



Dewan P.N. Chopra Consultants Private Limited

Union Budget 2008

Highlights



Prepared By:
Dewan P.N Chopra Consultants Private Limited.
H-57 Connaught Circus New Delhi-110001
Ph: 24645891, 92,93
E-mail: dpnc@dpncindia.com



BUDGET HIGHLIGHTS

1.0 Direct Taxes

1.1 Corporate Tax

- There are no changes in income tax rates, surcharge and cess.
- Weighted deduction of 150% **u/s 35** on **in-house scientific research expenditure** permitted for enterprises engaged in business of production of seeds and manufacture of agricultural implements.
- Weighted deduction of 125% **u/s 35** extended to payment being made to specified companies engaged in research & development.
- Benefit of amortization of preliminary expenses under **Section 35D** allowed to an assessee in the service sector.
- **Section 40A(3)** regarding disallowance of cash payment of expenditure in excess of Rs. 20,000 has been modified to include all transactions within a single day to the same party.
- Parent holding company is now **permitted to set off the dividend received** from its subsidiary company against dividend distributed by the parent holding company; provided that CDT has been paid on dividend received by the parent company and the parent company is not a subsidiary of another company.
- **Five year tax holiday** for setting up **hospitals** in tier II and tier III regions for providing healthcare in rural areas from April 1, 2008.



- **Five year tax holiday** granted to two, three and four star **hotels** established in specified districts having UNESCO-declared 'World Heritage Sites'; the hotel should be constructed and commence operations during the period April 1, 2008 to March 31, 2013.
- Coir Board included **u/s 10(29A)** and exempted from income tax.
- Securities Transaction Tax (**STT**) will be **deductible business expenditure. No rebate u/s 88E shall be available.**
- Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from TDS.
- For MAT, Dividend Distribution Tax and Deferred tax is to be added back with effect from 1st April, 2001. Further, under MAT, surcharge would apply if total income exceeds Rs. 1 crore.
- Due date for **submission of return of income & FBT** has been changed from 31st October to 30th September. Proof of tax credits to be enclosed therewith.
- TDS certificate in paper format will continue till 31st March, 2010.

1.2 Personal Income Tax

- Income tax slabs and tax rate for personal income tax have been altered. Proposed tax slabs are as under:

Income upto Rs. 1,50,000/-	Nil
Rs. 1,50,001/- to Rs. 3,00,000/-	10%
Rs. 3,00,001/- to Rs. 5,00,000/-	20%
Above Rs. 5,00,000	30%

- Basic exemption limit for **resident women increased** from 1,45,000 to Rs. 1,80,000



- Basic exemption limit for resident individuals above 65 years of age increased from 1,95,000 to Rs. 2,25,000
- Senior Citizen Saving Scheme 2004 and the Post Office Time Deposit Account have been permitted as deduction u/s 80C of the Income Tax Act. However, if any amount is withdrawn before completion of 5 years from the date of investment, it shall be treated as income of the assessee
- Deduction of Rs.15,000 allowed u/s 80D to an individual paying medical insurance premium for his/her parent or parents which is in addition to existing Rs. 15,000/- for self & family. However, if sum is paid for senior citizen, deduction would increase to Rs. 20,000/-.
- Reverse mortgage would not amount to “transfer”; and the stream of revenue received by the senior citizen would not be “income”.

1.3 Fringe Benefit Tax

- Crèche facilities, sponsorship of an employee-sportsperson, organizing sports events for employees and guest houses are excluded from the purview of FBT.
- Festival celebration will be covered under 20% slab as against 50% slab.

1.4 Capital Gain Taxes

- Rate of Tax on Short Term Capital Gains u/s 111A and 115AD, increased from 10% to 15%.



1.5 Others

- Banking cash transaction tax withdrawn from April 1, 2009.
- Commodities Transaction Tax to be introduced on the lines of Securities Transaction Tax.
- Entities carrying on any activity in the nature of trade, commerce or business or any activities of rendering any service in relation to any trade, commerce or business excluded from definition of charitable purpose u/s 10.

