the period allowed for completion of a housing project from the existing 4 years to 5 years from the end of the financial year in which the housing project is approved by the local authority. This extension will be available for housing projects approved on or after 1.4. 2005.

Further, it is also proposed to enhance the current norms for built-up area of shops and other

commercial establishments in housing project to 3 % of the aggregate built-up area of the housing project or 5000 sq. ft., whichever is higher. This benefit will be available to projects approved on or after the 1.4.2005, which are pending for completion, in respect of their income relating to assessment year 2010-11 and subsequent years.

These amendments are proposed to take effect retrospectively from 1st April, 2010 and will, accordingly, apply in relation to the assessment year 2010-11 and subsequent years.

3.12 Deduction in respect of Long term infrastructure bonds

To promote investment in the infrastructure sector, it is proposed to insert section 80CCF to provide deduction for subscription made to long-term infrastructure bonds (as may be notified by the Central Government), to the extent of Rs. 20,000, in computing the income of an individual or a Hindu undivided family. The above deduction shall be in addition to the existing deduction of Rs. 1 lakh under section 80C, 80CCC and 80CCD of the Act.

3.13 Contribution made to The Central Government Health Scheme

It is proposed to allow deduction in respect of any contribution made to The Central Government Health Scheme (CGHS) by including such contribution under the provisions of section 80D.

3.14 Limited Liability Partnership (LLP) :

3.14.1 Concept; Conversion of Partnership Firm or a Private Limited Company or an Unlisted Public Company into an LLP :

Limited Liability Partnership (LLP) is an alternative entity for doing business. LLP essentially is a compromise between a partnership firm and a corporate entity. In other words, it is more rigid than a partnership firm and more flexible than a corporate entity. For comparative analysis of partnership firm, company and LLP refer para 3.14.13.

The LLP Act, 2008 and LLP Rules, 2009 are in place. However, as on date, no corresponding and harmonious amendments are carried out in the other related enactments such as VAT, Service Tax, Excise, Profession Tax etc. The provisions made in the Income Tax Act are by and large restricted to new LLP's.

The Finance Bill, 2010 contains proposals in relation to conversion of a private or an unlisted public company into an LLP. The said proposals in brief are as follows :

The Limited Liability Partnership Act, 2008 permits conversion of a private company or an unlisted public company into an LLP. However under the existing provisions of the Income Tax Act, the transfer of assets on conversion of a company into LLP attracts capital gain tax. Also the LLP will be denied carry forward of losses and unabsorbed depreciation of the company. The Finance Act, 2010

proposes to exempt the transfer of assets on conversion of a private limited company or an unlisted public company from capital gain tax if the following conditions are satisfied :

- 1) the total sales, turnover or gross receipts in business of the company do not exceed Rs, 60,00,000/- in any of the 3 preceding previous years;
- 2) all the assets and liabilities of the company immediately before the conversion become the assets and liabilities of the LLP;
- 3) the capital contribution and profit sharing ratios of all the shareholders becoming partners in the LLP are in the same proportion as their shareholding in the company on the date of conversion;
- 4) no consideration other than share in profit and capital contribution in the LLP arises to partners.
- 5) the aggregate of the profit sharing ratio of the shareholders of the company in the LLP shall not be less than 50% at any time during the period of 5 years from the date of conversion.
- 6) no amount shall be paid, directly or indirectly, to any partner out of balance of accumulated profit standing in the accounts of the company on the date of conversion for a period of 3 years from the date of conversion.

3.14.2 Unabsorbed business loss and depreciation of the company

If the above conditions are satisfied, the LLP will be eligible to carry forward and set off of business loss and unabsorbed depreciation of the company.

3.14.3 Value of assets for the purpose of depreciation

The written down value of the block of assets in the case of the company on the date of conversion shall be the cost of acquisition for the LLP.

3.14.4 Cost of capital assets in the hands of LLP

The cost of a capital asset in the hands of the company shall be deemed to be the cost in the hands of the LLP.

3.14.5 Where any of the above conditions stated in clauses (1) to (6) of para 3.9.1 above are not complied with, the amount of capital gain not charged and the set-off of loss or allowance of depreciation made in the hands of successor LLP shall be deemed to be the profits and gains / income chargeable to tax of the successor LLP in the year in which the said conditions are not complied with.

3.14.6 Unutilised MAT credit

LLP shall not be eligible to claim credit for the unutilized MAT credit of the company.

