

Quick update on Tax implications

For Individuals, Hindu Undivided Families, Association of Persons and Body of Individuals

- In the case of a resident woman below the age of 65 years, the basic exemption limit is INR 190,000 (a)
- In the case of a resident individual of the age of 65 years or above, the basic exemption limit is INR 240,000 (b)
- Surcharge is not applicable (c)
- Education cess is applicable @ 3 % on income-tax

Tax Slabs for Individuals, HUF, Association of Person and Body of Individuals

| Total Income | Tax Rates |
|----------------------------|------------------|
| Up to INR 160,000 (a)(b) | NIL |
| INR 160,001 to INR 500,000 | 10% |
| INR 500,001 to INR 800,000 | 20% |
| INR 800,001 and above (c) | 30% |

For Co-operative Societies

| Total Income | Tax rates |
|--------------------------|------------------|
| Up to INR 10,000 | 10% |
| INR 10,001 to INR 20,000 | 20% |
| INR 20,001 and above | 30% |

On the above, surcharge is not applicable. Education cess is applicable @ 3 % on income-tax.

For Local Authorities

Local Authorities are taxable @ 30 %. Surcharge is not applicable. Education cess is applicable @ 3 % on income-tax.

For Firms [(including Limited Liability Partnership (LLP)]

- Firms (including LLP) are taxable @ 30 %
- Surcharge is not applicable

- Education cess is applicable @ 3 % on income-tax.

For Domestic Companies

- Domestic companies are taxable @ 30 %
- Special method for computation of total income of insurance companies. The rate of tax on profits from life insurance business is 12.5 %
- Surcharge is applicable @ 7.5 % if total income is in excess of INR 10,000,000. Marginal relief may be available
- Education cess is applicable @ 3 % on income-tax (inclusive of surcharge, if any).

For Foreign Companies

- Foreign companies are taxable @ 40 %
- Surcharge is applicable @ 2.5 % if total income is in excess of INR 10,000,000. Marginal relief may be available
- Education cess is applicable @ 3 % on income-tax (inclusive of surcharge, if any).

MINIMUM ALTERNATE TAX

Minimum Alternate Tax (MAT) is levied @ 18 % of the adjusted book profits in the case of those companies where income-tax payable on the taxable income according to the normal provisions of the Income-tax Act, 1961 (the Act), is less than 18 % of the adjusted book profits.

- MAT credit is available for 10 years
- Surcharge is applicable @ 7.5 % in the case of domestic companies if the adjusted book profits are in excess of INR 10,000,000. Marginal relief may be available
- Education cess is applicable @ 3 % on income-tax (inclusive of surcharge, if any).

SERVICE TAX RATES

Securities Transaction Tax (STT) is levied on the value of taxable securities transactions as under:

| Transaction | Rates | Payable By |
|---------------------------------------------------------------------------------------|--------------|--------------------|
| Purchase/Sale of equity shares, units of equity oriented mutual fund (delivery based) | 0.125% | Purchaser / Seller |
| Sale of equity shares, units of equity oriented mutual fund (non-delivery based) | 0.025% | Seller |
| Sale of an option in securities | 0.017% | Seller |
| Sale of an option in securities, where option is exercised | 0.125% | Purchaser |
| Sale of a futures in securities | 0.017% | Seller |
| Sale of unit of an equity oriented fund to the Mutual Fund | 0.25% | Seller |

WEALTH TAX RATES

Wealth tax is imposed @ 1 % on the value of specified assets held by the taxpayer on the valuation date (31 March) in excess of the basic exemption of INR 3,000,000.

DIVIDEND DISTRIBUTION TAX

Dividend distributed by an Indian Company is exempt from income-tax in the hands of many shareholders. The Indian Company is liable to pay Dividend Distribution Tax (DDT) @ 16.609 % (i.e. inclusive of surcharge and education cess) on such dividends

- The amount of dividend declared by the parent company (i.e. holding more than 50 % of capital) is likely to be reduced by the amount of dividend received from its subsidiary company for the purposes of computing DDT payable by the parent company if:
 - such dividend is received from its subsidiary
 - the subsidiary has paid DDT on such dividend; and
 - the parent company is not a subsidiary of any other company

Further, dividend paid to any person for and on behalf of New Pension System Trust is likely to be reduced.

