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Budget – 2013

Highlights

I. DIRECT TAXES

A. Income Tax

1. **Rates Of Income Tax**

   - There has been n**o change** in the rate of **Personal** as well as **Corporate Income Tax.**

2. **Rebate of Rs.2000 for Resident Individuals having total Income upto Rs. 5.00 Lakhs**

   - It is proposed to introduce **Section 87A** so as to provide a **tax rebate of Rs.2000/-** to every **Resident Individual** whose **total income does not exceed Rs.5,00,000/-**. Consequently any Individual having taxable income upto Rs.2,20,000/- will not be required to pay any tax and every Individual having total Income above Rs.2,20,000/- but not exceeding Rs.5,00,000/- shall get a tax rebate of Rs.2,000/- **(Applicable w.e.f A/Y 2014-15)**

3. **Super Rich Tax**

   - Every **Individual, HUF, AOP, BOI, AJP, Cooperative Society, Firm and Local Authority** having **total income exceeding Rs.One Crore** shall be liable to pay a **surcharge of @10% of Income Tax**. This Surcharge shall be for 1 Year only. **(Applicable w.e.f A/Y 2014-15)**

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- **Surcharge** on **Domestic Companies** whose **total income exceeds Rs.Ten Crores** has been **increased from 5% to 10%** of Income Tax. Effective **Minimum Alternate Tax** (MAT) on such companies stands revised **from 20% to 20.96%**. **(Applicable w.e.f A/Y 2014-15)**

- **Foreign Companies** having **Income in excess of Rs. Ten Crores** has been **increased from 2% to 5%** of the Income Tax. **(Applicable w.e.f A/Y 2014-15)**

- **Surcharge** on **Dividend Distribution Tax** (Section 115-O) and **Withholding Tax on Buy Back of Shares** (Section 115QA) shall now be levied @**10%** of Income Tax. **(Applicable w.e.f A/Y 2014-15)**

4. <u>Additional Deduction in respect of Interest on Home Loan to First Home Buyer</u>

- A new **Section 80EE** is proposed to be introduces to allow deduction upto Rs.1,00,000/- in respect of Interest on Loan taken from a financial Institution for acquisition of a residential house, provided :

  (i) that the loan is sanctioned during the period from 01/04/2013 to 31/03/2014,
  (ii) the amount of loan sanctioned does not exceed Rs.25,00,000/-
  (iii) the value of Residential House for which Loan is taken does not exceeds Rs.40,00,000/- and
  (iv) the Assessee does not own any Residential house on the date of Sanction of loan.

  It is further provided that, in a case where the Interest Payable for the previous year 2013-14 relevant to Asst. Year 2014-15 is less than Rs.1,00,000/-, the balance amount shall be allowed in the next Assessment Year i.e. A.Y 2015-16**. (Applicable w.e.f A/Y 2014-15)**

5. <u>Rajiv Gandhi Equity Savings Scheme Liberalised</u>

- Scope of deduction and its eligibility under section 80CCG has been expanded so as to include 'Investment in Listed units of an Equity Oriented Funds' being also eligible for deduction. Further the deduction under this Section shall now be **allowed for 3 consecutive assessment years** beginning with assessment year relevant to the previous year, in which the investment is first made by a new retail investor whose **Gross Total Income** for the relevant assessment year **does not exceed Rs.12 Lakhs**.(Earlier it was Rs. 10 Lakhs). **(Applicable w.e.f A/Y 2014-15)**

6. <u>Donation to National Children's Fund</u>

- **<u>Sec 80G</u>**- Rate of Deduction in respect of Donation made to National Children's Fund has been increased from 50% to 100%.**(Applicable w.e.f A/Y 2014-15)**

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7. T.D.S on Transfer of Immovable Properties(Other than Agricultural land)

- Section 194-IA is proposed to be introduced so as to provide that T.D.S @1% shall be deducted by every buyer(Transferee) of Immovable Property (Other than Agricultural land) having consideration of Rs. 50 lakhs or more, at the time of making payment or Crediting of any sum as Consideration for Transfer of such Immovable property to a Resident Seller(Transferor). **(Applicable w.e.f 1st June 2013)**