3.14.7 Amortization of voluntary retirement payments

Provisions of Sec 35DDA are proposed to be amended to provide that in case of succession of a private company or unlisted public company by a limited liability partnership, the unamortized portion of the payment made to an employee at the time of voluntary retirement shall be allowed as a deduction to the successor LLP on conversion.

3.14.8 A pertinent issue that still requires clarification is whether on conversion of a company into LLP, the accumulated profits of the company will be considered as distribution of dividend by the company?

3.14.9 Further, implications under allied laws still remain open such as, whether the transfer of assets by virtue of the conversion will attract stamp duty, etc.

3.14.10 Conversion of a partnership firm into LLP :

Though the issue of conversion of a company into a LLP has been addressed in this year's Budget proposals, there is still no clarity on conversion of a partnership firm into a LLP.

The definition of firm was amended by the Finance Act, 2009 to include an LLP as a firm for the purposes of the Income Tax Act. However, there were no clarifications regarding taxability on the conversion of a Firm into an LLP.

The memorandum to Finance Act, 2009 mentioned that "as an LLP and a general partnership is being treated as equivalent (except for recovery purposes) in the Act, the conversion from a general partnership firm to an LLP will have no tax implications if the rights and obligations of the partners remain the same after conversion and if there is no transfer of any asset or liability after conversion. If there is a violation of these conditions, the provisions of section 45 shall apply."

Except for the above statement in the Memorandum, there is no amendment carried out in the Act to support the above intention.

The intent of the legislature seems that a partnership firm converted into a LLP is no more than change of name, especially in view of the amendment carried out in the definition of partnership firm and partner. However this intent does not come out in so many words.

Even considering the memorandum to Finance Act, 2009 as a solace, the following issues arise out of the memorandum itself :

- 1) The memorandum mentioned that the rights and obligations of the partners should remain unchanged after conversion. However, no time frame is mentioned for the same.
- 2) The memorandum mentioned that there should not be any transfer of asset or liability after conversion- Here again, the time for which the assets and liabilities cannot be transferred is not mentioned.

3.14.11 Allied Laws

The ambiguity in respect of implications and the procedures under Profession Tax, VAT, Excise, Shop and Establishment Licence, Provident Fund and ESIC, Service Tax, Import Export Code, Export House Licence, etc. still continues.

3.14.12 Provisions under LLP Act

Apart from fulfilling the above conditions under the Income Tax Act 1961, one additional important condition prescribed under the Limited Liability Partnership Act, 2008 is that there should not be any security interest in the assets of the Company, i.e. secured loans, subsisting or in force at the time of application for conversion is to be fulfilled.

Further, upon conversion :

- 1) LLP has to inform concerned Registrar of Companies, within 15 days, about the same and the company shall be deemed to be dissolved and removed from the records of the Registrar of Companies.
- 2) All deeds, contracts, schemes, bonds, agreements, applications, instruments, arrangement, contract of employment, appointments and authority of the company shall be conferred on LLP.
- 3) All license, permits or approvals issued to the company under any other Act which is in force immediately before the date of registration of LLP can also apply to LLP subject to provisions of such other act.

3.14.13 COMPARATIVE ANALYSIS

<i>Sr. No.</i>	<i>Particulars</i>	<i>General Partnership</i>	<i>Company</i>	<i>LLP</i>
1	Legislation	Indian Partnership Act, 1932	The Companies Act, 1956	Limited Liability Partnership Act, 2008
2	Governing Document / Charter	Partnership Deed or, in its absence, as per Chapter III of the Act	Memorandum of Association and Articles of Association or Table A of the First Schedule to the Act	LLP Agreement or, in its absence, the First Schedule to the Act
3	Minimum Capital Contribution Requirement –	Not required	Rs. 1 lac for private limited company and Rs. 5 lacs for public limited company	Not required, but subject to LLP Agreement
4	Status of Entity	Not a separate legal entity	A separate legal entity, distinct from its members	A separate legal entity, distinct from its partners

