

Budget 2009-2010

For client circulation only

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Key Features of Budget 2009-2010

CHALLENGES

- ◆ To lead economy to high GDP growth rate of 9 per cent per annum at the earliest.
- ◆ To deepen and broaden the agenda for inclusive development to improve delivery mechanisms of the government.

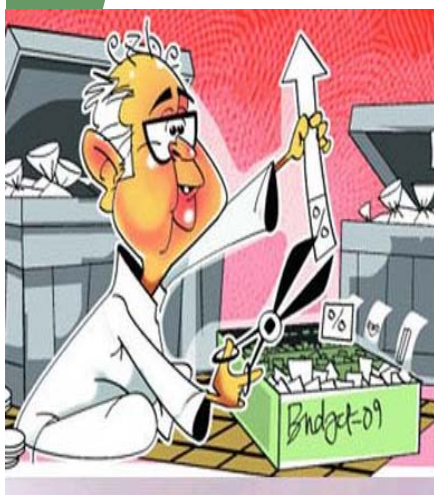
OVERVIEW OF THE ECONOMY

- ◆ Growth rate of Gross Domestic Product dipped from an average of over 9 per cent in the previous three fiscal years to 6.7 per cent during 2008-09.
- ◆ Whole sale price index rose to nearly 13 per cent in August, 2008 and had an equally sharp fall to zero per cent in March, 2009.
- ◆ The structure of India's economy changed over the last ten years with contribution of the services sector to GDP at well over 50 per cent and share of merchandise trade doubling to 38.9 per cent of GDP in 2008-09.

TOWARDS ECONOMIC REVIVAL

Short-term Measures

- ◆ To counter the negative fallout of the global slowdown on the Indian economy, Government responded by providing three focused fiscal stimulus packages in the form of tax relief and increased expenditure on public projects along with RBI taking a number of monetary easing and liquidity enhancing measures.
- ◆ Fiscal accommodation led to an increase in fiscal deficit from 2.7 per cent in 2007-08 to 6.2 per cent of GDP in 2008-09.
- ◆ The fiscal stimulus at 3.5 per cent of GDP at current market prices for 2008-09 amounts to Rs.1,86,000 crore.
- ◆ Measures taken by the Government were effective in arresting the fall in GDP growth rate in 2008-09. 6.7 per cent growth rate recorded in 2008-09.



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Infrastructure Development

- ◆ IIFCL to evolve a Takeout financing scheme in consultation with banks to facilitate incremental lending to infrastructure sector.
- ◆ IIFCL to refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next fifteen to eighteen months. IIFCL and Banks are now in a position to support projects involving total investment of Rs.1,00,000 crore.

Highway and Railways

- ◆ Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23 per cent over B.E. 2008-09 in B.E. 2009-10 and allocation for Railways increased from Rs.10,800 crore in Interim B.E. 2009-10 to Rs.15,800 crore in B.E. 2009-10. Urban Infrastructure
- ◆ Allocation under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) stepped up by 87 per cent to Rs.12,887 crore in B.E. 2009-10 over B.E. 2008-09. Allocation for housing and provision of basic amenities to urban poor enhanced to Rs.3,973 crore in B.E. 2009-10. This includes provision for Rajiv Awas Yojana (RAY), a new scheme announced. Brihan Mumbai Storm Water Drainage Project (BRIMSTOWA)
- ◆ Provision for the project BRIMSTOWA initiated in 2007 and funded through Central Assistance to address the problem of flooding in Mumbai, enhanced from Rs.200 crore in Interim B.E. 2009-10 to Rs.500 crore in B.E. 2009-10 to expedite completion of the project.



AGRICULTURE DEVELOPMENT

- ◆ Target for agriculture credit flow set at Rs.3,25,000 crore for the year 2009-10. In 2008-09 agriculture credit flow was at Rs.2,87,000 crore.
- ◆ Interest subvention scheme for short term crop loans up to Rs.3 lakh per farmer at the interest rate of 7 per cent per annum to be continued. Additional subvention of 1 per cent to be paid from this year, as incentive to those farmers who repay short term crop loans on schedule. Additional allocation of Rs.411 crore over Interim B.E. 2009-10 made for this.



