

Quotable Quotes from Union Budget speech

The following are the quotable quotes of Finance Minister. These also indicate the approach of Government towards economic growth and tax reforms

“ For the UPA Government, inclusive development is an act of faith”

“Growth is only as important as what it enables us to and be.”

“.. (Government) creates enabling ethos so that the individual enterprise and creativity can flourish.”

“Just as the Universe is contained in the self, so is India contained in the villages” (fromMahatma Gandhi)

“.. a wise Collector General shall conduct the work of revenue collection.. in a manner that production and consumption should not be injuriously affected...”.(From Kautilya)

“The major objectives that have guided me in the formulation of my proposals on indirect taxes are the need to achieve some degree of fiscal consolidation without impairing therecovery process and moving forward on the road to GST”

Macro Economic Impact

In our view following are the macro economic impact on Indian Economy following the proposals of Union Budget-2010.

I. Rise in Interest Rates

There appears sufficient liquidity in the system to absorb Government borrowing of Rs.3.45 lac crore. Hence interest rate may not rise due to this.

However high inflation may force rise in interest rate.

II. Rise in Inflation

We see inflation as the worrying factor and deterrent to growth. Along-with high inflation comes rise in interest rate. With across the board hike in excise duty, higher price of petroleum products, increase in railway freight, mammoth Government Expenditure, deduction in personal income tax, the economy is going to see rise in inflation.. It remains interesting to note how monetary and fiscal measure will be combined in times to come, to fight this devil.

III. Agriculture

Overall agricultural GDP has fallen by 0.2%. Agriculture occupies center stage to achieve inclusive growth. The Minister has rightly identified the need and embarked on four pronged strategy for its amelioration. The thrust has been given to Agriculture production (nutrient based fertilizer), reduction in wastage of produce (boosting agriculture- storage infrastructure), credit support to farmers (higher interest subvention, extension of repayment tenure and higher farm credit) and thrust to food processing sector. Hence Govt. has done its bit and now Lord Indra has shower blessings. We foresee impressive growth in this sector.

IV. Infrastructure

The Indian infrastructures have been the prime agenda and the lady fortune for the Indian corporate growth. With 46% outlay on plan expenditure (amounting to Rs.1.73 lac crore) earmarked for infrastructure, double digit growth of economy is achievable. Increased investment in Road, railways and higher infrastructure financing is going to fuel economic growth.

Macro Economic Financials & Measures

Economy:

- Growth rate in 2009-10 recovered from 6.7% in 2008-09 to 7.2%.
- Fiscal deficit pegged at 5.5%. It is 6.7% as per Revised estimates of 2009-10.
- The total expenditure proposed in the budget estimates is Rs.11,08,749 crore , an increase of 8.6 per cent over last year.
- 28% of total direct tax revenue is from individuals, 71% comes from company taxation. (Total direct tax reveue Rs.4.24 lac crore)
- 42% of tax revenue is derived from indirect taxes. This reflects losing share of this segment.
- Gross tax revenue at 7.47 lac crore constitutes 67% of total expenditure.
- Budgeted revenue deficit is still at 4% of GDP, implying shortfall in meeting expenses on interest payment, salaries and subsidies.

Major Increase in Allocations:

- Defence allocation pegged at Rs1,47,344 crore in 2010-11 against Rs1,41,703 crore in the previous year. Of this, capital expenditure would account for Rs60,000 crore.
- Rs1.73 lakh cr for infrastructure have been granted in the budget for 2010-11. 46% of the of the total Plan was allocated for infrastructure sector .
- Road transport allocation raised by 13% to Rs19,894 crore.
- Allocation for railways fixed at Rs16,752 crore, an increase of Rs950 crore over the last financial year
- Alternative port to be developed at Sagar Island in West Bengal.

- Plan allocation for health and family welfare increased to Rs22,300 crore from Rs19,534 crore.
- Allocation for urban development increased by 75% to Rs5,400 crore in 2010-11.
- For rural development, Rs66,100 crore have been allocated.
- 25% of plan outlay earmarked for rural infrastructure development.
- Rs1,900 crore allocated for Unique Identification Authority of India headed by ex Infosys – Shri Nandan Nilekani