5	Perpetual existence	No. On admission or cessation of a partner, dissolution or reconstitution	Yes. No effect on change in shareholder	Yes. No effect on change in partners.
6	Agency	Every partner is agent of firm and other partners.	Principle of Agency does not apply	Every partner is agent of only LLP but not of other partners.
7	Distribution of Profit	Can be fully shared	Can be distributed by way of Dividend / Bonus shares	Can be fully shared
8	Digital Signature	Not applicable	At least one director should obtain digital signature, for e-filing.	At least one designated partner should obtain digital signature, for e-filing. However, to obtain DPIN, the partner should

				possess digital signature.
9	Dissolution	By agreement, mutual consent, insolvency, certain contingencies, and by court order.	Company can be wound up either voluntarily or by the Tribunal	LLP can be wound up either voluntarily or by the Tribunal
10	Who can be a Partner / Shareholder	Any "person".	Any "person".	Any "individual" or "body corporate" as defined in 2 (1) (d) Specified as per section 5
11	No. of Partners / Members	Minimum 2 and Maximum 10 [Banking Firm] or 20 partners.	Private Company – minimum 2; Maximum 50. Public Company- Minimum 7; Maximum – No limit	Minimum 2 partners and there is no maximum limit

12	Designated Partners / Directors	No requirement.	Private Company: Minimum 2 directors. Public company: Minimum 3 directors:	At least 2 designated partners who are individuals and at least one of them must be resident of India.
13	Liability of partners / members for statutory compliance	All partners	Directors	Designated partners
14	Liabilities of Partners / Members	Unlimited, Partners are jointly and severally liable for acts of other partners and firm. Personal property of each partner is also liable.	Limited to the amount required to be paid up on the share subscribed	Limited to the extent of contribution made or agreed to be made in LLP, subject to certain exceptions.

15	Liability for income taxes due of the entity	Joint & several on all partners, in terms of section 188A	None in case of Public Limited Company. Limited joint and several, in other cases, on directors in terms of section 179	Limited joint and several liability on all partners in terms of section 167C
16	Remuneration to partner /director	Not possible unless provided in Partnership agreement.	Can be provided. Subject to ceilings in companies Act.	Not possible unless provided in LLP agreement.
17	Annual Returns	None	To be filed with the Registrar every year.	To be filed with the Registrar every year.
18	Annual Statement of Account & Solvency	None.	Annual Financial Statement has to be filed with ROC within 30 days of the conclusion of	Annual Statement of Account & Solvency as at the last day of financial year has to be filed with ROC

			annual general meeting.	within 30 days from the end of 6 months of financial year.
19	Statutory Audit	No specific provision.	Obligated to have accounts audited.	Obligated to have accounts audited, if turnover more than Rs. 40 Lacs or those having contribution of more than Rs. 25 Lacs.
20	Taxation	On the entity. Share of profit received by partners is tax free	On the entity plus Dividend Distribution Tax on distribution of divided. Dividend tax free in the hands of shareholder. But onerous provisions	On the entity. Share of profit received by the partners is tax free

			of MAT and Explanation to sec. 73 apply. In some cases, deemed dividend taxable in hands of shareholder u/s. 2 (22) and value of benefit taxable in the hands of directors, etc. u/s 2 (24) (iv)	
21	With respect to restrictions (Interest) remuneration to partner / director	As per section 40(b)	No restriction	As per Section 40 (b)

3.15 Minimum Alternate Tax (MAT)

Under the existing provisions of section 115JB of the Income Tax Act, a company is required to pay a Minimum Alternate Tax (MAT) on its book profit, if the income-tax payable on the total income is less than such MAT.

It is proposed to amend sub-section (1) of section 115JB to increase the MAT rate to 18% from the existing 15%.

3.16 Rationalisation of provisions relating to Tax Deduction at Source (TDS)

3.16.1 Enhancement of threshold limits

In order to adjust for inflation and to reduce the compliance burden of deductors and taxpayers, it is proposed to raise the threshold limit for TDS as under :

<i>Sr. No.</i>	<i>Section</i>	<i>Nature of Payment</i>	<i>Existing threshold limit of Payment (Rupees)</i>	<i>Proposed threshold limit of Payment (Rupees)</i>
1	194B	Winnings from lottery or crossword puzzle	5,000	10,000
2	194BB	Winnings from horse race	2,500	5,000
3	194C	Payment to contractors	20,000 (for a single transaction)	30,000(for a single transaction)

			50,000 (for aggregate of transactions during financial year)	75,000 (for aggregate of transactions during financial year)
4	194D	Insurance Commission	5,000	20,000
5	194H	Commission or Brokerage	2,500	5,000
6	194I	Rent	1,20,000	1,80,000
7	194J	Fees for professional or technical services	20,000	30,000

These amendments are proposed to take effect from 1st July, 2010.