Debt Relief for Farmers

- ◆ Time given to the farmers having more than two hectares of land to pay 75 per cent of their overdues under Debt Waiver and Debt Relief Scheme extended from 30th June, 2009 to 31st December, 2009.
- ◆ Allocation under Accelerated Irrigation Benefit Programme (AIBP) increased by 75 per cent over B.E. 2008-09.
- ◆ Allocation under Rashtriya Krishi Vikas Yojana (RKVY) stepped up by 30 per cent in B.E. 2009-10 over B.E. 2008-09.



RESTORING EXPORT GROWTH

- ◆ Adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors extended upto March 2010.
- ◆ Allocation for Market Development Assistance Scheme enhanced to Rs.124 crore in B.E. 2009-10.
- ◆ Interest subvention of 2 per cent on pre-shipment credit for seven employment oriented export sectors extended beyond the current deadline of September 30, 2009 to March 31, 2010.
- ◆ To facilitate flow of credit at reasonable rates, Rs.4,000 crore provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI). This will incentivise Banks and State Finance Corporations (SFCs) to lend to Micro and Small Enterprises (MSEs) by refinancing 50 per cent of incremental lending to MSEs during the current financial year.
- ◆ Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates to be paid as a special relief subject to documentary proof of loss of revenue in non-governmental advertisements, extended from 30th June, 2009 to 31st December, 2009.



Petroleum and Diesel pricing Policy



With almost three quarters of our oil consumption met through imports, it is important to recognise that domestic prices of petrol and diesel are broadly in sync with global prices. Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products.

Financial Sector



- ◆ The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.
- ◆ Scheduled commercial banks allowed to set up off-site ATMs without prior approval subject to reporting.
- ◆ A sub-committee of State Level Bankers Committee (SLBC) to identify and formulate an action plan for providing banking facilities in under-banked/unbanked areas in the next three years. Rs.100 crore set aside as one-time grant in-aid to ensure provision of at least one centre/Point of Sales (POS) for banking services in each of the unbanked blocks.
- ◆ Government has established Competition Commission of India, an autonomous regulatory body. An Appellate body headed by a retired judge of Supreme Court also constituted.

TOWARDS INCLUSIVE DEVELOPMENT

National Rural Employment Guarantee Scheme (NREGS)



- ◆ • Allocation under NREGS increased by 144 per cent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09.
- ◆ To increase productivity of assets and resources under NREGA, convergence with other schemes relating to agriculture, forests, water resources, land resources, rural roads initiated. In the first stage 115 pilot districts selected for

National Food Security Act

- ◆ National Food Security Act to be brought in to ensure entitlement of 25 kilo of rice or wheat per month at Rs.3 per kilo to every family living below the poverty line in rural or urban areas. Food Security Bill to be put on the website of the Department of Food and Public Distribution for public debate convergence.

Bharat Nirman

- ◆ Allocation for Bharat Nirman increased by 45 per cent in 2009-10 over B.E. 2008-09. Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent over B.E. 2008-09 to Rs.12,000 crore in B.E. 2009-10. Under Rajiv Gandhi Grameen Viduyutikaran Yojana (RGGVY), allocation increased by 27 per cent to Rs.7,000 crore.
- ◆ Allocation under Indira Awaas Yojana (IAY) increased by 63 per cent to Rs.8,800 crore in B.E. 2009-10. Allocation of Rs.2,000 crore made for Rural Housing Fund(RHF) in National Housing Bank (NHB) to boost the resource base of NHB for refinance operations in rural housing sector.

Pradhan Mantri Adarsh Gram Yojana (PMAGY)

New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation of Rs.100 crore launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 per cent.

EMPOWERMENT OF WEAKER SECTIONS

- ◆ The Swarna Jayanti Gram Swarozgar Yojana (SGSY) restructured as National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. In addition to capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs.1 lakh from banks.
- ◆ There are over 22 lakh Women's Self Help Groups linked with banks. Reach of SHGs to be widened to enrol at least 50 per cent of all rural women in India as members of SHGs over the next five years.
- ◆ Corpus of Rashtriya Mahila Kosh to be increased from Rs.100 crore to Rs.500 crore over the next few years.



