

UNION BUDGET 2014-15

– A SNAPSHOT

Dewan P.N. Chopra & Co.

DECODING TAXES

"Given the severe constraints, the finance minister obviously had to perform a tightrope walk, and I believe he has done a commendable job"

SUNIL MITTAL
CHAIRMAN, BHARTI AIRTEL

"The maiden budget of the present NDA government reflects its ideology of 'less government, more governance'"

GAUTAM ADANI
CHAIRMAN, ADANI GROUP

931,789,345.00
13,846,419.30
2,007,312.00
947,643,076.30
21,395
6,86
765,0

INDEX

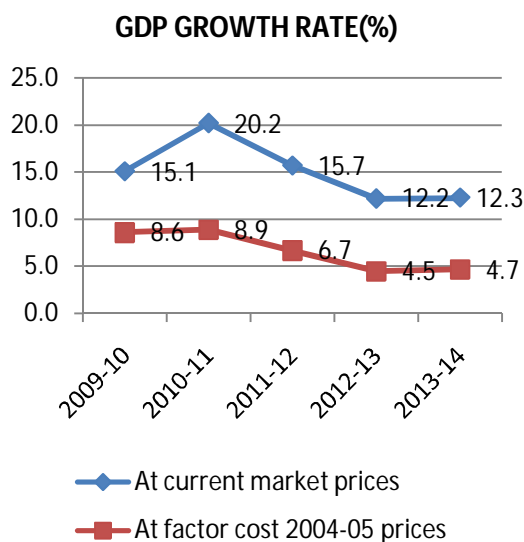
• Economic Performance 13-14	3
• Fiscal Summary	5
• Economic Initiatives in budget	6
• Direct Taxation	14
▪ Individual Taxation	14
▪ Firms, Co-operative Societies, Local Authorities Taxation	14
▪ Corporate Taxation	14
▪ Tax Incentives and Reliefs	15
▪ Corporate Social Responsibility	16
▪ Capital Gains	16
▪ Other Significant Provisions	17
▪ Transfer Pricing	18
• Policy Statements	19
• Indirect Taxation	22
▪ Central Excise	22
▪ Customs	25
▪ Service Tax	33
• Disclaimer	40



ECONOMIC PERFORMANCE

FY 13-14

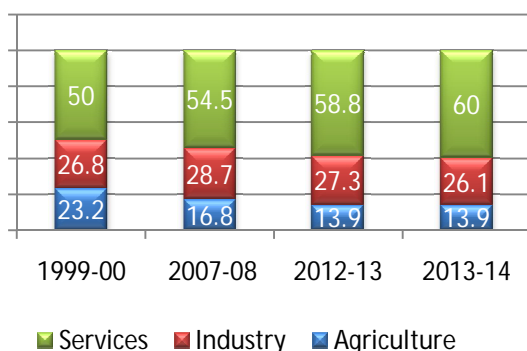
GROSS DOMESTIC PRODUCT (GDP)



"The Budget is the cliched mixed bag for the 'aam admi' while it could cause a relief rally in equity markets "

PRANAB MUKHERJEE, PRESIDENT OF INDIA

SECTORAL COMPOSITION (% of GDP)

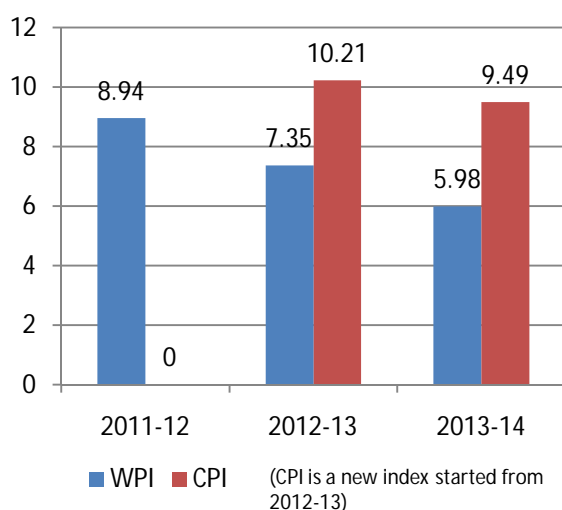


- General slowdown in the global economy, compounded by domestic structural constraints and inflationary pressures, resulted in drastic fall in GDP in last two years.
- GDP during 2012-13 and 2013-14 remained below 5% mark.
- GDP growth registered less than 5% mark for two consecutive years for the first time in last 25 years.
- India's growth declined from an average of 8.3% p.a during 2004-05 to 2011-12 to an average of 4.6% p.a in 2012-13 and 2013-14.
- However, with expectation of better performance in manufacturing, improved balance of payments situation and modest global growth revival, the economy is expected to grow between 5.4-5.9% in 2014-15.

SECTORAL PERFORMANCE

- Aided by favorable monsoon, the agriculture and allied sectors achieved a growth of 4.7% in 2013-14, compared to its long-run average of around 3% (between 1999-2000 and 2012-13)
- Industry sector registered a growth of 1.0% in 2012-13 that slowed further to 0.4% in 2013-14
- Manufacturing growth during last 2 years averaging 0.2% only.
- The service sector particularly financing, insurance, real estate and business services achieved an average growth of 11.9%.

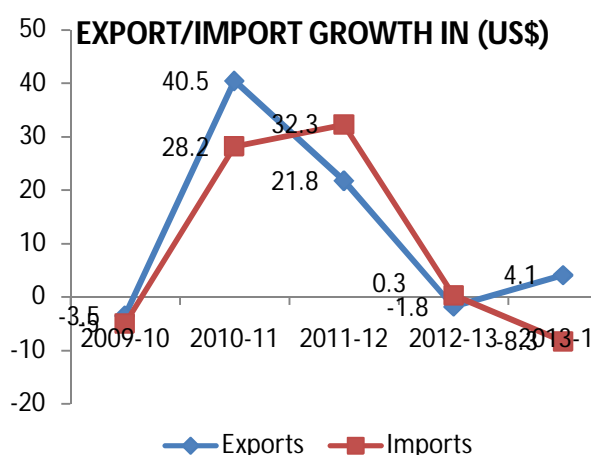
Inflation Index in %



INFLATION

- In addition to the growth slowdown, inflation continued to pose significant challenges. Though, inflation has eased but is still above the comfort levels.
- Average wholesale price index (WPI) declined in 2013-14 to 6.0% vis-a-vis 8.94% in 2011-12 and 7.35% in 2012-13.
- Moreover, WPI inflation in food articles that averaged 12.2% annually in the five years ending 2013-14, was significantly higher than non-food inflation.
- Consumer Price Index (CPI) falls marginally to 9.49% in 2013-14 as compared to 10.21% in 2012-13.

EXPORT/IMPORT



- The share of exports in GDP increased from 24.0% in 2012-13 to 24.8% in 2013-14, while the share of imports declined from 30.7% to 28.4%, resulting in an improvement in net exports by 3.1% of GDP.
- Export of goods reached US\$ 312.6 billion in 2013-14, registering a growth of 4.1% as compared to a contraction of 1.8% during 2012-13.
- Services exports registered a growth of 4% in 2013-14 as against 2.4% in 2012-13.
- With higher exports and lower imports, there was a reduction in trade deficit to 7.9 % of GDP in 2013-14 from 10.5% in 2012-13.