3.16.2 Certificate of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS)

The existing provisions of section 203(3) of the Income-tax Act dispense with the requirement of furnishing of TDS certificates by the deductor to the deductee on or after 1st April, 2010. Similarly, under section 206C(5) of the Act, a collector of tax at source was also not be required to issue tax collection certificate to the person from whom tax has been collected on or after 1st April, 2010.

Considering the fact that the TDS / TCS certificate constitutes an important document for the

deductee / collectee, it is proposed that the deductor / collector will continue to furnish TDS / TCS certificates to the deductee/ collectee even after 1st April, 2010.

These amendments are proposed to take effect retrospectively from 1st April, 2010.

3.16.3 Increase in rate of interest where tax is deducted but not paid

Under section 201, in respect of instances where there is a delay in deduction or payment of tax deductible at source, simple interest @ 1% for every month or part of a month is payable on the amount of tax deductible from the date on which such tax was deductible to the date on which such tax is actually paid. The said provision is now proposed to be bifurcated in two parts as under :

Interest shall be chargeable :

- i) @ 1% for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted; and
- ii) @ 1.5% for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid.

In other words if tax is deducted and not paid the rate of interest applicable shall be 1.5%.

This amendment will take effect from 1st July, 2010.

3.16.4 TDS Chart Nature of Payments made to Resident	Threshold		Payee			
	01.04.2010 to 30.06.2010	01.07.2010 Onwards	Company	Partnership Firm / LLP / Co-op. Soc. / Local Authority	Individual, HUF, AOP & BOI	Notes
			Rate	Rate	Rate	
Interest on Securities	0	0	10	10	10	1
Other Interest	5,000	5,000	10	10	10	2
Winning from Lotteries	5,000	10,000	30	30	30	N.A.
Payment to Contractors / Sub-Contractors	20,000	30,000	2	2	1*	3
Insurance Commission	5,000	20,000	20	10	10	N.A.
Commission/Brokerage	2,500	5,000	10	10	10	N.A.
Rent of machinery plant or equipment	1,20,000	1,80,000	2	2	2	N.A.
Rent of land, building, or furniture	1,20,000	1,80,000	10	10	10	N.A.
Professional Fees	20,000	30,000	10	10	10	N.A.
Salary			N.A.	N.A.	**	

* TDS is to be deducted at the rate of 2% if the payee is an AOP or BOI.

** At the rates Applicable to Particular Slab of Income including, Education Cess.

Notes :

- 1)
 - a) Threshold limit in case of interest paid on debentures listed on stock exchange is Rs. 2,500.
 - b) Threshold limit in case of interest on 8% savings (Taxable) Bonds is Rs. 10,000.
 - 2) Threshold limit where the payer is a banking company, co-operative society engaged in the business of banking or on any deposit with Post Office under any notified scheme is Rs. 10,000.
 - 3)
 - a) TDS is not required if individual contract amount does not exceed Rs. 30,000 (Rs 20000 upto 30.06.2010) and aggregate payment to a payee does not exceed Rs.75000 (Rs 50000 upto 30.06.2010)
 - b) No TDS is required in case of payment of transporter quoting PAN. If PAN is not provided, tax is deductible @ 20%
 - 4) Surcharge @ 2.5% is leviable in case where payee is a company other than a domestic company
 - 5) The rate of TDS will be 20 % in all cases if PAN is not quoted by the deductee.
 - 6) **Education Cess**
 - a) Education cess @ 3% shall be leviable on TDS in respect of all non resident payees
 - b) In case of resident payees education cess @ 3% is leviable only in respect of TDS on payment of Salaries
 - 7) TDS on non resident payees in general will be governed by section 195 or other applicable provisions read with the DTAA with the country of their residence.
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4. INDIRECT TAXATION (SERVICE TAX)

4.1 Rate of Service Tax :

There is no change in rate of service tax. The service tax rate inclusive of education cess and higher education cess remains at 10.30%

4.2 FOLLOWING NEW SERVICES ARE INCLUDED IN SERVICE TAX NET (Effective from a date to be notified after the enactment of the Bill) :

4.2.1 Services of promoting, marketing or organizing of games of chance, including lottery :

Presently, this service is taxable under the category of Business Auxiliary Service. The services provided for promotion or marketing or organizing games of chance are now proposed to be covered by introducing a separate taxable category. The tax would be applicable also to such games conducted online. Consequently, the Explanation appearing under 'Business Auxiliary Service' is being deleted.