Female Literacy

- ◆ National Mission for Female Literacy to be launched with focus on minorities, SC, ST and other marginalized groups with the aim to reduce level of female illiteracy by half in three years.
- ◆ All ICD Services to be extended to every child under the age of six by March, 2012.

Student Loans to Weaker Sections

- ◆ To enable students from economically weaker sections to access higher education, a scheme to provide full interest subsidy during the period of moratorium introduced to cover loans taken from scheduled banks to pursue any of the approved courses of study in technical and professional streams from recognised institutions in India.



Welfare of Minorities

- ◆ Plan outlay of Ministry of Minority Affairs enhanced from Rs.1,000 crore in B.E. 2008-09 to Rs.1,740 crore in 2009-10 registering an increase of 74 per cent. This includes Rs.990 crore for Multi-Sectoral Development Programme for Minorities, Grants-in-aid to Maulana Azad Education Foundation, National Minorities Development and Finance Corporation and pre and post matric scholarship for minorities.
- ◆ Allocations made for the new schemes of National Fellowship for Students from minority community and Grants-in-aid to Central Wakf Council for computerization of records of State Wakf Boards.
- ◆ Rs.25 crore each allocated for establishing new campuses at Murshidabad in West Bengal and Malappuram in Kerala by Aligarh Muslim University.



Welfare of workers in the unorganized sector

- ◆ Action initiated to ensure implementation of social security schemes for occupation like weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labour, construction labour, mine workers, bidi workers and rickshaw pullers. Necessary financial allocation will be made for these schemes.

Employment Exchanges

- ◆ New project for modernization of Employment Exchange in public private partnership to be launched so that a job seeker can register on line from anywhere and approach any employment exchange.

Environment and climate change



- ◆ In furtherance to National Action Plan on Climate Change, eight national missions representing a multi-pronged long-term and integrated approach to be launched.
- ◆ National Ganga River Basin Authority set up. Budgetary allocation under National River and Lake Conservation Plans increased from Rs.335 crore in B.E. 2008-09 to Rs.562 crore in B.E. 2009-10.
- ◆ Special one-time grant of Rs.100 crore given to Indian Council of Forestry Research and Education, Dehradun.
- ◆ Rs.15 crore each to be allocated to Botanical Survey of India and Zoological Survey of India. An additional amount of Rs.15 crore to be allocated for Geological Survey of India.

BUDGET ESTIMATE 2009-10

	2007-2008 Actuals	2008-2009 Budget Estimates	2008-2009 Revised Estimates	2009-2010 Budget Estimates
1. Revenue Receipts	541925	602935	562173	609551
2. Tax Revenue (net to Centre)	439547	507150	465970	497596
3. Non-tax Revenue	102378	95785	96203	111955
4. Capital Receipts (5+6+7)\$	170807	147949	338780	343680
5. Recoveries of Loans	5100	4497	9698	9725
6. Other Receipts	38795	10165	2567	1120
7. Borrowings and other Liabilities\$	126912	133287	326512	332835
8. Total Receipts (1+4)\$	712732	750884	900953	953231
9. Non-plan Expenditure	507650	507498	617996	668082
10. On Revenue Account of which,	420922	448352	561790	599736
11. Interest Payments	171030	190807	192694	225511
12. On Capital Account	86728	59146	56206	68346
13. Plan Expenditure	205082	243386	282957	285149
14. On Revenue Account	173572	209767	241656	248349
15. On Capital Account	31510	33619	41301	36800
16. Total Expenditure (9+13)	712732	750884	900953	953231
17. Revenue Expenditure (10+14)	594494	658119	803446	848085
18. Capital Expenditure (12+15)	118238	92765	97507	105146
19. Revenue Deficit (17-1)	52569 (1.1)	55184 (1.0)	241273 (4.4)	238534 (4.0)
20. Fiscal Deficit { 16-(1+5+6)}	126912 (2.7)	133287 (2.5)	326515 (6.0)	332835 (5.5)
21. Primary Deficit (20-11)	-44118 (-0.9)	-57520 (-1.1)	133821 (2.5)	107324 (1.8)