DEFICIT

(As % of GDP)

Deficit	Gross Fiscal Deficit	Revenue Deficit	Primary Deficit
2009-10	6.5	5.2	3.2
2010-11	4.8	3.2	1.8
2011-12	5.7	4.4	2.7
2012-13	4.9	3.6	1.8

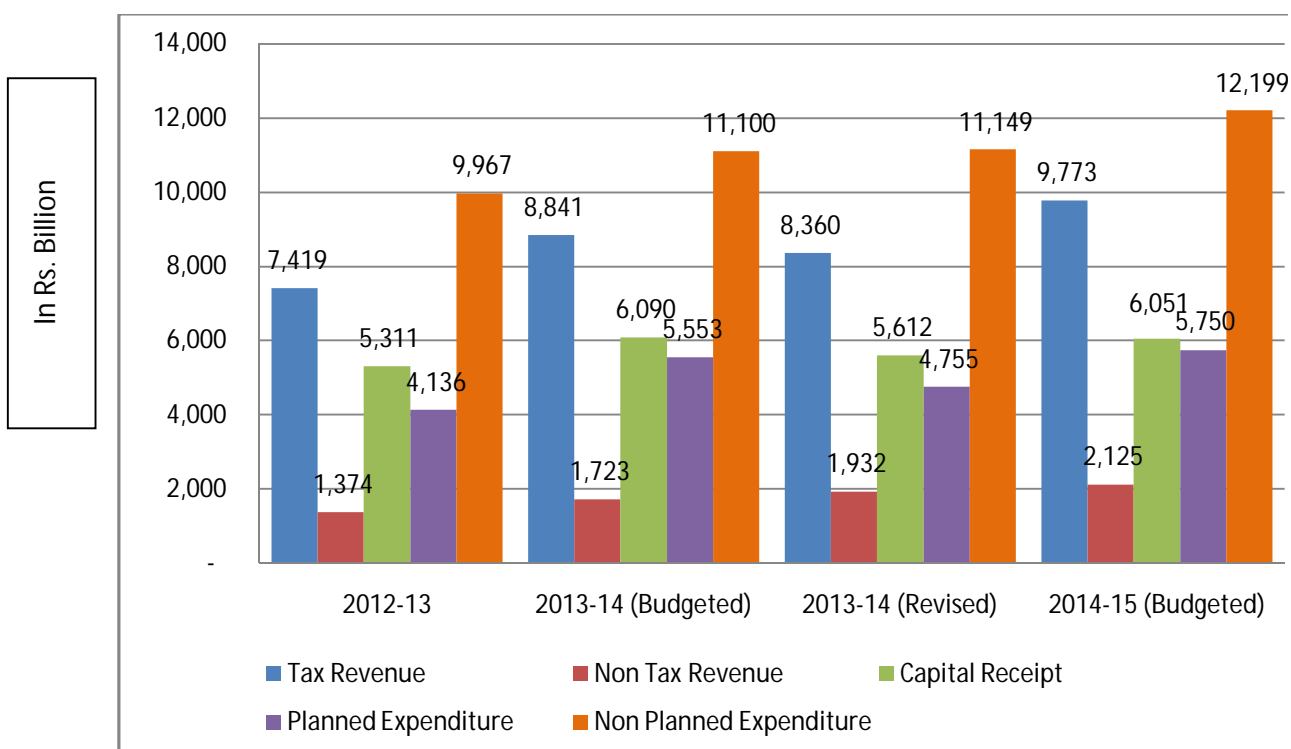
- The gross fiscal deficit as a proportion of GDP for 13-14 is 4.5% as against 4.9% in 12-13.

FISCAL SUMMARY

- Fiscal deficit for 2013-14 is estimated to be 4.6% of the GDP as against budgeted figure of 4.8%.
- Fiscal deficit for 2014-15 is targeted to be limited to 4.1% of the GDP.
- The growth of the economy is targeted between 7-8% over the next 3-4 Years.

(Figures in Rs. Bn)

	2012-13 (Actuals)	2013-14 (Budgeted)	2013-14 (Revised)	2014-15 (Budgeted)
Total Receipts	14,104	16,653	15,904	17,949
Revenue Receipts	8,792	10,563	10,293	11,898
<i>Tax Revenue</i>	<i>7,419</i>	<i>8,841</i>	<i>8,360</i>	<i>9,773</i>
<i>Non Tax Revenue</i>	<i>1,374</i>	<i>1,723</i>	<i>1,932</i>	<i>2,125</i>
Capital Receipts	5,311	6,090	5,612	6,051
Total Expenditure	14,104	16,653	15,904	17,949
Planned Expenditure	4,136	5,553	4,755	5,750
Non Planned Expenditure	9,967	11,100	11,149	12,199
Fiscal Deficit (as % of GDP)	4.8	4.8	4.6	4.1





ECONOMIC INITIATIVES IN BUDGET

FINANCIAL SECTOR

Banking

- RBI to create a framework for licensing small banks and other differentiated banks.
- Infusion of equity in banks amounting to Rs 2,40,000 Cr by 2018 in line with Basel-III norms.
- Capital of banks to be raised by increasing the shareholding of the people in a phased manner.
- Banks to be encouraged to extend long term loans to infrastructure sector with flexible structuring.
- Six new Debt Recovery Tribunals to be set up.

Capital Market

- Introduce one single operating demat account.
- Uniform tax treatment for pension fund and mutual fund linked retirement plan.



Insurance Sector

- The pending insurance laws (amendment) Bill to be immediately brought for consideration of the Parliament.

Other

- Kissan Vikas Patra (KVP) to be reintroduced.
- A special small savings instrument to cater to the requirements of educating and marriage of the Girl Child to be introduced.
- A National Savings Certificate with insurance cover to provide additional benefits for the small saver.
- In the PPF Scheme, annual ceiling will be enhanced to Rs 1.5 lakh per financial year from Rs 1 lakh at present.



INDUSTRY

- Rs 100 Cr provided for setting up a National Industrial Corridor Authority.
- Master planning of 3 new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed.
- Perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters.
- Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization will be accelerated.

MICRO SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR



- Definition of MSME to be reviewed to provide for a higher capital ceiling.
- Skill India to be launched to skill the youth with an emphasis on employability and entrepreneur skills.
- Committee to examine the financial architecture for MSME Sector, remove bottlenecks and create new rules and structures to be set up and give concrete suggestions in three months.
- Fund of Funds to be set up with a corpus of Rs 10,000 Cr for providing equity through venture capital funds, quasi equity, soft loans and other risk capital specially to encourage new startups by youth.
- Corpus of Rs 200 Cr to be set up to establish Technology Centre Network.
- Entrepreneur friendly legal bankruptcy framework will be developed for SMEs to enable easy exit.
- A nationwide "District level Incubation and Accelerator Programme" to be taken up for incubation of new ideas and necessary support for accelerating entrepreneurship.



Textiles

- Sum of Rs 500 Cr for developing a Textile mega-cluster at Varanasi and six more at Bareilly, Lucknow, Surat, Kutch, Bhagalpur and Mysore.
- Rs 50 Cr is provided to set up a Trade Facilitation Centre and a Crafts Museum to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi.
- Rs 20 Cr to set up a Hastkala Academy for the preservation, revival, and documentation of the handloom/handicraft sector in PPP mode in Delhi.
- Rs 50 Cr is provided to start a Pashmina Promotion Programme (P-3) and development of other crafts of Jammu & Kashmir.



