

# **Union Budget 2013 - Key Highlights**

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## **I. Direct Taxes**

### **a) Personal & Corporate Taxation**

- No change in the tax slabs. i.e. tax rates for men & women are as below:

Upto INR2 lakhs	Nil
INR2 lakhs to INR5 lakhs	10%
INR5 lakhs to INR10 lakhs	20%
Above INR10 lakhs	30%

- Basic exemption limit for senior citizens is given as under:

Aged 60 to 80 years	INR 2.50 lakhs
Aged 80 years & above	INR 5.00 lakhs

- Tax credit of INR 2,000 /- to every person with total income of upto INR 5 lakhs
- Surcharge of 10% on persons having taxable income exceeding INR 1 Crore
- Contributions made to schemes of Central and State Governments similar to Central Government Health Scheme, eligible for deduction under section 80D.
- Donations made to National Children Fund eligible for 100 % deduction.
- Corporate tax rates remain untouched.
- Increase in rates of surcharge applicable to companies with taxable income exceeding INR 10 crore:
  - ≈ Domestic Companies – from 5% to 10%
  - ≈ Foreign Companies – from 2% to 5%

- Firms (including LLPs) & Co – operative societies having taxable income in excess of INR 1 Crore also subject to surcharge at 10%.
- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10%.
- Additional Investment allowance at the rate of 15% to manufacturing companies that invest more than INR 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
- Sunset date for being eligible to claim tax holiday under section 80 IA by power generating, distributing or transmitting companies extended by one more year to 31 March 2014.
- A final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.
- Tax return to be regarded as defective, inter-alia, if the tax and applicable interest are not paid by the date of furnishing the tax return (with effect from 1 June 2013).

***b) Other Direct tax proposals***

❖ **STT Reduced, CTT Introduced!!**

While there have been reductions in Securities Transaction Tax rates for certain transactions, a new tax called Commodities Transaction Tax has been introduced on commodities derivatives other than agricultural commodities.

❖ **Additions and modifications to items requiring Tax Deduction at Source**

- ➔ TDS at the rate of 1 percent on the value of the transfer of immovable properties where consideration exceeds INR 50 lakhs. Agricultural land to be exempted.
- ➔ Proposal to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10% to 25%.

❖ New Avenues for **investment of house hold savings**:

- ➔ Benefit of Rajiv Gandhi Equity Savings Scheme to be available to resident individuals having gross income up to INR 12 lakhs as compared to INR 10 lakhs notified earlier.
- ➔ Additional deduction of up to INR 100,000 has been introduced for individuals for FY 2013-14, for interest payable to a specified financial institution on housing loan sanctioned in FY 2013-14. The sanctioned home loan not to exceed INR 25 lakhs. Also, value of house not to exceed INR 40 lakhs and individual not to own any residential house on the date of sanction. This is in addition to the interest deduction of INR 150,000 per annum towards self-occupied property. (for policies taken on or after 1<sup>st</sup> June 2013).
- ➔ Inflation based index bonds proposed to be introduced to protect savings from inflation.

❖ Limits on **life insurance premia** to be increased

Deduction towards premium paid on life insurance policies, for persons with prescribed disability or specified disease, increased to 15 % of capital sum assured from 10% (within the overall limit of INR 100,000 per annum).

Maturity proceeds of such policies are also exempt (policies issued on or after 1 April 2013).

## **II. Indirect Taxes**

### **a) Service Tax**

❖ **Amnesty Scheme for Service Providers:**

One-time amnesty for service providers by under the Service Tax Voluntary Compliance Encouragement Scheme has been proposed by way of waiver of interest/ penalty and immunity from prosecution for the period October 2007 to December 2012 subject to prescribed conditions.

❖ No change in normal rates of 12%.

❖ **Eating out in restaurants to be costlier :**

Exemption from service tax given to air – conditioned restaurants that do not have a license to serve liquor stands withdrawn effective from 1<sup>st</sup> April 2013

❖ Abatement from service tax on homes & flats with carpet area of 2000 sq. ft. or more or of value of INR 1 crore or more reduced from 75% to 70%

❖ Earlier exemption given to services related to parking vehicles for the general public proposed to be withdrawn.

❖ Scope of advance ruling extended to cover resident public limited companies.

***b) Excise & Customs Duty***

❖ No change in Excise duty rates and Basic Customs Duty

❖ Exemption from Excise duty for branded ready-made garments restored. Excise duty on cotton garments reduced from 12 to 6%.

❖ Duty on mobile phones priced at more than INR 2000 raised to 6%

❖ Duty free gold limit increased to INR 50,000 in case of male passenger and INR 1,00,000 in case of a female passenger subject to certain conditions.

❖ Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.

***c) Goods & Service Tax***

❖ Proposal to allocate INR 9000 crores towards balance Central Sales Tax compensation to States

❖ Stress on the need to present draft Constitutional Amendment Bill and GST bill in Parliament but no indication of a timeline in this regard.

❖ Appeal to State Finance Ministers to support the Government in the implementation of GST.