Income received by unit holders from a Mutual Fund is exempt from income-tax. The Mutual Fund (other than equity oriented mutual fund) is likely to pay income distribution tax of:

- 27.681 % (inclusive of surcharge and education cess) on income distributed by a money market mutual fund or a liquid fund
- 13.841 % (inclusive of surcharge and education cess) on income distributed to any person being an individual or a Hindu Undivided Family by a fund other than a money market mutual fund or a liquid fund; and

-22.145 % (inclusive of surcharge and education cess) on income distributed to any other person by a fund other than a money market mutual fund or a liquid fund.

SPECIAL RATES FOR NON-RESIDENTS

The following incomes in the case of non-resident are taxed at special rates on gross basis:

| Nature of Income | Rate (a) |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Dividend (b) | 20% |
| Interest received on loans given in foreign currency to Indian concern or Government of India | 20% |
| Income received in respect of units purchased in foreign currency of specified Mutual Funds / UTI | 20% |
| Royalty or fees for technical services | For Agreements entered into: - After 31 May 1997 but before 1 June 2005 – @ 20% - After 1 June 2005 – @ 10% |
| Interest on FCCB, FCEB / Dividend on GDRs (b) | 10% |

- These rates may further increase by surcharge and education cess (a)
- Other than dividends on which DDT has been paid (b)
- In case the non-resident has a Permanent Establishment (PE) in India and the royalty/fees for technical services paid is effectively connected with such PE, the same could be taxed @ 40 % (plus surcharge and education cess) on net basis
- Tax on non-resident sportsmen or sports association on specified income @ 10 % plus applicable surcharge and education cess.

CAPITAL GAINS

| Particulars | Short-term capital gains tax rates (a) | Long-term capital gains tax rates (a) |
|----------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|
| Sale transactions of equity shares / unit of an equity oriented fund which attract STT | 15% | Nil |
| Sale transaction other than mentioned above: | | |
| Individuals (resident and non-residents) | Progressive slab rates | 20% / 10% (b) |
| Firms including LLP (resident and non resident) | 30% | |
| Resident Companies | 30% | |

| | | |
|-------------------------------------------------------------|------------------------|---------------|
| Overseas financial organisations specified in section 115AB | 40% (corporate) | 10% |
| | 30% (non corporate) | |
| FII's | 30% | 10% |
| Other Foreign Companies | 40% | 20% / 10% (b) |
| Local authority | 30% | 20% / 10% (b) |
| Co-operative Society | Progressive slab rates | |

- These rates may further increase by applicable surcharge and education cess.
(a)
- 20 % with indexation and 10 % without indexation (for units/ zero coupon bonds)
(b)

PRESUMPTIVE TAXATION

In the case of a non-resident taxpayer

| Business | Rate at which income is presumed |
|------------------------------------|----------------------------------|
| Shipping (b) | 7.5% of gross receipts |
| Exploration of mineral oil (b) (c) | 10% of gross receipts |
| Operations of Aircraft (b) | 5% of gross receipts |
| Turnkey power projects (b) (c) | 10% of gross receipts |

All resident taxpayers

| Business | Rate at which income is presumed |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Plying, leasing or hiring of trucks (person should not own over 10 goods carriage at any time during the previous year)(b)(c) | INR 5,000 per month/ part of month for each heavy goods vehicle. INR 4,500 per month/ part of month for each light goods vehicle. |

- (a) The gross receipts of the taxpayer do not exceed INR 6,000,000
- (b) All deductions/expenses (including depreciation) shall be deemed to have been allowed
- (c) The taxpayer can claim lower profits, if he keeps and maintains specified books of accounts and obtains a tax audit report
- (d) Applicable to Individuals, Hindu Undivided Families and Firm – excludes LLP, taxpayer availing deduction under Section 10A, Section 10AA, Section 10B, Section 10BA or Chapter VI-A(C) of the Act.

Special code of tonnage tax on income earned by domestic shipping companies.