INFRASTRUCTURE

- A sum of Rs 7,060 Cr is provided in the current fiscal for the project of developing 'one hundred Smart Cities'
- Rs 100 Cr provided for Metro Projects in Lucknow and Ahmedabad.

Shipping

- 11,635 Cr will be allocated for the development of Outer Harbour Project in Tuticorin for phase I.
- SEZs will be developed in Kandla and JNPT.
- Comprehensive policy to be announced to promote Indian ship building industry.

Roads

- An investment of an amount of Rs 37,880 Cr in NHAI and State Roads is proposed which includes Rs 3,000 Cr for the North East.
- Target of NH construction of 8,500 km will be achieved in current financial year. Work on select expressways in parallel to the development of the Industrial Corridors will be initiated.



Airports

- Scheme for development of new airports in Tier I and Tier II Cities to be launched.

Energy

- Rs 100 Cr is allocated for a new scheme “Ultra-Modern Super Critical Coal Based Thermal Power Technology”.
- Comprehensive measures for enhancing domestic coal production are being put in place. Adequate quantity of coal will be provided to power plants which are already commissioned or would be commissioned by March 2015.
- Rs 500 Cr provided for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh.
- Rs 400 Cr provided for a scheme for solar power driven agricultural pump sets and water pumping stations.
- Rs 100 Cr provided for the development of 1 MW Solar Parks on the banks of canals.

FOREIGN DIRECT INVESTMENT (FDI)

- FDI to be promoted selectively across various sectors.
- Composite cap in the defence and insurance sector to be increased up to 49% from 26% with full Indian management and control through the FIPB route.
- Requirement of the built up area and capital conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities.
- The manufacturing units to be allowed to sell its products through retail including E-Commerce platforms.

REAL ESTATE

- Incentives for Real Estate Investment Trusts (REITS). Complete pass through for the purpose of taxation.
- A modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS).
- These two instruments to attract long term finance from foreign and domestic sources including the NRIs.



AGRICULTURE

- Rs 1000 Cr provided for "Pradhan Mantri Krishi Sinchayee Yojna" for assured irrigation.
- Government to establish two more Agricultural Research Institute of excellence in Assam and Jharkhand with an initial sum of Rs 100 Cr.
- Rs 200 Cr provided to open Agriculture Universities in Andhra Pradesh and Rajasthan and Horticulture Universities in Telangana and Haryana.
- Technology driven second green revolution with focus on higher productivity and including "Protein revolution" will be area of major focus.

AGRICULTURE CREDIT

- Finance to landless farmers (Bhoomi Heen Kisan) through NABARD.
- Target of Rs 8 lakh Cr for agriculture credit during 2014-15.
- Rs 50,000 Cr for Short Term Cooperative Rural Credit.
- Corpus of Rural Infrastructure Development Fund (RIDF) raised by an additional Rs 5000 Cr from the target given in the Interim Budget to Rs 25000 Cr.
- "Long Term Rural Credit Fund" to set up for the purpose of providing refinance support to Cooperative Banks and Regional Rural Banks with an initial corpus of Rs 5,000 Cr.

"Against a challenging and often conflicting set of objectives for the current fiscal, the FM has done an excellent balancing act. Fiscal deficit, targeted at 4.1%, has a fair degree of challenge "

CS VERMA

CHAIRMAN, SAIL

RURAL DEVELOPMENT

- Rs 500 Cr for "Deen Dayal Upadhyaya Gram Jyoti Yojana" for feeder separation to augment power supply to rural areas.
- Rs 14,389 Cr provided for Pradhan Mantri Gram Sadak Yojna.
- Provision of bank loan for women SHGs at 4% to be extended to another 100 districts under Aajeevika.
- Rs 100 Cr for "Start Up Village Entrepreneurship Programme" for encouraging rural youth to take up local entrepreneurship programs.
- Allocation for National Housing Bank increased to Rs 8000 Cr to support Rural housing.



TOURISM

- Facility of Electronic Travel Authorization (e-Visa) to be introduced in phased manner at nine airports in India. Countries to which the Electronic Travel authorisation facility would be extended would be identified in a phased manner.
- Rs 500 Cr provided for developing 5 tourist circuits around specific themes.
- Rs 100 Cr provided for National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive.
- Rs 200 Cr provided for National Heritage City Development and Augmentation Yojana.
- Rs 100 Cr provided for Archaeological sites preservation.
- Sarnath-Gaya-Varanasi Buddhist circuit to be developed with world class tourist amenities to attract tourists from all over the world.

SOCIAL REFORMS

SC, ST and MINORITIES

- An amount of Rs 50,548 Cr is proposed under the SC Plan and Rs 32,387 Cr under Tribal Sub Plan.
- For the welfare of the tribals “Van Bandhu Kalyan Yojna” launched with an initial allocation of Rs 100 Cr.
- An additional amount of Rs 100 Cr for Modernization of Madarsas.

Senior Citizen & Differently Abled Persons

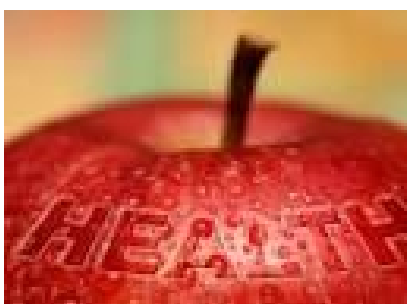
- Varishtha Pension Bima Yojana to be revived for a limited period from 15 August 2014 to 14 August 2015 for the benefit of citizens aged 60 years and above.
- A committee will be constituted to examine and recommend how unclaimed amounts with PPF, Post Office, saving schemes etc. can be used to protect and further financial interests of the senior citizens?
- Government notified a minimum pension of Rs 1000 per month to all subscriber members of EPS. Initial provision of Rs 250 Cr proposed.

- Scheme for Assistance to Disabled Persons for purchase/fitting of Aids and Appliances extended to include contemporary aids and assistive devices.
- National level institutes for Universal Inclusive Design, Mental Health Rehabilitation and a Centre for Disability Sports to be established.
- Government to print currency notes with Braille like signs for visibly challenged persons.

Women & Child Development

- Outlay of Rs 50 Cr for pilot testing a scheme on “Safety for Women on Public Road Transport”.
- Sum of Rs 150 Cr on a scheme to increase the safety of women in large cities.
- A sum of Rs 100 Cr is provided for “Beti Bachao, Beti Padhao Yojana”, a focused scheme to generate awareness and help in improving the efficiency of delivery of welfare services meant for women.
- School curriculum to have a separate chapter on gender mainstreaming.

HEALTH AND FAMILY WELFARE



- AIIMS like institutions in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in UP. A provision of Rs 500 Cr made.
- 12 new government medical colleges to be set up.
- Two National Institutes of Ageing to be set up at AIIMS, New Delhi and Madras Medical College, Chennai.
- A national level research and referral Institute for higher dental studies to be set up.
- Free Drug Service and Free Diagnosis Service to achieve “Health For All”.



EDUCATION

- Rs 500 Cr provided for setting up 5 more IITs in the Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala.
- 5 IIMs in the States of HP, Punjab, Bihar, Odisha and Rajasthan.
- Rs 500 Cr provided for “Pandit Madan Mohan Malviya New Teachers Training Programme” to infuse new training tools and motivate teachers.
- Rs 100 Cr provided for setting up virtual classrooms as Communication Linked Interface for Cultivating Knowledge and online courses.