TAX PROPOSALS

- ◆ Tax reform, like all reforms, is a process and not an event. Thrust of reforms has been to improve the efficiency and equity of our tax system. This is sought to be achieved by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the base and accompanied by requisite re-engineering of key business processes coupled with automation.
- ◆ Recent initiative, on direct taxes side, of the setting up of a Centralized Processing Centre (CPC) at Bengaluru where all electronically filed returns, and paper returns filed in entire Karnataka, will be processed.
- ◆ Centre's Tax-GDP ratio has increased to 11.5 per cent in 2008-09 from a low of 9.2 per cent in 2003-04. Share of direct taxes in the Centre's tax revenues has increased to 56 percent in 2008-09 from 41 percent in 2003-04, reflecting sharp improvement in equity of our tax system.

- ◆ Structural changes in direct taxes to be pursued by releasing the new Direct Taxes Code within the next 45 days and in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from 1st April, 2010.
- ◆ The Direct Taxes Code, along with a Discussion Paper, to be released to the public for debate. The Direct Taxes Code Bill will be finalised for introduction in Lok Sabha sometime during the Winter Session based on the inputs received.
- ◆ The Authorities for Advance Rulings on Direct and Indirect Taxes to be merged by amending the relevant Acts.
- ◆ Agreement has been reached on the basic structure of GST in keeping with the principles of fiscal federalism enshrined in the Constitution. Broad contour of the GST Model envisages dual GST comprising of a Central GST and a State GST. The Centre and the States will each legislate, levy and administer the Central GST and State GST, respectively.

Direct Taxes

- ◆ No changes made in the Corporate Tax rates.
- ◆ Exemption limit in personal income tax raised by Rs.15,000 from Rs.2.25 lakh to Rs.2.40 lakh for senior citizens; by Rs.10,000 from Rs.1.80 lakh to Rs.1.90 lakh for women tax payers; and by Rs.10,000 from Rs.1.50 lakh to Rs.1.60 lakh for all other categories of individual taxpayers.
- ◆ Deduction under section 80-DD in respect of maintenance, including medical treatment, of a dependent who is a person with severe disability being raised from the present limit of Rs.75,000 to Rs.1 lakh.
- ◆ Surcharge on various direct taxes to be phased out; in the first instance, by eliminating the surcharge of 10 percent on personal income-tax.
- ◆ Sun-set clauses for deduction in respect of export profits under sections 10A and 10B of the Income-tax Act being extended by one more year i.e. for the financial year 2010-11.
- ◆ Saral II form to be introduced early.
- ◆ Fringe Benefit Tax on the value of certain fringe benefits provided by employers to their employees to be abolished.
- ◆ Scope of provisions relating to weighted deduction of 150% on expenditure incurred on in-house R&D to all manufacturing businesses being extended except for a small negative list.
- ◆ Businesses to be incentivised by providing investment linked tax exemptions rather than profit linked exemptions. Investment linked tax incentives to be provided, to begin with, to the businesses of setting up and operating 'cold chain', warehousing facilities for storing agricultural produce and the business of laying and operating cross country natural gas or crude or petroleum oil pipeline network for distribution on common carrier principle. Under this method, all capital expenditure, other than expenditure on land, goodwill and financial instruments to be fully allowable as deduction.
- ◆ Minimum Alternate Tax (MAT) to be increased to 15 per cent of book profits from 10 per cent. The period allowed to carry forward the tax credit under MAT to be extended from seven years to ten years.