4.2.2 Health services :

The bill seeks to levy service tax on health check up or preventive care services undertaken by hospitals or medical establishments for the employees of business entities; and health services provided under health insurance schemes offered by Insurance companies.

The tax on these health services would be payable only to the extent payment for such medical check up or preventive care or treatment etc. is made directly by the business entity or the insurance company to the hospital or medical establishment.

4.2.3 Services provided for maintenance of medical records of employees of a business entity

Business organizations maintain medical histories of their employees which are used not only for medical purposes but also for finding the suitability of a person for a particular job or for promotion etc. Such records are either maintained by certain designated hospitals or even by independent record keepers for a charge. This activity is now being brought under service tax.

4.2.4 Services of promoting of a 'brand' of goods, services, events, business entity, etc.

The bill seeks to levy service tax on services provided under a contract for promotion or marketing of a brand of goods, service, event or endorsement of name, including a trade name, logo or house mark of a business entity by appearing in advertisement and promotional event or carrying out any promotional activity for such goods, service or event.

Here, "brand" includes symbol, monogram, label, signature or invented words which indicate connection with the said goods, service, event or business entity.

4.2.5 Services of permitting commercial use or exploitation of any event organized by a person or organization

The proposed service now seeks to tax the amount received by the person or organization, who permits the recording and broadcasting of the event from the broadcaster, or any other person, who seeks to commercially exploit the event.

4.2.6 Services provided by Electricity Exchanges

The proposed new service seeks to tax the charges recovered for services in relation to assisting, regulating, controlling the business of trading, processing and settlement pertaining to sale or purchase of electricity by the associations authorized by Central Electricity Regulatory Commission.

4.2.7 Copyrights on cinematographic films and sound recording

The existing taxable service 'Intellectual Property Right (IPR)' excludes copyright from its scope. The proposed new service seeks to tax Copyrights on (a) cinematographic films and (b) sound recording. However, copyright on original literary, dramatic, musical and artistic work would continue to remain outside the scope of service tax

4.2.8 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

The scope of the existing services i.e. 'Construction of Commercial or Industrial Structures' and 'Construction of Residential Complexes', includes construction, completion and finishing, repairs, alterations, renovation or restoration of complexes. In addition to these activities, the builders of residential or commercial complexes provide other facilities, which include providing preferential location or external/internal development of complexes, and charge separately for them and these charges do not form part of the taxable value for charging tax on construction. Since these charges are in the nature of service provided by the builder to the buyer of the property over and above the construction service, such charges are being brought under the new service. Charges for providing parking space have been specifically excluded from the scope of this service.

4.3 SCOPE OF CERTAIN EXISTING TAXABLE SERVICES EXTENDED / ALTERED AS FOLLOWS (Effective from a date to be notified after the enactment of the Bill) :

4.3.1 'Air Passenger Transport Service' [section 65 (105) (zzzo)]

In 2006, tax was imposed on international air travel by a passenger embarking in India and traveling in higher [other than economy] classes, which is now extended to cover all domestic and international air passengers embarking in India.

4.3.2 'Information Technology Software Service' [section 65 (105) (zzze)]

Existing provisions of Service Tax regarding taxability of 'Information Technology Software Service' was limited to cases where such IT software were exploited for commercial or business purposes. The definition of this taxable service is being suitably amended to extend this levy to cover the aforesaid IT software services provided in all cases i.e. whether or not used in the course or furtherance of business or commerce.

4.3.3 Modification in definition of 'Commercial Training or Coaching Service' [section 65 (105) (zcc)]

The use of the word 'commercial' in the definition has led to certain unintended consequences. By inserting an Explanation, it is clarified that the word 'commercial' means any training or coaching that is provided for a consideration irrespective of the presence or absence any profit motive. This amendment is being carried out retrospectively (from 1st July 2003).

4.3.4 Sponsorship Service

At present, sponsorship services other than Sports provided to Body corporate or firm are taxable. The amendment seeks to expand levy to any person instead of body corporate or firm and remove the exclusion relating to sponsorship pertaining to sports.

4.3.5 'Construction of Complex service' [section 65 (105) (zzzh)], and 'Commercial or industrial construction service' [section 65 (105) (zzq)],

The service tax on construction of commercial or industrial construction services was introduced in 2004 and that on construction of complex was introduced in 2005. An explanation is being added to expand the scope of the existing service to provide that unless the entire payment for the property is paid by the prospective buyer or on his behalf after the completion of construction (including its certification by the local authorities), 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.