8. Additional Income Tax on Buy Back of Unlisted Shares

- A new Chapter XII-DA is proposed to be introduced to levy additional Income Tax @ 20% of the consideration paid by the company for purchase(buy back) of its own unlisted shares in excess of sum received by the company at the time of issue of such shares. In such cases, the income arising to the shareholders in respect of such buy back by the company would be exempt from tax**. (Applicable w.e.f 1st June 2013)**

9. Investment Allowance

- A new Section 32AC is proposed to be introduced to provide a deduction of 15% of cost of **new assets** acquired or installed during financial year 2013-14 & 2014-15 provided that :-

  (a) the assessee is a Company.
  (b) is engaged in a business of manufacture of an article or thing and
  (c) Invests a sum of more than Rs.100 crores in **new** Plant & Machinery (other than computers/softwares/vehicles/office equipments etc.) during the period beginning from 01/04/2013 to 31/03/2015.

  It is further proposed to restrict the transfer of such plant & machinery for a period of 5 years except in the case of Amalgamation or Demerger. **(Applicable w.e.f A/Y 2014-15)**

10. New Section 43CA

is proposed to be introduced on the lines of Section 50C of the Income Tax Act. It provides that where the consideration for a transfer of an Immovable Property held as stock in trade, is less than the stamp duty value, then its Stamp Duty Value shall be deemed to be the full value of the consideration for the purposes of computing Income Under the head “Profits and Gains from Business or Profession”

In those cases where amount of consideration or a part thereof for the transfer has been received by any mode other than cash on or before the date of the agreement & **w**here the date of an agreement and the date of registration of the transfer of the asset are not same, the stamp duty value may be taken as on the date of the agreement for transfer. **(Applicable w.e.f A/Y 2014-15)**

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11. Taxability of Immovable Property for Inadequate Consideration

- Scope of Section 56(2)(vii)(b) is proposed to be expanded so as to include within its ambit, cases pertaining to immovable property received by an Individual or HUF for inadequate consideration (earlier it was only without consideration). In all such cases the stamp duty value of such Property in excess of such consideration shall be chargeable to tax in the hands of an Individual or HUF as "Income from Other Sources"
  In those cases where amount of consideration or a part thereof for the transfer has been received by any mode other than cash on or before the date of the agreement & **w**here the date of an agreement and the date of registration of the transfer of the asset are not same, the stamp duty value may be taken as on the date of the agreement for transfer. **(Applicable w.e.f A/Y 2014-15)**

12. Definition of Agricultural Land widened to fall outside the scope of Capital Asset

- Item (b) of sub clause (iii) of clause(14) of Section 2 is proposed to be amended as follows :-
  Land situated in any area shall be considered as Capital Asset if the shortest aerial distance of such land:
  1) is not being more than 2 Km from the local limits of any Municipality or Cantonment Board having population of more than 10,000 but not exceeding 1 lakh or ;
  2) Not being more than 6 Km from the local limits of any Municipality or Cantonment Board having population of more than 1 Lakh but not exceeding 10 lakhs or;
  3) Not being more than 8 Km from the local limits of any Municipality or Cantonment Board having population of more than 10 lakhs.

  Similar amendments have also been made in Section 2 of the Wealth Tax Act. **(Applicable w.e.f A/Y 2014-15)**

13. Cash Donation to Political Parties Prohibited

- Section 80GGB and Section 80GGC have been amended so as to provide that no deduction shall be allowed under these sections in respect of any sum contributed by an Indian Company or any other person other than local authority or AJP, to any political party or an electoral trust by the **way of Cash**. **(Applicable w.e.f A/Y 2014-15)**

14. Keyman Insurance policy

- It is proposed to amend Section 10(10D), to provide that a Keyman Insurance policy assigned to any person during its term with or without consideration shall continue to be treated as a Keyman Insurance policy and no exemption shall be allowed in respect of sum received on maturity under such policies. **(Applicable w.e.f A/Y 2014-15)**

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15. Defective Return

- Explanation to Section 139(9) is proposed to be amended so as to provide that the return of Income shall be regarded as defective unless the tax together with interest, if any, payable in accordance with the provision of Section 140A has been paid on or before the date of furnishing of the return **(Applicable w.e.f 1st June 2013)**

16. Application of Seized Asset under section 132B

- The term "Existing Liability" as contained in Section 132B has been clarified so as not to include within its ambit any advance tax payable in accordance with the provisions of the Act. It implies that seized assets can be adjusted/utilized only against liability determined on completion of Assessment pursuant to search including penalty and/or interest. **(Applicable w.e.f 1st June 2013)**

17. Extension of Sunset date under section 80IA

- Sunset date for Power Sector under section 80IA (4) (iv) has been extended for 1 more year i.e. upto 31st March'2014.