- ◆ New Pension System (NPS) to continue to be subjected to the Exempt-Exempt-Taxed (EET) method of tax treatment of savings. Income of the NPS Trust to be exempted from income tax and any dividend paid to this Trust from Dividend Distribution Tax. All purchase and sale of equity shares and derivatives by the NPS Trust also to be exempt from the Securities Transaction Tax. Self employed persons to be enabled to participate in the NPS and to avail of the tax benefits available thereto.
- ◆ Alternative dispute resolution mechanism to be created within the Income Tax Department for the resolution of transfer pricing disputes. Central Board of Direct Taxes (CBDT) to be empowered to formulate 'safe harbour' rules to reduce the impact of judgemental errors in determining transfer price in international transactions.
- ◆ Commodity Transaction Tax (CTT) to be abolished.
- ◆ Donations to electoral trusts to be allowed as a 100 percent deduction in the computation of the income of the donor.
- ◆ Deduction under section 80E of the Income-tax Act allowed in respect of interest on loans taken for pursuing higher education in specified fields of study to be extended to cover all fields of study, including vocational studies, pursued after completion of schooling.
- ◆ To mitigate the practical difficulties faced by charitable organisations, anonymous donations received by charitable organisations to the extent of 5 percent of their total income or a sum of Rs.1 lakh, whichever is higher, not to be taxed.
- ◆ Scope of presumptive taxation to be extended to all small businesses with a turnover upto Rs. 40 lakh. All such taxpayers to have option to declare their income from business at the rate of 8 percent of their turnover and simultaneously enjoy exemption from the compliance burden of maintaining books of accounts. As a procedural simplification, they are also to be exempted from advance tax and allowed to pay their entire tax liability from business at the time of filing their return. This new scheme to come into effect from the financial year 2010-11.
- ◆ Tax holiday under section 80-IB(9) of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, to be extended to natural gas. This tax benefit to be available to undertakings in respect of profits derived from the commercial production of mineral oil and natural gas from oil and gas blocks which are awarded under the NELP-VIII round of bidding. The section to be retrospectively amended to provide that "undertaking" for the purposes of section 80-IB(9) will mean all blocks awarded in any single contract.



Indirect Taxes

Proposals on indirect taxes to seek to achieve stable framework by maintaining the overall rate structure for customs and central excise duties as well as service tax.

Customs duties

- ◆ Customs duty of 5% to be imposed on Set Top Box for television broadcasting.
- ◆ Customs duty on LCD Panels for manufacture of LCD televisions to be reduced from 10% to 5%.
- ◆ Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories to be reintroduced for one year.
- ◆ List of specified raw materials/inputs imported by manufacturer-exporters of sports goods which are exempt from customs duty, subject to specified conditions, to be expanded by including five additional items.
- ◆ List of specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products and footwear industry which are fully exempt from customs duty, subject to specified conditions, to be expanded.
- ◆ Customs duty on unworked corals to be reduced from 5% to Nil.
- ◆ Customs duty on 10 specified life saving drugs/vaccine and their bulk drugs to be reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).
- ◆ Customs duty on specified heart devices, namely artificial heart and PDA/ASD occlusion device, to be reduced from 7.5% to 5% with Nil CVD (by way of excise duty exemption).
- ◆ Customs duty on permanent magnets for PM synchronous generator above 500 KW used in wind operated electricity generators to be reduced from 7.5% to 5%.
- ◆ Customs duty on bio-diesel to be reduced from 7.5% to 2.5%.
- ◆ Concessional customs duty of 5% on specified machinery for tea, coffee and rubber plantations to be reintroduced for one year, upto 06.07.2010.
- ◆ Customs duty on 'mechanical harvester' for coffee plantation to be reduced from 7.5% to 5%. CVD on such harvesters has also been reduced from 8% to nil, by way of excise duty exemption.
- ◆ CVD exemption on Aerial Passenger Ropeway Projects to be withdrawn. Such projects will now attract applicable CVD.
- ◆ Customs duty exemption on concrete batching plants of capacity 50 cum per hour or more to be withdrawn. Such plants will now attract customs duty of 7.5%.
- ◆ On packaged or canned software, CVD exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.