DIRECT TAXATION

The direct tax proposals are generally effective from the financial year beginning on 1.04.2014 except where otherwise specified

INCOME TAX

Individual Taxation

- Additional Slab Benefit of Rs. 50,000 for Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person and Senior Citizens.
- No change in slab rates, surcharge and education cess.
- Rebate u/s 87A of Rs 2,000 for individuals having total income below Rs 5 Lakhs continues.
- In order to encourage household savings, the limit of deduction allowed under section 80C increased from the existing Rs. 1 lakh to Rs. 1.5 lakh.
- The limit of deduction on account of interest on loan in respect of Self Occupied Property referred to in sub-section (2) of section 23 increased from Rs 1.5 lakh to Rs 2 lakh.

Firms, Co-operative Societies, Local Authorities Taxation

- The rate of tax including surcharge and education cess for firms, co-operative societies and local authorities will continue to be same.

Corporate Taxation

- Corporate Tax Rates including surcharge and education cess remain unaltered.

General Tax Slabs

Income	Tax Rate
Up to 2.5 Lacs	Nil
Above 2.5 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

Senior Citizen Tax Slabs*

Income	Tax Rate
Up to 3 Lacs	Nil
Above 3 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

Super Senior Citizen Tax Slabs**

Income	Tax Rate
Up to 5 Lacs	Nil
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

*Every individual being resident of India, age 60 years or more but less than 80 years at any time during the year.

** Every individual being resident of India, age 80 years or more at any time during the year.



DIRECT TAXATION

- Grossing up provisions introduced u/s 115-O w.e.f. 1.10.2014 for computing DDT on dividend to be paid by companies. Now the effective rate of DDT on companies shall increase to 20.48% from 16.995%. Similar provisions introduced u/s 115R for DDT on distribution of income by Mutual Funds.
- The applicability of Sec 115BBD which provide that dividend received by Indian company from specified foreign company in which it has shareholding of 26% or more is taxable @15% has been further extended to subsequent years without limiting it to a particular year.
- The benefit of concessional withholding tax rate of 5% on interest payments in respect of borrowing in foreign currency u/s 194LC is extended to all types of bonds instead of only infrastructure bonds. Further, the benefit to be extended for the bonds issued upto 30 June 2017 as against 30 June 2015. The amendment is effective from 1 October 2014.

Tax Incentives & Reliefs

- Manufacturing companies investing more than Rs. 25 crore in any financial year in new assets (plant and machinery) to be entitled to a deduction of an investment allowance @15% of actual cost of the assets. This allowance is in addition to depreciation claimed on such new assets. This benefit will be available for 3 years i.e. for investments upto 31 March 2017. The investment allowance announced last year will continue to operate in parallel till 31 March 2015.
- The sunset date u/s 80IA (4)(iv) for the power sector has been extended to 31.3.2017.
- Investment linked tax deduction u/s 35AD extended to taxpayers engaged in laying and operating a slurry pipeline for the transportation of iron ore or setting up and operating a notified semiconductor wafer fabrication manufacturing unit.



DIRECT TAXATION

Corporate Social Responsibility (CSR)

- It has been clarified in the Finance Act, that for the purposes of section 37(1) any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence shall not be allowed as deduction under section 37.
- However, the CSR expenditure which is of the nature described in section 30 to section 36 of the Act shall be allowed deduction under those sections subject to fulfillment of conditions, if any, specified therein.

Capital gain

- To remove tax arbitrage, rate of tax on long term capital gains increased from 10 % to 20 % on transfer of units of Mutual Funds, other than equity oriented funds.
- Sec 2(42A) has amended the definition of Capital Asset to provide that securities (other than listed security) and units of Mutual Funds (other than equity oriented funds) be treated as short term capital assets if it is held for not more than 36 months as against existing holding period of 12 months.
- Amendment in sub-section (1) of section 54F and section 54 so as to provide that the exemption is available only if the investment is made in one residential house situated in India.
- A new proviso in sub-section (1) of section 54EC so as to provide that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.
- New clause (ix) in sub-section (2) of section 56 to provide for the taxability of any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset. Such sum shall be chargeable to income-tax under the head 'income from other sources' if such sum is forfeited and the negotiations do not result in transfer of such capital asset.



DIRECT TAXATION

Other Significant Provisions

- In case of non-deduction or non-payment of TDS on payments made to residents as specified in section 40(a)(ia) of the Act, the disallowance shall be restricted to 30% of the amount of expenditure instead of 100% disallowance earlier.
- Time limit for depositing TDS to claim deduction of expenditure pertaining to nonresident has increased upto due date of filing of Income tax Return.
- TDS u/s 194DA at the rate of 2 % on sum paid in excess of Rs 1 lac received under life insurance policy ,including the sum allocated by way of bonus, which are not exempt u/s 10(10D) of the Act w.e.f. 01.10.2014.
- Annual Information Return" will now be called "Statement of financial transaction or reportable account". "Prescribed reporting financial institution" included in the list of prescribed persons to enable compliance with FATCA.
- Further, new penalty has been introduced for furnishing inaccurate statement of financial transaction or reportable account by a prescribed reporting financial institution amounting to Rs. 50,000.
- A new provision has been inserted to specify that tax authority may conduct survey for verification of TDS or TCS.
- Any trust or institution registered under section 12AA, can no longer claim exemption under section 10.
- Presumptive Income from business of plying, hiring or leasing goods carriages is now increased to Rs. 7,500 per month for every month or part of the month during which the goods carriage is owned by the taxpayer.
- Powers given to transfer pricing officer u/s 271G of the Act to levy penalty for failure to furnish transfer pricing documentation w.e.f 1.10.2014.
- Assessment of income of a person other than the person in whose case search has been carried out will be done only if the Assessing Officer having jurisdiction over such other person is satisfied that the seized material will have a bearing on the determination of the total income of the other person.



DIRECT TAXATION

- The mode of acceptance or repayment of loan or deposit (in addition to account payee cheque or bank draft) has been extended to use of electronic clearing system through a bank account (if other conditions are satisfied).
- MF, ST and VCC/VCF shall now be required to file a tax return instead of existing requirement for filing of the prescribed statement.
- Computation of tax on anonymous donation rationalized.
- Government to notify income computation and disclosure standards to be followed for computation of income not for maintaining books of accounts.
- CTT should be paid on trading in commodity derivatives.
- Time limit for provisional attachment of property extended.
- Time limit for passing order u/s 201(1) for all cases have been increased from period of 6 years to 7 years.

Transfer Pricing

- Transfer pricing proposals will rationalize the regulations and reduce litigation.
- With effect from assessment year 2015-16, section 92B is proposed to be amended to provide that where a transaction is entered into by an enterprise with a person other than associated enterprise and there exists a prior agreement in relation to the relevant transaction between the other person and the associated enterprise or, where the terms of the relevant transaction are determined in substance between such other person and the associated enterprise and either the enterprise or the associated enterprise or both of them are non-resident, then such transaction shall be deemed to be an International Transaction entered into between two associated enterprises whether or not such other person is a non-resident.
- The range concept to be introduced for determination of arm's length price under the transfer pricing regulations. It is proposed to allow use of multiple year data for comparability analysis under the transfer pricing regulations.
- Roll-back mechanism to be introduced in Advance Pricing Agreements (APA) scheme. The APA may provide for determining the arm's length price during any period not exceeding four previous years preceding the first of the previous years for which the advance pricing agreement applies. The APAs which could earlier apply from financial year (FY) 2013-14 onwards may now extend to previous four years i.e. FY 2009-10 onwards.