4.3.6 Amendments in the definition of the taxable service 'Renting of immovable property' [section 65 (105) (zzzz)]

This service was introduced in 2007 with a view to tax the commercial use of immovable property hired on rent. However, the Hon'ble High court of Delhi in its order dated 18.04.2009 in the case of Home Solutions Retail India Ltd. & Others vs. UOI has struck down this levy by observing that the renting of immovable property for use in the course of furtherance of business or commerce does not involve any value addition and therefore, cannot be regarded as service. In order to clarify the legislative intent and also bring in certainty in tax liability the

relevant definition of taxable service is being amended to

- i) provide explicitly that the activity of 'renting' itself is a taxable service. The change has been given retrospective effect from 01.06.2007; and
- ii) levy service tax on rent of vacant land where there is an agreement or contract between the lessor and lessee for undertaking construction of buildings or structures on such land for furtherance of business or commerce during the tenure of the lease.

4.3.7 Amendment in the definitions of the taxable services, namely the 'Airport Services' [section 65 (105) (zzm)], the 'Port Services' [section 65 (105) (zn)] and the 'Other Port Services' [section 65 (105) (z)]

Definitions of 'Airport Services, 'Port services' and 'other port services' are being amended to provide that,-

- a) all services provided entirely within the airport/port premises would be classified under these services; and
- b) an authorization from the airport/port authority would not be a pre-condition for taxing these services.

4.3.8 Clarification of definition of the taxable service 'Auctioneer's Service' [section 65 (105) (zzr)]

Auctioneer's service was introduced in 2006 and is applicable to any service provided in relation to

auction of property whether moveable or immovable, tangible or intangible. However, the service, by definition excludes 'auction by government'.

In order to avoid the confusion, it is being clarified through an explanation that the phrase 'auction by government' appearing in the taxable service, namely Auctioneer's service' means an auction where government property is being auctioned and not when the government acts as an auctioneer for the private goods.

4.3.9 The definition of the taxable service 'Management of Investment under ULIP Service' [section 65 (105) (zzzt)]

Unlike in the mutual fund industry, where the funds are managed by an independent Asset Management Company (which is a separate legal entity), in case of ULIP the funds are managed by the insurance company itself. Thus, it is difficult to ascertain the component of the total charges that is attributable to the management of investment.

Since the charge pertaining to asset management alone should form the value for taxable purpose, the explanation provided under the definition of the taxable service is being suitably amended to provide that that the value of the taxable service for any year of the operation of policy shall be the actual amount charged by the insurer for management of funds under ULIP or the maximum amount of fund

management charges fixed by IRDA, whichever is higher.

4.4 Other amendments made to the Finance Act, 1994

4.4.1 By insertion of explanation to sub-section (3) of Section 73, it is clarified that where service tax along with interest has been paid, no penalty shall be imposed.

(This would be effective from the date of enactment of the Finance bill, 2010).

4.4.2 The term 'Business Entity' which was not defined is now defined to include an association of persons, body of individuals, company or firm but does not include an individual.

(This would be effective from a notified date after the enactment of the Finance bill, 2010).

4.5 Amendments in Rules & Existing Notifications :

The following changes would come into effect immediately unless specified otherwise :

4.5.1 Changes in Export of Service Rules 2005 :

- For exports of service, taxable services which are shifted from performance based categories to other categories is as follows :
 - i) Mandap Keeper Service has been shifted from the performance related services to immovable properties related services.

ii) Three services namely 'Chartered Accountant service', 'Cost Accountant service' and 'Company Secretary Service' have been shifted from performance related services to residuary category of services

(Notification No. 06/2010 dated 27.02.10)

- For treatment of any taxable service as export of service two additional conditions were to be satisfied namely :
 - a) such service is provided from India and used outside India and
 - b) Payment of such service is received in convertible foreign exchange.