2.0 Indirect Tax

2.1 Service Tax

- There is no change in service tax rates.
- Threshold limit of exemption for small service providers increased from Rs.8 lakhs per year to Rs.10 lakh per year.
- Four services brought under service tax net:
 - Asset management service provided under ULIP;
 - Services provided by stock/commodity exchanges and clearing houses;
 - Right to use goods, in cases where VAT is not payable; and
 - Customized software.
- A dispute resolution scheme has been introduced under the Act for determining waiver of tax and interest. Application is to be made by declarant after 1st July, 2008 but before 30th September, 2008.



2.2 Custom Duty

- No change in peak rate of customs duty for non agriculture imports.
- Special Countervailing Duty levied on the power sector.
- **Duty exempt on:**
 - Specified parts of set top boxes
 - Specified raw materials for use in the IT/ Electronic hardware industry
 - Specified raw materials for sports goods.
 - Rough cubic zirconia
- Customs duty removed on helicopter simulators to facilitate training of helicopter pilots.
- Customs duty exemption is proposed to be withdrawn on naphtha for use in the manufacture of polymer. Naphtha for use in the manufacture of polymers will be subjected to normal rate of 5 per cent. Naphtha imported for the production of fertilizers will continue to be exempt from import duty.
- **Reduction in basic custom duty rates:**

Item	Prior to 1st March, 08	W.e.f. 1st March, 08
Project import	7.5	5.0
Steel melting scrap and aluminum scrap	5.0	0.0
Specified life saving drugs	10	5.0
Vitamin & Mineral premixes	30	20
Phosphoric acid	7.5	5.0
Bactofuges	7.5	0.0
Convergence products	10	5.0
Specified machinery used in sports industry	7.5	5.0
Cubic zirconia	10.0	5.0
Rough coral	10.0	5.0
Crude and unrefined sulphur	5.0	2.0



2.3 Central Excise Duty

- General rate of **excise duty reduced** from 16% to 14% to boost the manufacturing segment.
- **Goods exempt from duty are:**
 - Life saving drugs
 - Anti AIDS drug, Atazanavir, as well as bulk drugs for its manufacture
 - Refrigeration equipment above 2 tonne refrigeration is exempt on end- use basis utilising power of 50 KW and above
- Duty on non filter cigarettes to be raised equivalent to filter cigarettes.
- Duty increased on packaged software from 8 per cent to 12 per cent.
- Duty on chrome increased from 2000/-Mt to 3000/-MT.
- Ad-valorem excise duty levied on unbranded petrol and unbranded diesel is replaced by an equivalent specific duty of Rs.1.35 per litre. **No impact on retail prices.**
- NCCD of 1 per cent removed on polyester filament yarn and the levy shifted to cellular mobile phones.
- Excise duty on bulk cement revised from Rs. 400/ MT to Rs. 400/ MT or 14% whichever is higher.
- Excise duty on cement clinkers increased from Rs. 350/ MT to Rs. 450/ MT.
- **Reduction in basic excise duty rates:**

Item	Prior to 1st March, 08	W.e.f 1st March, 08
Pharmaceutical sector	16.0	8.0
Buses and their chassis	16.0	12.0
Small cars	16.0	12.0
Hybrid cars	24.0	14.0
Electronic Car	8.0	0.0



Item	Prior to 1st March, 08	W.e.f 1st March, 08
Two wheelers and three wheelers	16.0	12.0
Specified paper, paper board and articles made there from	12.0	8.0
Certain varieties of writing, printing and packing paper	12.0	8.0
Specific few mass consumption items	16.0	0.0
Water purification devices, veneers and flush doors, sterile dressing pads etc, specified packaging material and breakfast cereals.	16.0	8.0

2.4 Central Sales Tax

- **Central Sales Tax** cut from 3% to 2% w.e.f. April 1, 2008

2.5 Others

- Roadmap for **Goods and Service Tax** being prepared for introduction of GST from April 1, 2010.



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