POLICY STATEMENTS THAT MAY ALSO LEAD TO FURTHER PROVISIONS (EXTRACTS QUOTED FROM BUDGET SPEECH OF HON'BLE FINANCE MINISTER)

- "The growing aspirations of the people will be reflected in the development strategy followed by the Government led by the Prime Minister Shri Narendra Modi and its mandate of "Sab ka Saath Sab ka Vikas".
- "My Government is committed to the principle of "Minimum Government Maximum Governance".
- "We need to introduce fiscal prudence that will lead to fiscal consolidation and discipline. Fiscal prudence to me is of paramount importance because of considerations of inter-generational equity".
- "Time has come to review the allocative and operational efficiencies of Government expenditure to achieve maximum output. The Government will constitute an Expenditure Management Commission, which will look into various aspects of expenditure reforms to be undertaken by the Government. The Commission will give its interim report within this financial year."
- "I do hope we are able to find a solution in the course of this year and approve the legislative scheme which enables the introduction of GST".
- "We are committed to provide a stable and predictable taxation regime that would be investor friendly and spur growth. Keeping this in mind, we have decided that henceforth, all fresh cases arising out of the retrospective amendments of 2012 in respect of indirect transfers and coming to the notice of the Assessing Officers will be scrutinized by a High Level Committee to be constituted by the CBDT before any action is initiated in such cases. I hope the investor community both within India and abroad would repose confidence on our stated position and participate in the Indian growth story with renewed vigour".
- "Tax demand of more than Rs 4 lakh crore is under dispute and litigation before various Courts and Appellate authorities. This is one of the serious concerns of all taxpayers in this country. In order to reduce litigation in direct taxes, I propose to make certain legislative and administrative changes".
- "Currently, an advance ruling can be obtained about the tax liability of a non-resident from the Authority for Advance Rulings. This facility is not available to resident taxpayers except Public Sector Undertakings. I propose to enable resident taxpayers to obtain an advance ruling in respect of their income tax liability above a defined threshold. I also propose to strengthen the Authority for Advance Rulings by constituting additional benches. I further propose to enlarge the scope of the Income-tax Settlement Commission so that taxpayers may approach the Commission for settlement of disputes. This would continue to be once in a lifetime opportunity for any taxpayer".

POLICY STATEMENTS THAT MAY ALSO LEAD TO FURTHER PROVISIONS (EXTRACTS QUOTED FROM BUDGET SPEECH OF HON'BLE FINANCE MINISTER)

- "As an administrative measure, I propose to set up a High Level Committee to interact with trade and industry on a regular basis and ascertain areas where clarity in tax laws is required. Based on the recommendations of the Committee, the Central Board of Direct Taxes and the Central Board of Excise and Customs shall issue appropriate clarifications, wherever considered necessary, on the tax issues within a period of two months.

Transfer Pricing is a major area of litigation for both resident and nonresident taxpayers. I have proposed certain changes in the Transfer Pricing regulations.....

I hope these measures would go a long way in improving the confidence of taxpayers in the tax system and would provide certainty and clarity in tax laws".

- "In order to create a conducive eco-system for the venture capital in the MSME sector it is proposed to establish a Rs 10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies".
- "The definition of MSME will be reviewed to provide for a higher capital ceiling".
- "While preparing the tax proposals, I had to encounter the challenge of an extremely limited fiscal space. Nonetheless, I propose to introduce measures to revive the economy, promote investment in manufacturing sector and rationalize tax provisions so as to reduce litigation as well as to address the problem of inverted duty structure in certain areas. I also propose to give relief to individual taxpayers and to certain sectors of the economy".
- "The Direct Taxes Code Bill, 2010 has lapsed with the dissolution of the 15th Lok Sabha.....

The Government shall consider the comments received from the stakeholders on the revised Code. The Government will also review the DTC in its present shape and take a view in the whole matter".

- "Income-tax Department is expected to function not only as an enforcement agency but also as a facilitator".

POLICY STATEMENTS THAT MAY ALSO LEAD TO FURTHER PROVISIONS (EXTRACTS QUOTED FROM BUDGET SPEECH OF HON'BLE FINANCE MINISTER)

- “In order to reduce litigation on transfer pricing issues, I propose to make certain changes in Transfer Pricing regulations.
 - 1) An Advance Pricing Agreement (APA) scheme was introduced in the year 2012. It has received good response. I propose to strengthen the administrative set up of APA to expedite disposal of applications. Further, I propose to introduce a “Roll Back” provision in the APA scheme so that an APA entered into for future transactions may also be applied to international transactions undertaken in previous four years in specified circumstances.
 - 2) In order to align Transfer Pricing regulations in India with the best available practices, I propose to introduce range concept for determination of arm's length price. However, the arithmetic mean concept will continue to apply where number of comparable is inadequate. The relevant data is under analysis and appropriate rules will be prescribed.
 - 3) As per existing provisions of Transfer Pricing Regulations, only one year data is allowed to be used for comparable analysis with some exception. I propose to amend the regulations to allow use of multiple year data.”
- “The focus of any tax administration is to broaden the tax base. Our policy thrust is to adopt non intrusive methods to achieve this objective. In this direction, I propose to make greater use of information technology techniques”.
- “The scheme of Advance Ruling in indirect taxes is being expanded to cover resident private limited companies. This will allow these companies to seek advance ruling in respect of new activities being proposed to be undertaken by them. The scope of Settlement Commission is being enlarged to facilitate quick dispute resolution”.
- “To expedite the process of disposal of appeals, amendments have been proposed in the Customs and Central Excise Acts with a view to freeing appellate authorities from hearing stay applications and to take up regular appeals for final disposal”.



INDIRECT TAXATION

CENTRAL EXCISE

Taxation Rates

- No change in the rate of Excise Duty from FY 13-14 which shall remain 12% in FY 14-15

Sectoral Changes

Automobiles

- Excise duty exempted on parts of tractors removed from one or more factories of a tractor manufacturer to another factory of the same manufacturer for manufacture of tractors
- Excise duty on SUVs increased from 27% to 30%.

Metals

- Excise duty on winding wires of copper increased from 10% to 12%.

Electronics/Hardware

- Excise duty on recorded smart cards increased from 2% without CENVAT and 6% with CENVAT to a uniform rate of 12%.
- Full exemption from Excise Duty provided to reverse osmosis (RO) membrane element used in water filtration or purification equipment (other than household type filter)
- Excise duty on RO membrane element used in household type filters is being reduced from 12%/10% to 6%.
- Excise duty on Metal Core PCB and LED driver for use in the manufacture of LED lights and fixtures and LED lamps, reduced from 12%/10% to 6%.

Textiles

- Prospective levy of a nominal duty of 2 % without Cenvat benefit and 6 % with Cenvat benefit on such PSF and PFY

INDIRECT TAXATION

- Exemption to Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY) manufactured from plastic waste and scrap including polyethylene terephthalate (PET) bottles from excise duty with effect from 29th June, 2010 to 7th May, 2012.