Provisions relating to amendments in Direct tax Union Budget 2010			
Section	Particulars	Existing/Changes	Effective Date
2(15)	Definition of Charitable purpose	The term Charitable Purpose has been amended as follows: advancement of any other object of general public utility is not a charitable purpose if the activity involves carrying of trade, commerce or business or rendering any service in relation thereto for consideration. <i>However, if total receipts from aforesaid activity do not exceed Rs. 10 Lakhs in the PY, the said activity shall continue to be charitable in nature</i>	RETROSPECTIVE 1-4-2009
Section 9 of the income-tax Act Explanation to 9(2)	Income Deemed to accrue or arise in India of a Non Resident for interest, royalty and technical services	Existing Total income of the nonresident to be included whether or not, – (i) the non-resident has a residence or place of business or business connection in India; Changes - whether or not (ii) the non-resident has rendered services in India.	RETROSPECTIVE 01-06-1976
32(1)(XIIIB)	Succession of Pvt Co/unlisted public co to LLP	Changes - Depreciation allowable to both the entities shall be calculated on the basis of ratio number of days of use of assets.	Assessment Year 2011-2012
35(1)(ii)	Contribution to Approved institutions for scientific research	Changes -Weighted Deduction eligibility has been proposed to increase from 125% to 175%	Assessment Year 2011-2012
35(1)(iii)	Contributions to Approved associations	Changes - Contributions to approved and notified research Associations, which has object to research in social science or statistical research, to be included within purview of weighted deduction.	Assessment Year 2011-2012
35(2AA)(9)(ii)	Any sum paid to a National Laboratory or a University or an	Changes - Deduction eligibility has been increased from 125% to 175%	Assessment Year 2011-2012

	Indian Institute of Technology or a specified person for the purpose of an approved scientific research programme.		
35(2AB)	Extension of eligibility	<p>Changes- The benefit of 150% deduction is extended to all companies engaged in the business of manufacture or production of any article or thing except those specified in XI schedule [Finance Act 2009]</p> <p>In the current budget, it is proposed to raises the quantum of weighted deduction from 150 % to 200%</p>	Assessment Year 2011-2012
35AD	Investment linked deduction	<p>Changes- 100% deduction shall be allowed in respect of any capital expenditure [other than on land, goodwill or financial instrument] incurred for the purposes of specified business:</p> <p>The list of specified business has been proposed to be extended to include the business of building and operating a new hotel of 2 star category or above, anywhere in India, which starts its operation on or after 1.4.2010.</p>	Assessment Year 2011-12
35DDA	Amortisation of Expenditure incurred under Voluntary retirement scheme	<p>Changes- It is prosed that in case of successioin of Pvt co or unlisted public co by a LLP provisions will be applicable to LLP as it would have applied to predecessor company.</p> <p>It is also proposed that deduction shall not be allowed to the predecessor company in the year of conversion.</p>	Assessment Year 2011-2012
40(a)(ia)	Disallowance for non deduction of TDS	If the tax deducted at any time during the Previous Year is remitted on or before the due date specified u/s 139(1) then there will be no disallowance.	Assessment Year 2010-2011
44 AB	Limit for Compulsory Audit of Accounts	<p>The limit for getting the books of accounts audited has been proposed to increased as follows:</p> <p>In case of business, if total sales, turnover or gross receipts in business exceeds Rs.60 lacs in the PY. (Previously Rs.40 lacs)</p> <p>In case of profession, if gross receipt in Profession exceeds Rs.15 lacs in the PY.</p>	Assessment year 2011-2012

		(previously Rs.10 lacs)	
44AD	Presumptive Income	It is proposed to raise the threshold limit from Rs.40 lacs to Rs. 60 Lacs for the eligible business.	Assessment year 2011-2012
45 & 47(xiiiib)	Exempted Transfer – Company to LLP	<p>Transfer of capital asset or intangible assets on conversion of a company to LLP in accordance with section 56 and 57 of LLP Act,2008 shall not be regarded as transfer subject to following conditions:</p> <p>A) All assets and liabilities of the company become the assets and liabilities of the LLP;</p> <p>B) All the shareholder of the company become the partners of LLP in same proportion as their shareholding in the company;</p> <p>C) No consideration other than share in profit and capital contribution shall arise to partners;</p> <p>D) The erstwhile shareholders of the company continue to be entitled to receive atleast 50% of the profits of the LLP for a period of 5 years from the date of conversion.</p> <p>E) Total turnover, gross receipts or sales of the company do not exceed Rs. 60 Lakhs in any of the 3 preceding PY;</p> <p>F) No amount is paid, either directly or indirectly, to the partners of the LLP from accumulated profits of the company for a period of 3 years from the date of conversion;</p> <p>In case of non compliance of any of the above condition amount of profit or gain arising from transfer of capital assets shall be deemed to be the taxable income in the hands of successor LLP in the previous year.</p>	Assessment year 2011-2012
72A(6A)	Set off and carry forward of losses	The eligible LLP is allowed to treat the accumulated loss and unabsorbed depreciation of predecessor company as a loss or depreciation allowance of LLP in the previous year of conversion and take benefit of carry forward of loss and unabsorbed depreciation.	Assessment year 2011-2012
115JAA	MAT Credit to LLP	No MAT credit of the predecessor company shall be allowed to be availed in the hands of LLP.	
43	Cost of	Actual cost of the block in the hands of LLP shall	Assessment Year