Summary

TAXES

* Personal income tax exemption limit raised to Rs 180,000 from Rs 160,000 for individual tax payers

* For senior citizens, the qualifying age reduced to 60 years and exemption limit raised to Rs 2.50 lakh.

* Citizens over 80 years to have exemption limit of Rs 5 lakh.

* To reduce surcharge on domestic companies to 5 % from 7.5 %.

* A new revised income tax return form 'Sugam' to be introduced for small tax papers.

* To raise minimum alternate tax to 18.5 % from 18 %

* Direct tax proposals to cause 115 billion rupees in revenue loss

* Service tax rate kept at 10 %

* Customs and excise proposals to result in net revenue gain of 73 billion rupees

* Standard rate of excise duty held at 10 %; no change in CENVAT rates

* Iron ore export duty raised to 20 %

* Nominal one per cent central excise duty on 130 items entering the tax net. Basic food and fuel and precious stones, gold and silver jewellery will be exempted.

*Peak rate of customs duty maintained at 10 per cent in view of the global economic situation.

*Basic customs duty on agricultural machinery reduced to 4.5 per cent from 5 per cent.

*Service tax widened to cover hotel accommodation above Rs 1,000 per day, A/C restaurants serving liquor, some category of hospitals, diagnostic tests.

*Service tax on air travel increased by Rs 50 for domestic travel and Rs 250 for international travel in economy class. On higher classes, it will be ten per cent flat.

* Electronic filing of TDS returns at source stabilized; simplified forms to be introduced for small taxpayers.

* Works of art exempt from customs when imported for exhibition in state-run institutions; this now extended to private institutions.

SUBSIDIES

* Subsidy bill in 2011-12 seen at 1.44 trillion rupees

* Food subsidy bill in 2011-12 seen at 605.7 billion rupees

* Revised food subsidy bill for 2010-11 at 606 billion rupees

* Fertiliser subsidy bill in 2011-12 seen at 500 billion rupees

* Revised fertiliser subsidy bill for 2010-11 at 550 billion rupees

* Petroleum subsidy bill in 2011-12 seen at 236.4 billion rupees

* Revised petroleum subsidy bill in 2010-11 at 384 billion rupees

* State-run oil retailers to be provided with 200 billion rupee cash subsidy in 2011-12

FISCAL DEFICIT

* Fiscal deficit seen at 5.1 % of GDP in 2010-11

* Fiscal deficit seen at 4.6 % of GDP in 2011-12

* Fiscal deficit seen at 3.5 % of GDP in 2013-14

SPENDING

* Total expenditure in 2011-12 seen at 12.58 trillion rupees

* Plan expenditure seen at 4.41 trillion rupees in 2011-12, up 18.3 %

REVENUE

* Gross tax receipts seen at 9.32 trillion rupees in 2011-12

* Non-tax revenue seen at 1.25 trillion rupees in 2011-12

* Corporate tax receipts seen at 3.6 trillion rupees in 2011-12

* Tax-to-GDP ratio seen at 10.4 % in 2011-12; seen at 10.8 % in 2012-13

- * Customs revenue seen at 1.52 trillion rupees in 2011-12
- * Factory gate duties seen at 1.64 trillion rupees in 2011-12
- * Service tax receipts seen at 820 billion rupees in 2011-12
- * Revenue gain from indirect tax proposals seen at 113 billion rupees in 2011-12
- * Service tax proposals to result in net revenue gain of 40 billion rupees in 2011-12

GROWTH, INFLATION EXPECTATIONS

- * Economy expected to grow at 9 % in 2012, plus or minus 0.25 %
- * Inflation seen lower in the financial year 2011-12

DISINVESTMENT

- * Disinvestment in 2011-12 seen at 400 billion rupees
- * Government committed to retaining 51 % stake in public sector enterprises.