Health

- Full exemption from excise duty is being provided to DDT manufactured by Hindustan Insecticides Limited for supply to the National Vector Borne Diseases Control Programme (NVBDCP) of the Ministry of Health & Family Welfare.
- Excise duty on cigarettes is being increased by 72% for cigarettes of length not exceeding 65 mm and by 11% to 21% for cigarettes of other lengths.
- Basic excise duty is being increased from 12% to 16% on pan masala, from 50% to 55% on unmanufactured tobacco and from 60% to 70% on jarda scented tobacco, gutkha and chewing tobacco.

Agriculture/ Agro Processing/ Plantation

- Excise duty on machinery for the preparation of meat, poultry, fruits, nuts or vegetables, and on presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages and on packaging machinery reduced from 10% to 6%.

Precious Metal

- Un-branded articles of precious metals exempted from excise duty for the period 01.03.2011 to 16.03.2012.

Renewable Resources

- Excise duty is being reduced from 12% to Nil on forged steel rings used in the manufacture of bearings of wind operated electricity generators.
- Full exemption from excise duty is being provided on machinery, equipments, etc. required for setting up of compressed biogas plant (Bio-CNG).



INDIRECT TAXATION

Consumer Goods

- Excise duty reduced from 12% to 6% on footwear of retail price exceeding Rs.500 per pair but not exceeding Rs.1,000 per pair. Footwear of retail price upto Rs.500 per pair will continue to remain exempted.
- Excise duty on hand operated sewing machine (2% without CENVAT / 6% with CENVAT) rationalized by levying concessional excise duty on sewing machines other than those operated with electric motors.
- Concessional excise duty of 2% without CENVAT credit and 6% with CENVAT credit is being extended to gloves specially designed for use in sports.
- An additional duty of excise levied at the rate of 5% ad valorem on aerated waters containing added sugar

Other Significant Provisions

- Optional excise duty of 2% (without CENVAT)/6% (with CENVAT) on writing and printing paper for printing of educational textbooks is being withdrawn and instead a uniform excise duty of 6% with CENVAT levied.
- Intermediate goods manufactured and consumed captively for further manufacture of matches is being fully exempted
- Full exemption from Excise duty provided on plastic materials reprocessed out of the scrap or waste and cleared into the DTA by an EOU.
- Full exemption from excise duty is being provided for security threads and security fibre supplied to Security Paper Mill.
- Central Excise duty on Branded Petrol reduced from Rs.7.50 per litre to Rs. 2.35 per litre.
- Education cess and secondary & higher education cess (customs component) is being exempted on goods cleared by an EOU into the DTA.

INDIRECT TAXATION

CUSTOMS

Taxation Rates

- No change in the peak rate of Basic Custom Duty (BCD) of 10 % in FY 14-15.

Sectoral Changes

Agriculture/ Agro Processing/ Plantation

- Customs duty on de-oiled soya extract, groundnut oil cake/oil cake meal, sunflower oil cake/oil cake meal, canola oil cake/oil cake meal, mustard oil cake/oil cake meal, rice bran/rice bran oil cake and palm kernel cake, fully exempt up to 31.12.2014.
- Description of the product “sun dried dark seedless raisins” is being changed to “dark seedless raisins”.

Metals

- BCD on stainless steel flat products is being increased from 5% to 7.5%.
- Duty on ship breaking scrap and melting scrap of iron or steel rationalized by reducing the BCD on ships imported for breaking up from 5% to 2.5%.
- Export duty on bauxite increased from 10% to 20%.
- Basic Customs Duty on coal tar pitch reduced from 10% to 5%¹.
- BCD on battery waste and battery scrap reduced from 10% to 5%.
- Basic Customs Duty on steel grade limestone and steel grade dolomite reduced from 5% to 2.5%.

Capital Goods/ Infrastructure

- Road construction machinery imported duty free can be sold within 5 years of importation subject to payment of customs duty on depreciated value and that individual constituents of the consortium whose names appear in the contract can import goods without payment of duty.

INDIRECT TAXATION

- Plants & Equipment imported prior to 2008 for use in projects financed by the UN or an international organization is now allowed to be transferred / sold/ re-exported from the project site.
- The requirement of certification by Ministry of Road Transport (or NHAI) for availing of customs duty exemption on specified goods required for construction of roads done away with.
- Director (Electrical) is being authorized to issue the requisite certificate to enable Delhi Metro Rail Corporation to avail of Nil BCD and Nil CVD benefits in respect of their Phase-1 and Phase-2 projects instead of Director (Rolling Stock, Electrical & Signaling) at present.

Aircrafts & Ships

- Clarification that aircraft engines and parts thereof are eligible for duty exemption when imported for servicing, repair or maintenance of aircrafts used for scheduled operations.

Electronics/ Hardware

- To encourage production of LCD and LED TVs below 19 inches in India, BCD on LCD and LED TV panels of televisions below 19 inches reduced from 10% to Nil.
- BCD exempted on specified parts of LCD and LED panels for TVs.
- Colour television picture tubes for use in manufacture of cathode ray televisions exempted from BCD to make cathode ray TVs cheaper and more affordable to weaker sections.
- Basic Customs Duty on specified telecommunication products not covered under the ITA (Information Technology Agreement) increased from NIL to 10%.
- Steps taken to boost domestic production of electronic items and reduce our dependence on imports. These include imposition of BCD on certain items falling outside the purview of IT Agreement, exemption from Special Additional Duty ("SAD") on inputs/ components for Personal Computers manufacturing, imposition of education cess on imported electronic products for parity etc.

INDIRECT TAXATION

- Full exemption from Special Additional Duty (SAD) provided on specified inputs (PVC sheet & Ribbon) used in the manufacture of smart cards.
- BCD reduced from 7.5% to NIL on E-Book readers.
- CVD exemption on portable X-ray machine / system withdrawn

Textiles

- The duty free entitlement for import of trimmings & embellishments and other goods used by the readymade textile garment sector for manufacture of garments for export is being increased from 3% to 5%.
- Import duty exempt on Non-fusible embroidery motifs or prints for manufacture of garments for export.
- The list of specified goods required by handicraft manufacturer-exporters expanded by including wire rolls so as to provide Customs Duty exemption on import by handicraft manufacturer-exporters.
- BCD on textile machinery & parts is reduced from 7.5% to 5%.
- Fusible embroidery motifs or prints, anti-theft devices, pin bullets for packing, plastic tag bullets, metal tabs, bows, ring and slider hand rings are being included in the list of items eligible to be imported duty free for manufacture of handloom made ups or cotton made ups or manmade made ups for export.
- Specified goods imported for use in the manufacture of textile garments for export are fully exempt from BCD and CVD subject to the condition that the manufacturer produces an entitlement certificate from the Apparel Export Promotion Council. In addition, Indian Silk Export Promotion Council (ISEPC) is being authorised to issue entitlement certificate.
- Customs Duty on raw materials for manufacture of spandex yarn viz. Polytetramethylene ether glycol (PT MEG) and Diphenylmethane 4, 4 di-isocyanate (MDI) reduced from 5% to Nil.

INDIRECT TAXATION

Energy Sector

- Anthracite coal, bituminous coal, coking coal, steam coal and other coal to attract 2.5% BCD and 2% CVD to eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.
- BCD on metallurgical coke increased from Nil to 2.5% in line with the duty on coking coal.
- Exemption from Basic Customs Duty granted on re-gasified LNG for supply to Pakistan.