These conditions have been amended and now only one additional condition needs to be satisfied which is that the payment should be received in convertible foreign exchange. (Notification No. 06/2010, dated 27.02.2010)

4.5.2 Changes in Taxation of services (Provided from Outside India and Received in India) Rules, 2006

For import of service, taxable services which are shifted from performance based categories to other categories is as follows :

- 1) Mandap Keeper Service has been shifted from the performance related services to immovable properties related services.
- 2) Three services namely 'Chartered Accountant service', 'Cost Accountant service' and 'Company Secretary Service' have been shifted from

performance related services to residuary category of services

(Notification No. 16/2010 dated 27.02.10)

4.6 Exemption from Service Tax :

The following exemptions would be effective immediately :

4.6.1 Air Passenger Transport Service :

Statutory taxes charged by any government (including foreign governments, where a passenger disembarks) on air passenger would be excluded from taxable value for the purpose of levy of service tax under the Air Passenger Transport Service. (Notification No.15/2010-ST, dated 27.02.10).

4.6.2 Erection, commissioning or installation service :

Under the 'Erection, commissioning or installation service' exemption is provided to services relating to 'Erection, Commissioning or Installation' of :

- a) Mechanized Food Grain Handling Systems , etc.
- b) Equipment for setting up or substantial expansion of cold storage; and
- c) Machinery / equipment for initial setting up or substantial expansion of units for processing of agricultural, apiary, horticultural, dairy, poultry, aquatic, marine or meat products. (Notification No. 12/2010-ST, dated 27.02.10)

4.6.3 IT Software Service :

Packaged I.T. software, pre-packed in retail packages for single use, is being exempted from service tax leviable under IT Software Service, subject to following conditions :

- i) document providing the right to use such software, by whatever name called, if any, is packed along with the software;
- ii) the manufacturer, duplicator, or the person holding the copyright to software/ importer has paid the appropriate duties of excise/customs on the entire amount received from the buyer; and
- iii) the benefit under notification No. 31/2010– Customs/ notification No. 17/2010– Central Excise, dated the 27th of February, 2010 is not availed of by the importer/ manufacturer, duplicator, or the person holding the copyright to software. (Notification No. 2/2010-ST, Notification No. 17/2010-ST dated 27.02.10)

4.6.4 Transport of goods by road service :

At present, exemption from service tax is available to transport of fruits, vegetables, eggs or milk by road by a goods transport agency. The scope of exemption is being expanded by including food grains and pulses in the list of exempted goods (Notification No.4/2010-ST, dated 27.02.2010).

4.6.5 Business Auxiliary Service :

Exemption from service tax is being provided to Indian news agencies under 'Online Information and

Database Retrieval Service' and 'Business Auxiliary Service' only if –

- such news agency is notified as a news agency set up in India solely for collection and distribution of news;
- such news agency applies its income or accumulates it for collection and distribution of news and does not distribute its income in any manner to its members. (Notification No. 13/2010-ST, dated 27.02.10).

4.6.6 Exemption from service tax is being provided to the 'Technical Testing and Analysis Service' and 'Technical Inspection and certification service' provided by Central and State seed testing laboratories, and Central and State seed certification agencies (Notification No.10/2010-ST, dated 27.02.2010).

4.6.7 Exemption from service tax is being provided to the transmission of electricity (Notification No.11/2010-ST, dated 27.02.10).

4.7 AMENDMENTS TO OR WITHDRAWAL OF EXISTING EXEMPTION (Unless otherwise specified, these come into effect immediately)

4.7.1 Transport of goods by rail :

Exemption from service tax on service provided in relation to 'Transport of Goods by Rail' by notification No.33/2009, dated 1st September, 2009 is being withdrawn and it is now restricted to transport of specified goods only. However an abatement of 70% of the gross value of the freight

charged on goods (other than exempted goods) is being provided. This will come into force from 01/04/10. (Notification No. 07/2010-ST, 08/2010-ST, 09/2010-ST dated 27.02.2010)

4.7.2 Commercial Training or coaching service

The exemption from service tax on 'Commercial training or coaching service' extended to vocational training institutes vide notification No. 24/2004-ST dated 10.09.2004 is being limited by introducing a new definition of vocational training institutes. Service tax exemption will be available only to industrial training institutes or industrial training centres affiliated to National Council of Vocational Training (NCVT) and offering courses in the designated trades covered under Schedule I of the Apprentices Act, 1961. (Notification No. 03/2010-ST, dated 27.02.10)

4.7.3 Notification No. 5/2006-CE (NT) is being amended and given partial retrospective effect to remove the bottlenecks in refund of accumulated credit to the exporters.