BORROWING

- * Net market borrowing for 2011-12 seen at 3.43 trillion rupees, down from 3.45 trillion rupees in 2010-11
- * Gross market borrowing for 2011-12 seen at 4.17 trillion rupees
- * Revised gross market borrowing for 2010-11 at 4.47 trillion rupees

POLICY REFORMS

- * To create infrastructure debt funds
- * FDI policy being liberalised.
- * To boost infrastructure development with tax-free bonds of 300 billion rupees
- * Food security bill to be introduced this year
- * To permit SEBI registered mutual funds to access subscriptions from foreign investments
- * Raised foreign institutional investor limit in 5-year corporate bonds for investment in infrastructure by \$20 billion
- * Setting up independent debt management office; Public debt bill to be introduced in parliament soon
- * Bills on insurance, pension funds, banking to be introduced.
- * Constitution Amendment Bill for introduction of GST regime in this session.
- * New Companies Bill to be introduced in current session

SECTOR SPENDING

- * To allocate more than 1.64 trillion rupees to defence sector in 2011-12
- * infrastructure development fund raised to 180 billion rupees in 2011-12
- * To provide 201.5 billion rupees capital infusion in state-run banks in 2011-12

* To allocate 520.5 billion rupees for the education sector. Rs.21,000 crore for Sarva Shiksha Abhiyan

* To raise health sector allocation to 267.6 billion rupees

* Rs.500 crore more for national skill development fund.

* Rs.54 crore each for AMU (Aligarh Muslim University) centres at Murshidabad and Mallapuram.

* Rs.58,000 crore for Bharat Nirman; increase of Rs.10,000 crore.

* Mahatma Gandhi National Rural Employment Guarantee Scheme wage rates linked to consumer price index; will rise from existing Rs.100 per day.

* Increased outlay on social sector schemes.

* Infrastructure critical for development; 23 % higher allocation in 2011-12.

AGRICULTURE

* Removal of supply bottlenecks in the food sector will be in focus in 2011-12

* Agriculture growth key to development: Green Revolution waiting to happen in eastern region.

* To raise target of credit flow to agriculture sector to 4.75 trillion rupees

* Gives 3 % interest subsidy to farmers in 2011-12

* Cold storage chains to be given infrastructure status

- * Capitalisation of National Bank for Agriculture and Rural Development (NABARD) of 30 billion rupees in a phased manner

- * To provide 3 billion rupees for 60,000 hectares under palm oil plantation

- * Actively considering new fertiliser policy for urea

- * Food storage capacity to be augmented - 15 more mega food parks to be set up in 2011-12; of 30 sanctioned in previous fiscal, 15 set up.

- * Comprehensive policy on further developing PPP (public-private-partnership) model.

- * Farmers need access to affordable credit.

- * Moving to improve nutritional security.

- * Necessary to accelerate production of fodder.

ON THE STATE OF THE ECONOMY

- * "Fiscal consolidation has been impressive. This year has also seen significant progress in those critical institutional reforms that will pave the way for double digit growth in the near future."

- * "At times the biggest reforms are not the ones that make headlines, but the ones concerned with details of governance which affect the everyday life of aam aadmi (common man). In preparing this year's budget, I have been deeply conscious of this fact."

- * Food inflation remains a concern

- * Current account deficit situation poses some concern

* Must ensure that private investment is sustained

* "The economy has shown remarkable resilience."

* Setting tone for newer, vibrant economy.

* Economy back to pre-crisis trajectory.

* Development needs to be more inclusive.

ON GOVERNANCE

* "Certain events in the past few months may have created an impression of drift in governance and a gap in public accountability ... such an impression is misplaced."

* Corruption is a problem, must fight it collectively

MORE

* Govt to move towards direct transfer of cash subsidy for kerosene, LPG and fertilisers.

* Financial Sector Legislative Reforms Commission, to be headed by former Supreme Court judge B Srikrishna, to complete its work in 24 months; to overhaul financial regulations.

* Five-fold strategy against black money; 13 new double taxation avoidance agreements; foreign tax division of CTBT strengthened; strength of Enforcement Directorate increased three-fold.

* Bill to be introduced to review Indian Stamp Act.

- * New coins carrying new rupee symbol to be issued.
- * Anganwadi workers salary raised from Rs.1,500 to Rs.3,000.
- * Mortgage risk guarantee fund to be created for economically weaker sections.
- * Housing loan limit for priority sector lending raised to Rs.25 lakh.