Precious Metals

- To prevent mis-use and avoid assessment disputes, BCD on semi- processed half cut or broken diamonds, cut and polished diamonds and coloured gemstones rationalized at 2.5%.
- To encourage exports, pre-forms of precious and semi-precious stones exempted from BCD.

Renewable Energy

- Concessional BCD of 5% extended to machinery and equipment required for setting up of a project for solar energy production.
- Specified inputs for use in the manufacture of EVA sheets and back sheets and flat copper wire for the manufacture of PV ribbons exempted from BCD.
- Reduction in BCD from 10% to 5% on forged steel rings used in the manufacture of bearings of wind operated electricity generators. Exemption from SAD of 4% on parts and raw materials required for the manufacture of wind operated generators.
- Concessional BCD of 5% on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG)

INDIRECT TAXATION

Chemicals and Petrochemicals

- To encourage new investment and capacity addition, BCD on reformate reduced from 10% to 2.5%.
- BCD on propane, ethane, ethylene, propylene, butadiene reduced from 5% to 2.5%.
- BCD on ortho-xylene is being reduced from 5% to 2.5%.
- BCD on denatured ethyl alcohol and methyl alcohol reduced from 7.5% to 5%.
- BCD on crude naphthalene reduced from 10% to 5%.
- BCD on fatty acids, crude palm stearin, RBD and other palm stearin and specified industrial grade crude oils is being reduced from 7.5% to Nil for manufacture of soaps and oleochemicals subject to actual user condition.
- BCD is also being reduced on crude glycerine from 12.5% to 7.5% in general and from 12.5% to Nil for manufacture of soaps.
- Concessional BCD of 5% on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).

Health

- Exemption from Customs duty on HIV/AIDS drugs and diagnostic kits imported under NACP funded by GFATM

Security and Strategic Purpose

- Full exemption from Basic customs Duty is being provided to goods imported by National Technical Research Organisation (NTRO).
- Full exemption of customs provided on security fibre, security threads and M-feature imported by Bank Note Paper Mill India Private Limited (BNPMIPL), Mysore. Full exemption from BCD and CVD is also being provided for raw materials required for manufacture of security threads and security fibre subject to actual user condition.

INDIRECT TAXATION

- The scope of exemption notification No.39/96-Customs dated 23.07.1996 [S.No.7] granting full exemption from BCD and CVD on goods imported for use in the manufacture of aircrafts for the Ministry of Defence is being clarified to the effect that the exemption is available to all materials in any form and articles thereof, subject to the overall condition that they conform to aeronautical specification accompanied with certificate of conformance/release note/airworthiness certificate for development.

Miscellaneous:

- Basic Customs Duty on Polystyrene (other than moulding powder) is being increased from 1.15% to 7.5%.
- Basic Customs Duty reduced from 5% to 2.5% on electrolyzers and their parts/spares required by caustic soda or caustic potash units and membranes and their parts/spares required by industrial plants based on membrane cell technology. The BCD on other spares (other than membranes and parts thereof) is also being reduced from 7.5% to 2.5%.
- A provision is being made for refund of Customs duty paid at the time of import of scientific and technical instruments, apparatus, etc. by public funded and other research institutions, subject to submission of a certificate of registration from the Department of Scientific & Industrial Research (DSIR).

Other Significant Provisions

- Customs duties on mineral oils including petroleum and natural gas extracted or produced in the continental shelf of India or the exclusive economic zone of India and imported prior to 7 February 2002 exempt. No refund of customs duties paid earlier.
- Importers bringing goods in a vehicle by land can file a bill of entry prior to import of goods in the same manner as imports by air or sea.
- Name of the 'Customs and Central Excise Settlement Commission' changed to the 'Customs, Central Excise and Service Tax Settlement Commission'
- Discretionary power of CESTAT to refuse admission of appeal has been increased from the existing limit of INR 50,000 to INR 200,000.

INDIRECT TAXATION

- To substitute the words “by notification in the official gazette” with the words “by order”.
- **Pre-Deposits in Appeal (First Stage)** - Mandatory fixed pre-deposit of 7.5% of the duty demanded or penalty imposed or both for filing appeal before the Commissioner (Appeals) & Tribunal – It would also mean that, no stay application would be filed henceforth.
- **Pre-Deposits in Appeal (Second Stage)** - Mandatory fixed pre-deposit of 10% of the duty demanded or penalty imposed or both for filing appeal before the Tribunal – It would also mean that, no stay application would be filed henceforth.

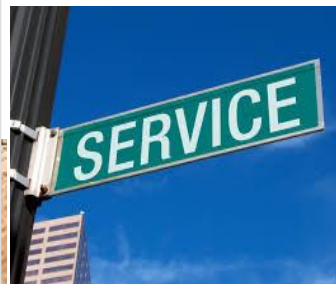
Ceiling for mandatory pre-deposit fixed at Rs. 10 Crores. The amendment is prospective and not applicable to appeals and stay applications pending for decision prior to enactment of Finance Bill.

- Discretionary power of CESTAT to refuse admission of appeal has been increased from the existing limit of INR 50,000 to INR 200,000.
- Application for settlement of a case can be made by a person who has made a baggage declaration or label or declaration accompanying goods imported or exported through courier or post, provided a show cause notice has been issued.
- CBEC has been vested with powers to condone delay in review of orders by Committee of Chief Commissioners and Commissioner of Customs by a further period of 30 days.
- Benefit of advance ruling extended to resident private limited company. Definition of “private limited company” linked to Companies Act, 2013 and “resident” linked to Income-tax Act.
- Duty free baggage allowance of passengers increased as follows:
 - Passengers above 10 years and returning after three days: INR 35,000 to INR 45,000.
 - Passengers above 10 years and returning within three days or less: INR 15,000 to INR 17,500.
 - Passengers up to 10 years and returning after three days: INR 15,000 to INR 17,500.
- Reduced the duty free allowance of cigarettes from 200 to 100, of cigars from 50 to 25 and of tobacco from 250 gms to 125 gms.

INDIRECT TAXATION

Policy changes under Customs and Excise

- Discretionary powers of CESTAT and commissioner (appeals) for grant of stay of pre-deposit has been replaced with a mandatory deposit of 7.5% for first appeal/10% for second appeal of the duty demanded or penalty imposed or both. The pre-deposit is subject to upper ceiling limit of INR 100,000,000. The amendment is prospective and not applicable to appeals and stay applications pending for decision prior to enactment of Finance Bill.
- Discretionary power of CESTAT to refuse admission of appeal has been increased from the existing limit of INR 50,000 to INR 200,000.



INDIRECT TAXATION

SERVICE TAX

Taxation Rates

- No change in effective Service tax rate of 12.36% in FY 14-15

Review of the Negative List of services [Effective on enactment of the Finance Bill]

- Following services to be removed from the negative list of services:
 - To broaden the tax base in Service tax ,sale of space or time for advertisements on segments such as internet websites, out-of-home media, on film screen in theatres, bill boards, conveyances, buildings, cell phones, Automated Teller Machines, tickets, commercial publications, aerial advertising, etc.,
 - Service provided by radio-taxis brought under the Service tax. The abatement presently available to rent-a-cab service would also be made available to radio taxi service, to bring them on par.