5. INDIRECT TAXATION (CUSTOMS)

5.1 CHANGES IN THE RATES OF CUSTOM DUTY

5.1.1 The Customs Duty on Crude Petroleum, Motor Spirit (petrol), HSD (diesel) and other specified petroleum products is increased by 5%.

5.1.2 Certain specified goods namely, ready-made garments, mobile phones, watches, Carbon Black Feedstock, waste paper and paper scrap are being exempted from additional duty of customs of 4%.

5.1.3 Mono Rail Projects for urban transport would attract concessional rate of 5% basic customs duty.

5.1.4 Concessional rate of customs duty on machinery items required for setting up solar power generation projects and also by granting full exemptions from Basic Customs Duty on specified parts of cars, two wheelers, etc.

5.1.5 Health Sector

- All medical equipments (with some exceptions) will now attract 5% basic customs duty, 4% CVD / excise duty and Nil special additional duty of customs [i.e. effective duty of 9.2%]
- Parts required for the manufacture of accessories of medical equipment will also attract 5% concessional basic customs duty with Nil special CVD.

5.1.6 Electronics Hardware

- Exemption from 4% special additional duty of customs presently available upto 06.07.2010 to the parts of manufacture of mobile handsets is also being extended to battery chargers and handsfree of mobile handsets upto 31.03.2011.

5.1.7 The current limit of Rs. 1 lakh per annum for duty free import of samples is being enhanced to Rs. 3 lakh per annum.

5.1.8 Gold ore and concentrate are being fully exempted from basic customs duty and special additional duty of customs. However, CVD @ Rs.140 per 10 gram of gold content will be chargeable.

5.1.9 Electrical energy supplied from a Special Economic Zone to the Domestic Tariff Area and non - processing areas of SEZ would now attract duty of

16% ad valorem + Nil Special CVD. This change is being made retrospectively w.e.f. 26th June, 2009.

6. INDIRECT TAXATION (CENTRAL EXCISE)

6.1 AMENDMENT IN EXCISE DUTY RATES

6.1.1 The excise duty rate on non-petroleum products is being increased from 8% to 10%.

6.1.2 Ad-valorem component of excise duty on large cars, Multi Utility Vehicles and Sports Utility Vehicles etc. and chassis thereof is being increased from 20% to 22%.

6.1.3 The rates of excise duty on Motor Spirit (petrol) and HSD (diesel) are being increased by Re.1 per litre.

6.1.4 Clean Energy Cess is being imposed on coal, lignite and peat produced in India. This cess would be levied and collected as a duty of excise with effect from a date to be notified after the enactment of the Finance Bill, 2010.

6.1.5 OTHER RELIEF :

- W.e.f. 01.04.2010, following benefits are being provided to SSI units :
 - a) Full Cenvat credit on capital goods in one instalment in the year of receipt of such goods.
 - b) Facility of payment of excise duty on quarterly basis.
- The due date for filing of Central Excise returns by SSI units is being advanced to the 10th of the month following the quarter.
- The relaxation from brand name restriction under the general SSI exemption scheme is being extended to plastic bottles and plastic containers used as packing material.

- Refined serially numbered gold bars made from the ore/concentrate stage will now attract excise duty of Rs.280 per 10 grams (instead of 8% ad valorem) with Cenvat credit facility on inputs and capital goods.
- Excise duty on DTA clearances of plain gold and silver jewellery manufactured by a 100% EOU is being increased from :
 - i) Rs. 500 per 10 gram to Rs. 750 per 10 gram for gold jewellery; and
 - ii) Rs. 1000 per kg to Rs. 1500 per kg. for silver jewellery.

6.1.6 Excise duty is being reduced from 8% to 4% on :

- Replaceable kits for all household type water filters (except those operating on RO technology)
- Corrugated boxes / cartons manufactured by stand-alone manufacturers
- Latex rubber thread.
- LED lights / lighting fixtures

6.2 RATIONALIZATION MEASURES :

- The rate of duty on all ceramic tiles is now being unified at 10% with Cenvat credit facility.

6.3 WITHDRAWAL OF EXEMPTIONS/CONCESSIONS :

- Mosquito nets impregnated with insecticides; Av gas; Microprocessor for computers (other than motherboard), Floppy disk drive, Hard disk drive, flash drive, CD/DVD and Combo Drive meant for external use will attract excise duty of 4%.

This document has been prepared as a service to clients. It summarises the Union Budget 2010-2011 and the recent policy changes. We recommend you to seek professional advice before taking action on specific issues.