	Acquisition	be WDV in case of predecessor company on the date of conversion.	2011-2012
56(2)(vii)	Immovable Property (Income from other sources)	It is proposed to exclude the cases involving inadequate consideration in respect of immovable property. Only immovable property received without any consideration shall be treated as income in the hands of Individual/HUF.	Retrospective 1-10-2009
56(2)	Gifts Received	The provisions of section 56(2) shall be applicable to gift of property which are in nature of capital asset of the recipient and, therefore, would not apply to stock in trade, raw materials and consumable stores of any business of such recipient.	Retrospective 1-10-2009
56(2) (vii)	Definition of property	The definition of property has been proposed to be amended to include bullion. Further, section 142A has been amended to allow the AO to make reference to valuation officer for estimation of value of property for purposes of section 56(2).	1-6-2010
56(2)(viia)	Gifts Received	Transfer of shares of a company in which public are <i>not</i> substantially interested shall be covered by the provisions of section 56(2)(vii) if: Such recipient of such shares are a firm or a company in which public are not substantially interested; Transfer is for no or inadequate consideration. The cost of such shares in the hands of recipient shall be the value which has been taken into account and subject to tax u/s 56(2). This shall affect internal reorganization in family owned business.	1-6-2010
80A(7)	Deduction in respect of certain income – cold chain, agri warehousing, pipeline	It is proposed that where deduction has been claimed in respect of profits of specified business referred in 35AD(8)(c) for any assessment year than no deduction shall be allowed under sec 35 AD for the same or any other Assessment year.	Assessment year 2011-2012
80CCF	Deduction in respect to Long Term Infrastructure	It is proposed to allow a Deduction to Individual & HUF only in respect of investment in long term infrastructure bonds notified by CG to the extent of Rs. 20,000/-. This deduction is over and	Assessment year 2011-2012

	bonds	above the limit of Rs. 1,00,000/- s specified u/s 80CCE	
80D(2)(a)	Deduction in respect of Health insurance premium	It is proposed to amend the said clause (a) so as to also allow the benefit of the deduction in respect of a contribution made by the assessee during the previous year to the Central Government Health Scheme.	Assessment year 2011-2012
80GGA	Deduction in respect of certain Donations	Changes- Contributions to approved and notified research Associations, which has object to research in social science or statistical research, to be included within purview of weighted deduction.	Assessment year 2011-2012
80IB	Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings.	100% deduction in respect of profits derived by undertaking from developing and building house building projects . It is proposed to increase the period for completion of a housing project, approved on or after 1st April, 2005, from four years to five years. Limit of Built up area of commercial shops and other commercial establishments has been proposed to be changed Existing - 5% of Built up area or 2000 sqft whichever is less Changes- 3% of Built up area or 5000 sq ft whichever is higher	Assessment year 2011-2012
80ID	Deduction in respect of profits and gains from Business of hotels and Convention centres in specified areas	Changes- It has been proposed to extend the period to put hotel in function upto 31 st July 2010.	Assessment year 2011-2012
115JB	MAT	Changes- It is proposed to increase the Rate of MAT to 18% of Book Profits . Tax credit shall be allowed to be carried forward and set off up to 10 Assessment years immediately succeeding the AY in which tax credit becomes allowable.	Assessment year 2011-2012