18. Limit of percentage of Eligible Premium to the actual sum assured in respect of Life Insurance policies, for claiming deduction in respect of premium paid under section 80C and for claiming exemption of maturity amount under section 10(10D), has been raised from 10% to 15% of the actual capital sum assured in respect of Insurance policies on the life of any person who is a person with disability or severe disability or a person suffering from any disease or ailment as specified in rules made under section 80DDB. **(Applicable w.e.f A/Y 2014-15)**

19. Scope of **Section 80D** has been widened so as to allow the benefit of deduction under this section within the said limit, in respect of any payment or contribution made by the assessee to such health schemes as may be notified by the Central Government. **(Applicable w.e.f A/Y 2014-15)**

20. Lower Rate of Tax on Dividends Received from Foreign Companies

- Benefit of Section 115 BBD in respect of lower rate of tax of 15% on dividends received by Indian Company, from a specified Foreign company(in which it has shareholding of 26% or more) has been extended for 1 more year i.e. for Financial year 2013-14 **(Applicable w.e.f A/Y 2014-15)**

21. Removal of Cascading effect of Dividend Distribution Tax

- It is proposed to amend Section 115-O, to provide that where the tax on dividends received from a foreign Subsidiary (Foreign Company in which domestic company holds more than 50% of Equity share capital) is payable Under Section 115BBD by the holding domestic company, any dividend distributed by such holding Company in the same year, to the extent of such

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dividend, shall not be subject to dividend distribution tax. **(Applicable w.e.f 1st June 2013)**

22. General Anti Avoidance Rules (GAAR)

- The provisions of GAAR as contained in Chapter X and Section144BA shall come into force w.e.f 1st April,2016 as against the current date of 1st April,2014. Few other changes have also been proposed in the above mentioned chapter and section respectively, which shall also come into effect from A/Y 2016-17 onwards.

23. Clarification of the Phrase" tax due" for the purpose of recovery in certain cases

- The term "tax due" as used in Section 179 and Section 167C has been clarified so as to include within its ambit not only tax but also any penalty, interest or any other sun payable under the act. **(Applicable w.e.f 1st June 2013)**

24. Taxation of Income by way of Royalty or Fees for Technical Services

- To correct the anomaly between the tax rate of 10% under the Income Tax Act and 25% under majority of Tax Treaties, in respect of Income by the way of Royalty and Fees for Technical Services earned by a Non-Resident tax payer as provided in Section 115A, such tax rate is proposed to be increased from 10% to 25%. This rate of 25% shall be applicable to any income by way of Royalty and Fees for technical services received by a Non-Resident under an agreement entered after 31st March, 1976 & is taxable u/s 115A. **(Applicable w.e.f A/Y 2014-15).**

25. Rationalisation of tax on distributed income by the Mutual Funds

- **Sec 115R**- Presently Rate of additional Income Tax chargeable by a fund other than equity oriented fund on distribution of any Income to an Individual or an HUF is taxable @ 12.5% or 25% depending on the nature of Fund. In order to provide uniform taxation **for all types of funds, other than equity oriented fund**, it is proposed to **increase the rate of tax on distributed income from 12.5% to 25% in all cases where distribution is made** by a fund other than equity oriented fund **to an individual or a HUF. (Applicable w.e.f. 1st June, 2013).**

26. Scope of Special Audit u/s 142(2A) expanded.

- To give a wider meaning to the phrase **"nature & complexity of accounts**" as used in section 142(2A) for directing the assessee to get his accounts audited, It is now proposed to also include '**volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee, and in the interests of the revenue'** as the reasons for directing the assessee to get his accounts audited by an accountant & to furnish a report of such Audit. **(Applicable w.e.f. 1st June, 2013).**

