

BUDGET 2008 AND ITS IMPACT

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FLOW OF PRESENTATION

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- ❑ Direct Tax
- ❑ Indirect Taxes

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- ❑ Sectoral Impact
- ❑ About CCI

DIRECT TAXES

PERSONAL INCOME TAX RATES

FROM		TO	
Income Range (Rs)	Rate (%)	Income Range (Rs)	Rate (%)
Upto 110,000	Nil	Upto 150,000 ¹	Nil
110,001 – 150,000	10	150,001 – 300,000	10
150,001 – 250,000	20	300,001 – 500,000	20
250,001 and above	30	500,001 and above ²	30

CORPORATE TAX RATES REMAINS UNCHANGED

COMPANY	RATE (%)
Domestic	30
Foreign	40

BUSINESS INCOME

- ✓ Expenses towards **expansion by service companies** deductible as preliminary expenses i.e. spread over five consecutive years.
- ✓ **Weighted deduction at 1.25** times on contributions made to corporate, besides other research bodies, engaged in research and development activities.
- ✓ Aggregate **cash payments to a vendor**, when in excess of Rs 20,000 within the same day, will be disallowed.

CAPITAL GAINS

- ✓ Capital assets transferred under **reverse mortgage** scheme will not attract capital gains tax.
- ✓ **Short term capital gains tax** on sale of equity and equity oriented funds increased from 10 to 15 per cent.

EXEMPTIONS

- ✓ Income to a **Sikkimese individual** from sources within Sikkim and any dividend or interest on securities fully exempt from tax.
- ✓ Income to a **senior citizen under reverse mortgage** scheme exempt from tax.

REBATES AND DEDUCTIONS

- ✓ Additional **deduction of Rs 15,000** in respect of health insurance premium paid for parents.
- ✓ Section 80IB to allow tax holiday during the first five years of operation to **hospitals in non-metro cities**, provided they commence operations between April 1, 2008 to March 31, 2013.
- ✓ Scope of section 80ID extended to hotels located in specified districts having a **world heritage site** allowing tax holiday during the first five years of operation, provided they commence operations between April 1, 2008 to March 31, 2013.

TAX WITHHOLDING

- ✓ Businesses in the form **association of persons or body of individuals**, to now withhold tax on contractual payments.
- ✓ Tax withholding on **payments to non-residents** to be reported through a newly introduced system of e-filing.

DUE DATE FOR FILING RETURN OF INCOME

- ✓ Due date for filing tax return for **corporate and non-corporate tax payers** subject to tax audit, revised from October 31st to September 30th.

DIVIDEND DISTRIBUTION TAX

- ✓ *Domestic parent company, provided it is not a subsidiary of another company, to pay dividend distribution tax on 'net dividend' i.e. dividend declared less dividend received from it's immediate step down subsidiary.*

BANKING CASH TRANSACTION TAX

- ✓ Withdrawn *w.e.f.* April 1, 2009

FRINGE BENEFITS TAX (FBT)

- ✓ Following expenditure on employees **not to attract FBT**
 - providing crèche facility for their children
 - organising sports events
 - sponsoring sportsmen
 - providing meal facility through pre-paid electronic meal cards

- ✓ Expenditure on **maintenance of guest house accommodation** not to attract FBT.

- ✓ Value of fringe benefit in respect of **festival celebration reduced from 50 to 20 per cent** of expenditure.

INDIRECT TAXES

SERVICE TAX

- ❑ Exemption limit for **small service providers** raised from Rs 800,000 to 1 million
- ❑ **Registration requirement** enhanced from Rs 700,000 to 900,000
- ❑ Service tax on **WCT composition scheme** increased from 2 to 4 per cent
- ❑ In case separate books of accounts are not maintained for exempted services, the **input credit** for these be reversed or 8 per cent tax paid.
- ❑ Services under the category 'Management, maintenance or repair', 'Technical testing and analysis' and 'Technical inspection and certification' to be treated as
 - ✓ **export of service** if the goods, material or immovable property is situated outside India.
 - ✓ **Import of service** if goods, material or immovable property is situated in India.

SERVICE TAX

- Additional 7 services brought **within ambit of service tax** namely
 - ✓ Information technology software
 - ✓ Management of investment under Unit Linked Insurance Plan ('ULIP')
 - ✓ Stock exchange
 - ✓ Commodity exchange
 - ✓ Processing and clearing house
 - ✓ Supply of tangible goods for 'right of use'
 - ✓ Internet telecommunication

CENTRAL SALES TAX

- ❑ Central Sales Tax ('CST') **reduced from 3 to 2 per cent** effective April 1, 2008.

SECTORAL IMPACT

BUDGET 2008

HIGHLIGHTS

- ▲ Overall Consumer – Oriented
- ▲ Focus on Rural infrastructure
- ▲ Agriculture, Power, Education, Health given special attention
- ▲ Industry to benefit through increased demand arising as a result of higher disposable income with consumers

AUTOMOBILES AND AUTO COMPONENTS

PROPOSALS

- ▲ Excise duty reduced from 16 to 12%
- ▲ Cenvat rate reduced from 16 to 14
- ▲ CST reduced to 2%
- ▲ Change in personal IT slab rates

IMPACT

- ▲ Excise duty cuts will lower prices
- ▲ Higher disposable incomes to spur demand
- ▲ Overall impact Positive

CONSUMER DURABLES

PROPOSALS

- ▲ Reduction in basic excise duties from 16% to 14%

IMPACT

- ▲ Change in tax slabs to induce higher demand
- ▲ Reduction in excise to have marginal impact

CONSTRUCTION

PROPOSALS

- ▲ Outlays for infrastructure increased
- ▲ NHDP, JNNURM in focus
- ▲ Irrigation to get higher outlay

IMPACT

- ▲ Positive for the construction sector

POWER

PROPOSALS

- ▲ Increased allocation (under Rajiv Gandhi Grameen Vidyutikaran Yojana)
- ▲ New Ultra mega power projects to come up
- ▲ Fund for reducing T&D losses
- ▲ Coal regulator to be set up
- ▲ Project import duty rates reduced by about 2.5%

IMPACT

- ▲ Overall positive for the sector
- ▲ Demand to go up for equipment suppliers in generation, transmission and distribution
- ▲ Import duty cut to benefit utilities; marginally negative for equipment suppliers

PHARMACEUTICAL

PROPOSALS

- ▲ Excise duty on formulations reduced from 16% to 8%
- ▲ Customs duty reduced from 10% to 5% on select drugs
- ▲ Weighted deduction of 125% allowed on expenditure on outsourced R&D

IMPACT

- ▲ Drug prices to come down marginally
- ▲ Encourage higher R&D spending
- ▲ Contract Research units to benefit
- ▲ Overall positive for industry

SUGAR

PROPOSALS

- ▲ Commodities transaction tax in commodities introduced

IMPACT

- ▲ CTT expected to affect margins
- ▲ Impact to be marginally negative

THANK YOU