Chapter XVII B	Theshold limit of TDS	It was proposed to rationalize and increase the threshold limits		1-7-2010		
		Section	Nature of Payment		Existing Threshold (Rs)	Proposed Threshold (Rs)
		194B	Winning from Lottery & crossword puzzles		5,000	10,000
		194BB	Winnings from Horse Race		2,500	5,000
		194C	Payment to Contractors		20,000(for Single transaction)	30,000
		194C			50,000(for aggregate transactions)	75,000
		194D	Insurance Commission		5,000	20,000
		194H	Commission or Brokerage		2,500	5,000
		194I	Rent		1,20,000	1,80,000
		194J	Fees for professional or technical services		20,000	30,000
201(1A)	Interest for non deduction or delayed remittance of TDS	Changes- It is proposed to increase the interest from 1% to 1.5% per month or part thereof.		1-7-2010		
245	Settlement Commission	<p>Changes- Proceeding from assessment or reassessment resulting from search or as a result of requisition of books of accounts or any other documents or any other assets has been included within the definition of <i>case</i> which can be admitted by Settlement Commission.</p> <p>In the aforesaid case, application can be made to Settlement Commission if the additional amount of income tax payable on the income disclosed in the application exceeds Rs. 50 Lakhs.</p> <p>In any other case, application can be made if the income tax payable exceeds Rs. 10 Lacs. (previously Rs.3 lacs)</p>		Effective from 01-06-2010		

		Settlement Commission shall pass order within a period 18 months in respect of application made on or after 1-6-2010.		
256(2A)	Period of limitation for Appeal to High Court	Changes- It has been proposed to empower High Court to admit an appeal even after expiry of a period of 120 days if it is satisfied that there was sufficient cause for not filing the appeal within the said period. A corresponding Change has been made in wealth Tax under sec 27A to file appeal even after expiry of 120 days on sufficient cause being shown.	Retrospective from 01-04-1988	
271B	Penalty for not getting books audited and furnish audit report	Maximum penalty has been proposed to be increased from Rs. 1,00,000 to Rs. 1,50,000	Assessment year 2011-2012	
282B	Allotment of Document Identification number	The effective date for quoting of Document Identification Number on all correspondence of Income Tax has been extended from 01-10-10 to 01-07-2011.	01-10-2010	
Rule 5 of First Schedule	Computation of Profit & gains of other Insurance buusiness	It is proposed that any gain or loss on realisation of investments shall be added or deducted, as the case may be, if such gain or loss is not credited or debited to the profit and loss account and any provision for diminution in the value of investment debited to the profit and loss account shall be added back.	Assessment year 2011-2012	
New Income Tax Rates				
Status	Individual	Woman	Age of sixty-five years or more	% of Tax
Income	Upto Rs. 1,60,000/-	Upto Rs.1,90,000/-	Upto Rs.2,40,000/-	Nil
	Rs.1,60,000/- to Rs.5,00,000/-	Rs.1,90,001/- to Rs.3,00,000/-	Rs.2,40,001/- to Rs.3,00,000/-	10 per cent
	Rs.5,00,001/- to Rs.8,00,000/-	Rs.5,00,001/- to Rs.8,00,000/-	Rs.5,00,001/- to Rs.8,00,000/-	20 per cent
	Above Rs.8,00,000/-	Above Rs.8,00,000/-	Above Rs.8,00,000/-	30 per cent
Reduction in Surcharge for Domestic Companies			Existing	Proposed
If Total Income exceeds Rs.1 crore			10%	7.5%

SERVICE TAX

❖ NEW SERVICES BROUGHT UNDER THE AMBIT OF SERVICE TAX

- Service of permitting commercial use or exploitation of any event organized by a person or organization. *This shall result in IPL 3 being brought under tax net yielding around Rs. 150 crore*
- Copyrights on (a) cinematographic films and (b) sound recording are being brought under the ambit of service tax. However, copyright on original literary, dramatic, musical and artistic work would continue to remain outside the scope of service tax.
- Service provided for maintenance of medical records of employees of a business entity.
- Service provided by Electricity Exchanges.
- Service of promoting of a 'brand' of goods, services, events, business entity etc.
- **Construction of complex service** - it is being provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after receipt of completion certificate from the competent authority), the activity of construction would be deemed to be a taxable service provided by the builder/promoter/developer to the prospective buyer and the service tax would be charged accordingly. *This controversial provision shall make organised housing costlier.*

❖ EXTENSION OF OLD SERVICES

- The scope of air passenger transport service is being expanded to include domestic journeys, and international journeys in any class. *Air travel hence becomes costlier.*
- "Commercial training or coaching" service, an Explanation is being added to clarify that the term 'commercial' in the context of this service would mean any training or coaching, which is provided for a consideration, whether or not for profit. This change is being given retrospective effect from 01.07.2003.
- Amendments are being made in the definition of the 'Renting of immovable property service' to,-
 - 1) provide explicitly that the activity of 'renting' itself is a taxable service. The change has been given retrospective effect from 01.06.2007; and
 - 2) 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.

This is reversal of earlier court (Delhi High Court) decision ruling service tax on rental as ultra vires the Constitution.