General exemptions under Notification No. 25/2012-ST [Effective from 11th July 2014]

- Exemption will be withdrawn on the following services:
 - Technical testing or analysis of newly developed drugs, including vaccines and herbal remedies on human participants by a clinical research organization approved to conduct clinical trials by the Drug Controller General of India.
 - Passenger transportation by air-conditioned contract carriages like buses.
 - Renting of immovable property to educational institutions.

INDIRECT TAXATION

- Exemption in respect of services provided to Government or local authority or governmental authority restricted only to services by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation.
- Service tax exemption on services received by educational institutes restricted only to specified services as opposed to all auxiliary education services.
- Exemption from service tax is only available to hotel, dharamshalas or ashrams and will not include any commercial places.

Rationalization of Service tax on service portion in Works Contracts [Effective from 1st October, 2014]

- Value of service portion for works contracts other than 'original works' rationalized to 70%.

Service tax on taxable portion in respect of transportation service by vessels [Effective from 1st October, 2014]

- Decrease in effective Service tax rate on transport of goods by vessel from 6.18% to 4.94% due to increased abatement from 50% to 60%.

New exemptions [Effective from 11th July 2014]

- Services provided under all life micro-insurance schemes approved by IRDA, where sum assured does not exceed INR 50,000.
- Services provided by way of transport of organic manure by vessel, rail or road.
- Loading, unloading, packing, storage or warehousing, transport by vessel, rail or road (GTA), of cotton, ginned or baled.
- Services provided by common bio-medical waste treatment facility operators to clinical establishments.

INDIRECT TAXATION

- Specialized financial services received by RBI from global financial institutions in the course of management of foreign exchange reserves, e.g., external asset management, custodial services, securities lending services, etc.
- Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India

Retrospective Exemption

- No Service tax shall be levied or collected in respect of taxable services provided by the Employees' State Insurance Corporation set up under the Employees' State Insurance Act, 1948 during the period prior to the July 1, 2012

Compliance enhancement [Effective from 1st October 2014]

- To encourage prompt payment of Service tax, new interest rates on delayed payments under Section 75 of the Finance Act, 1994, which would vary as per the extent of delay has been prescribed as under:

Extent of delay	Simple interest rate per annum
Up to six months	18%
More than six months and up to one year	18% for first six months and 24% for the period of delay beyond six months
More than one year	18% for first six months, 24% for second six months and 30% for the period of delay beyond one year

This new interest rate regime will become operational from 1st October, 2014 up to which the rate of interest of 18%, as presently applicable, will continue to apply.

INDIRECT TAXATION

Service Tax Rules

- Domestic reverse charge provisions on two more services: **[Effective from 11th July 2014]**
 - Service provided by a director to a body corporate. Service receiver, who is a body corporate will be the person liable to pay service tax.
 - Services provided by Recovery Agents to Banks, Financial Institutions and NBFC. Service receiver will be the person liable to pay service tax.
- E-payment of Service tax has been made mandatory with **effect from 01st October, 2014**. Relaxation from e-payment may be allowed by the Deputy Commissioner/ Asst. Commissioner on case to case basis, when service tax in excess of Rs 1 Lakh is payable.

Cenvat Credit

- Credit under reverse charge can be claimed immediately on payment of service tax irrespective of payment of invoice value (except partial reverse charge) **[Effective from 11th July 2014]**.
- Re-credit of CENVAT credit reversed on account of non-receipt of export proceeds within the specified period or extended period, to be allowed, if export proceeds are received within one year from the period so specified or extended period. This can be done on the basis of documents evidencing receipt of export proceeds. **[Effective from 11th July 2014]**.
- Rent-a-cab operator and tour operator: service tax paid by sub-contractor in the same line of business would be allowed as eligible credit to the main service provider to avoid double taxation, subject to certain conditions **[Effective from 1st October 2014]**.
- Restriction on availment of credit in relation to GTA service amended to clarify that such restriction is applicable only to a service provider. **[Effective from 11th July 2014]**.

INDIRECT TAXATION

- Manufacturer or a service provider shall take credit on inputs and input services within a period of six months from the date of issue of invoice, bill or challan. Currently, CENVAT Credit can be claimed at any time after receipt of invoice. **[Effective from 1st September 2014].**

Place of Provision of Services Rules [Effective from 1st October 2014]

- Definition of 'Intermediary' has been amended to include intermediary of goods in its scope. Accordingly, an intermediary of goods, such as a commission agent or consignment agent shall be covered under Rule 9(c) of the POP Rules instead of Rule 3 of the POP Rules.
- Rule 4(a) of the POP Rules is not applicable on repair of goods imported temporarily into India and then exported after repairs without being put to any use in the taxable territory. It may be noted that this exclusion does not apply to goods that arrive in the taxable territory in the usual course of business and are subject to repair while such goods remain in the taxable territory, e.g., any repair provided in the taxable territory to containers arriving in India in the course of international trade in goods will be governed by Rule 4 of the POP Rules.
- Hiring of vessels or aircrafts, irrespective of whether short term or long term, will be covered by the general rule, which is place of location of the service receiver. [Amendment to rule 9(d)]

Point of Taxation Rules

- Point of taxation for reverse charge payments rationalized **(for invoices issued after 1st October 2014):**

Date of payment; or

First day after three months from the date of Invoice (i.e. where the payment has not been made).

INDIRECT TAXATION

Simplification of partial reverse charge mechanism [Effective from 1st October 2014]

- In renting of motor vehicle, portion of service tax payable by service provider and service receiver will be 50% each.

SEZ [Effective from 11 July 2014]

- Rationalization of procedures for claiming exemption/refund of Service tax on input services for SEZ units and developers.

Miscellaneous [Effective on enactment of the Finance Bill]

- Discretionary powers of CESTAT and commissioner (appeals) for grant of stay of pre-deposit has been replaced with a mandatory deposit of 7.5% for first appeal/10% for second appeal of the duty demanded or penalty imposed or both. The pre-deposit is subject to upper ceiling limit of INR 100,000,000. The amendment is prospective and not applicable to appeals and stay applications pending for decision prior to enactment of Finance Bill.
- Time limits recommended for completion of adjudication, within six months or one year from the date of issuance of show cause notice to the extent possible.
- 50% penalty imposable in cases where Service tax has not been levied, not paid or short levied or short paid on account of suppression of facts or wilful misstatement even if the assessee proves that there was reasonable cause for such failure by way of details of such transactions being available in specified records.
- Providing power to Joint Commissioner or Additional Commissioner or any other officer notified by CBEC to authorize any Central Excise Officer to undertake search and seizure.
- Introduction of powers to recover dues of a predecessor from the assets of a successor which are purchased from the predecessor.
- Government to prescribe rules to determine rate of exchange for calculation of taxable value in respect of certain services to delink the present practice of using conversion rates notified for Customs purpose.

INDIRECT TAXATION

- Government to prescribe rules to determine rate of exchange for calculation of taxable value in respect of certain services to delink the present practice of using conversion rates notified for Customs purpose.
- Significant limitation introduced on time for claiming credits on input and input services - to be availed within six months from date of invoice/challan. **[effective from 1 September 2014]**

GST

- No GST implementation date announced, however commitment to introduce GST re-affirmed. FM hopes to resolve pending matters so as to be able to approve the legislative scheme paving way for early introduction of GST.

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