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27. Penalty under section 271FA for non-filing of Annual Information Return

- Scope of section 271FA has been expanded. It is proposed to provide that where specified person fails to furnish the return within the period specified in the notice under sub-section (5) of section 285BA, he shall pay, by way of penalty, a sum of five hundred rupees for every day during which the failure continues, beginning from the day immediately following the day on which the time specified in such notice for furnishing the return expires.
  Penalty of Rs 100/- per day for every day during which default continues in respect of failure to furnish AIR within the time prescribed under the said section, continues. **This amendment will take effect from 1st April, 2014.**

B. WEALTH TAX

Enabling provisions for facilitating electronic filing of annexure-less return of net wealth

- It is proposed to insert new sections 14A and 14B in the Wealth-tax Act on lines of Sections 139C and 139D of the Income-tax Act so as to contain provisions for facilitating electronic filing of annexure-less return of net wealth. (**Applicable w.e.f. 1st June, 2013.**

II. INDIRECT TAXES

A) SERVICE TAX

1) Definition of **'approved vocational education course'** provided in section 65B (11) is being amended, so as to include **courses in 'designated trades'** offered by Industrial Training Institute or Industrial Training Center affiliated to State Council of Vocational Training, in the **negative list. (Applicable from the date of enactment of Finance Bill, 2013)**

2) Definition of **"process amounting to manufacture or production of goods",** in section 65B(40) being amended to include, processes on which duties of excise are leviable under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955(16 of 1955); **(Applicable from the date of enactment of Finance Bill, 2013)**

3) **"Seed Testing"** has been **deleted from testing activities. Now all testing activities** directly related to production of any agricultural produce like **soil testing, animal feed testing, testing of samples from plants or animals, for pests and disease causing microbes** will be covered by the negative list; **(Applicable from the date of enactment of Finance Bill, 2013)**

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4) Section 77, sub-section (1), clause (a), is being amended, in such manner that, **maximum penalty** imposable for **failure to obtain registration** will be Rupees T**en thousand** only. **(Applicable from the date of enactment of Finance Bill, 2013)**

5) **New Section 78A** introduced to impose penalty, which may extend to Rs. One Lakh on Directors and officials of the company for specified offences in case of willful actions. **(Applicable from the date of enactment of Finance Bill, 2013)**

6) **Offences & Penalties** Section 89 is being amended:

(i) For offences specified in **clauses (a), (b) and (c)** of sub-section (1) where the **amount exceeds fifty lakh rupees**, punishment shall be for a term which may **extend to three years, but shall not, in any case, be less than six months**;

(ii) **For failure to pay service tax collected**, to the credit of the Central Government within six months, an offence specified in section 89(1)(d), if such **non-payment exceeds fifty lakh rupees**, punishment shall be imprisonment for a term which may extend **upto seven years but not less than six months**;

(iii) **For any other offence**, the punishment shall be imprisonment for a term which may extend **to one year**;

(Applicable from the date of enactment of Finance Bill, 2013)

7) **RATIONALIZATION OF ABATEMENT ON CONSTRUCTION SERVICES:**

- At present taxable portion for service tax purpose is prescribed as 25% uniformly for constructions where value of land is included in the amount charged from the service recipient. This is now being rationalized. Accordingly, where the **carpet area of residential unit is upto 2000 square feet** or the **amount charged is less than Rupees One Crore**, in the case of **'construction of complex, building or civil structure, or a part thereof**, intended for sale to a buyer, wholly or partly except where the entire consideration is received after issuance of completion certificate by the competent authority', **taxable portion for service tax purpose will remain as 25%;** in **all other cases taxable portion** for service tax purpose **will be 30%**. This change will come into **effect from the 1st day of March, 2013**.

8) **REVIEW OF EXEMPTIONS (to take effect from 1st day of April, 2013):**

a) **With effect from 1st April, 2013**, **service tax will be leviable** on taxable service provided in **restaurants with air-conditioning or central air heating** in any part of the establishment at any time during the year. Condition regarding **'license to serve liquor' has been done away with**.

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b) Rationalization of exemption to transport of goods by road and rail/vessel.