- The scope of the Information Technology Software Service is being expanded to cover all cases irrespective of its use.
- Definitions of 'Airport Services, 'Port services' and 'Other port services' are being amended to provide all services provided entirely within the airport/port premises would be classified under these services.
- Definition of 'Management of Investment under ULIP Service' is being amended to provide that the value 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 the Insurance Regulatory and Development Authority (IRDA), whichever is higher. *This shall make ULIP less costlier and its cost structure similar to mutual fund.*

❖ **WITHDRAWAL OF OLD EXEMPTION**

- In the definition of 'Sponsorship Service', the exclusion relating to sponsorship pertaining to sports is being removed.
- Exemption from service tax on 'Service provided in relation to transport of goods by rail' is being withdrawn. *This shall make railway freight costlier.*

❖ **EXEMPTION FROM SERVICE TAX IS BEING PROVIDED TO FOLLOWING SERVICES**

- Transmission of electricity.
- Statutory taxes charged by the foreign governments are being excluded from taxable value for levy of service tax under the Air passenger transport service.
- Pre-packaged I.T. software, with the license for right to its use subject to specified conditions.
- Transport of food grains and pulses by road by a goods Transport agency.
- Indian news agencies under 'Online Information and Database Retrieval Service' subject to specified conditions

CUSTOMS

Major proposals about customs duties are the following:

HEADING	DESCRIPTION	EXISTING RATE	PROPOSED RATE
PETROLEUM	Crude petroleum	NIL	5%
	Motor Spirit (petrol) and HSD (diesel)	2.5%	7.5%
	Other specified petroleum Products	7.5%	5%
PRECIOUS METALS	Serially numbered gold bars (other than tola bars) and gold coins	Rs.200 /10 gm	Rs.300/10 gm
	On other form of gold	Rs.500 /10 gm	Rs.750/10 gm
	Silver	Rs.1000 /Kg	Rs.1500/10Kg
	Platinum	Rs.200 /10 gm	Rs.300/10 gm
	change in rates would also be applicable when gold, silver and platinum (including ornaments) are imported as personal baggage.		

FOOD/AGRO PROCESSING

- 1) Project imports status is being granted to the initial setting up or substantial expansion of, a cold storage, cold room (including farm pre-coolers) for preservation or storage or an industrial unit for processing of agricultural, apiary, horticultural, dairy, poultry, aquatic & marine produce and meat. These projects would attract concessional rate of basic customs duty of 5%.
- 2) Project imports status is being granted to installation of Mechanized Handling Systems & Pallet Racking Systems, in mandis or warehouses for food grains and sugar, with concessional rate of basic customs duty of 5%. Such systems are also being exempted from additional duty of customs (CVD) and special additional duty of customs.

CENTRAL EXCISE**❖ General CENVAT Rate for NON-PETROLEUM goods-**

- The standard rate of excise duty of 8% on non-petroleum products is being increased to 10% with a few exceptions where exemptions/concessions have been given.

❖ CEMENT

- Specific rates of duty on cement and cement clinker has been revised upwards from 25 to 28 % from existing rates.

❖ AUTOMOBILE SECTOR

- 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%.

❖ PETROLEUM PRODUCTS

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

❖ TOBACCO PRODUCTS

- Across the board duty has been increased at various rates.

❖ CLEAN ENERGY CESS

- 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.

Highlights of the Economic Survey 2009-10**Economic Performance and Projections**

- Economic growth rebounded to 7.2 per cent for 2009-10 as compared to 6.7 per cent in 2008- 09.
- The growth rate in manufacturing in December 2009 was 18.5 per cent— the highest in the past two decades.

- Per Capita growth rate at 5.3% in 09-10.
- Growth in sectoral deployment of gross bank credit on a year-on-year basis (as on November 20, 2010) shows that retail credit has not picked up during 2009-10 (Table 1.9). While growth in credit to agriculture remained more or less the same as on the corresponding date of the preceding year, for the other broad sectors—industry, personal loans and services—growth in credit decelerated as compared to the corresponding period of the preceding year.
- The continued recession in the developed world, for the better part of 2009-10, resulted in sluggish export recovery and a slowdown in financial flows into the economy.
- Overall agricultural gross domestic product (GDP) is estimated to have fallen by only 0.2 per cent in 2009-10 (advance estimates) as against the previous years growth rate of 1.6 per cent. Foodgrain area sown in kharif season declined by 6.5 per cent compared to last year and food production is expected to be short by 16 per cent.
- The robust growth momentum in telecommunications, particularly the wireless segment, continues with monthly additions exceeding 17.6 million connections.