Central excise duties

- ◆ Excise duty rate on items currently attracting 4% to be raised to 8% with following major exceptions:
- ◆ Specified food items including biscuits, sharbats, cakes and pastries
- ◆ Drugs and pharmaceutical products falling under Chapter 30
- ◆ Medical equipment
- ◆ Certain varieties of paper, paperboard and articles thereof
- ◆ Paraxylene
- ◆ Power driven pumps for handling water
- ◆ Footwear of RSP exceeding Rs.250 but not exceeding Rs.750 per pair
- ◆ Pressure cookers
- ◆ Vacuum and gas filled bulbs of RSP not exceeding Rs.20 per bulb
- ◆ Compact Fluorescent Lamps
- ◆ Cars for physically handicapped
- ◆ Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000 cc and above to be reduced from Rs. 20,000/- per vehicle to Rs.15,000 per vehicle.
- ◆ Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries to be reduced from '20% + Rs.10000' to '8% + Rs.10000'.
- ◆ Excise duty on Special Boiling Point spirits to be reduced to 14%.
- ◆ Excise duty on naphtha to be reduced to 14%.
- ◆ Duty paid High Speed Diesel blended with upto 20% bio-diesel to be fully exempted from excise duties.
- ◆ The ad valorem component of excise duty of 6% on petrol intended for sale with a brand name to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre'.
- ◆ The ad valorem component of excise duty of 6% on diesel intended for sale with a brand name to be converted into a specific rate. Consequently, such diesel would now attract total excise duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.
- ◆ Excise duty on manmade fibre and yarn to be increased from 4% to 8%.
- ◆ Excise duty on PTA and DMT to be increased from 4% to 8%.
- ◆ Excise duty on polyester chips to be increased from 4% to 8%.
- ◆ Excise duty on acrylonitrile to be increased from 4% to 8%.
- ◆ The scheme of optional excise duty of 4% for pure cotton to be restored.
- ◆ Excise duty for man-made and natural fibres other than pure cotton, beyond the fibre and yarn stage, to be increased from 4% to 8% under the existing optional scheme.



- ◆ An optional excise duty exemption to be provided to tops of manmade fibre manufactured from duty paid tow at par with tops manufactured from duty paid staple fibre.
- ◆ Suitable adjustments to be made in the rates of duty applicable to DTA clearances of textile goods made by Export Oriented Units using indigenous raw materials/inputs for manufacture of such goods.
- ◆ Full exemption from excise duty to be provided on goods of Chapter 68 of Central Excise Tariff manufactured at the site of construction for use in construction work at such site.
- ◆ Excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags' to be made optional. Manufacturers have the option to pay the applicable excise duty and avail the credit of duty paid on inputs.
- ◆ EVA compound manufactured on job work for further use in manufacture of footwear to be exempted from excise duty.
- ◆ Benefit of SSI exemption scheme to be extended to printed laminated rolls bearing the brand name of others by excluding this item from the purview of the brand name restriction.
- ◆ On packaged or canned software, excise duty exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- ◆ Excise duty on branded articles of jewellery to be reduced from 2% to Nil.

Service tax

- ◆ Service Tax to be imposed on the following services:
- ◆ Service provided in relation to transport of goods by rail
- ◆ Service provided in relation to transport of coastal cargo; and goods through inland water including National Waterways
- ◆ Advice, consultancy or technical assistance provided in the field of law (this tax would not be applicable in case the service provider or service receiver is an individual).
- ◆ Cosmetic and plastic surgery service
- ◆ Exemption from service tax being provided to inter-State or intra-State transportation of passengers in a vehicle bearing 'Contract Carriage Permit' with specified conditions.
- ◆ Exemption from service tax (leviable under Banking and other financial services or under Foreign exchange broking service) being provided to inter-bank purchase and sale of foreign currency between scheduled banks.
- ◆ Two taxable services, namely, 'Transport of goods through road' and 'Commission paid to foreign agents' to be exempted from the levy of service tax, if the exporter is liable to pay service tax on reverse charge basis. However, present cap of 10% on commission agency charges is retained. Thus there would be no need for the exporter to first pay the tax and later claim refund in respect of these services.
- ◆ For other services received by exporters, service tax exemption to be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 per cent of FOB value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.
- ◆ Export Promotion Councils and the Federation of Indian Export Organizations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31st March 2010. Tax proposals on direct taxes to be revenue neutral. On indirect taxes, estimated net gain to be Rs.2,000 crore for a full year.



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