9) **<u>The following exemptions are being withdrawn. (to take effect from 1st day of April, 2013):</u>**

a) Services provided by an educational institution by way of renting of immovable property.
b) Temporary transfer or permitting the use or enjoyment of a copyright relating to cinematographic films was fully exempt so far; now, this exemption will be restricted to exhibition of cinematograph films in a cinema hall or a cinema theatre.
c) Services by way of vehicle parking to general public.
d) Services provided to Government, a local authority or a governmental authority, by way of repair or maintenance of aircraft.

10) <u>AMNESTY SCHEME FOR NON FILERS AND STOP FILERS :</u>

- To encourage voluntary compliance and to broaden the tax base, **one time Amnesty Scheme** is proposed to be introduced. The scheme will be **operational from the date on which the Finance Bill, 2013 receives the assent of the President.**

<u>Highlights of the Amnesty Scheme</u>

I) It is **one time amnesty** by way of (i) **waiver of interest and penalty**; and (ii) **immunity from prosecution**,

II) This amnesty is available to **stop filers, non-filers or non-registrants or service providers** (who have not disclosed true liability in the returns filed by them during the **period from October 2007 to December 2012)** who pay the "tax dues".

III) any person who has furnished return under section 70 of the Chapter and disclosed his true liability, but has not paid the disclosed amount of service tax or any part thereof, shall not be eligible for this scheme.

IV) Eligible person may **make a declaration** to the designated authority **on or before the 31st day of December, 2013** in such form and in such manner as may be prescribed.

V) The declarant shall, **on or before the 31st day of December, 2013**, **pay not less than fifty per cent o**f the tax dues so declared and submit proof of such payment to the designated authority.

VI) **The tax dues or part thereof remaining** to be paid after the above payment shall be **paid** by the declarant **on or before the 30th day of June, 2014.** Provided that where the declarant fails to pay said tax dues or part thereof on or before the said date, he shall pay the same

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on or before the 31st day of December, 2014 along with interest thereon.

VII) **The declarant, upon payment of the tax dues** declared by him in the declaration and the interest payable for delay in payment of admitted taxes, **shall get immunity from penalty, interest or any other proceeding** under the Chapter.

VIII) No action shall be taken against the declarant after the expiry of one year from the date of declaration.

11) **ADVANCE RULING:**

- Scope of advance ruling is being extended to cover resident public limited companies.

B) SECURITIES TRANSACTION TAX

- Securities Transaction Tax (STT) on transactions in specified securities, was introduced vide Finance (No.2) Act, 2004.It is proposed to amend section 98 of the Finance (No.2) Act, 2004 to reduce STT rates in the taxable securities transactions as indicated hereunder:-

Sl.No	**Nature of taxable securities transaction**	**Payable by**	**Existing Rates (in per** cent**)**	**Proposed Rates (in per cent)**
(1)	(2)	(3)	(4)	(5)
1	Delivery based purchase of units of an equity oriented fund entered into in a recognised stock exchange	Purchaser	0.1	. Nil
2	Delivery based sale of units of an equity oriented fund entered into in a recognised stock exchange	Seller	0.1	0.001
3	Sale of a futures in securities	Seller	0.017	0.01
4	Sale of a unit of an equity oriented fund to the mutual fund	Seller	0.25	0.001

The proposed amendments in the rates of securities transaction tax will be **effective from 1st June, 2013** and will accordingly apply to any transaction made on or after that date.

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C) COMMODITIES TRANSACTION TAX

- A new tax called Commodities Transaction Tax (CTT) is proposed to be levied on **taxable commodities transactions other than agricultural commodities**, entered into in a recognised association.
  The tax is proposed to be levied at the rate, given in the Table below, on taxable commodities transactions undertaken by the seller.

S.No.	Taxable commodities Transaction	Rate	Payable By
(1)	(2)	(3)	(4)
1.	Sale of Commodity Derivative	0.01%	Seller

This tax is proposed to be levied from the date on which Chapter VII of he Finance Bill, 2013 comes into force by way of notification in the Official Gazette by the Central Government.

An amount equal to the **commodities transaction tax paid** by the assessee in respect of the taxable commodities transactions entered into in the course of his business during the previous year **shall be allowable as deduction u/s 36**, if the income arising from such taxable commodities transactions is included in the income computed under the head “Profits and gains of business or profession”.

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