

For Private Circulation Only

Union Budget 2009-2010

Significant Proposals in Brief

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Union Budget 2009-10

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Budget Proposals

DIRECT TAXES

Income Tax

Tax Rates

- **Individual Tax Rates (includes HUF, AoP, BoI)**

Income (Rs)	Tax Rates (%)
0 -160,000#	NIL
160,001 - 300,000	10.30
300,001 - 500,000	20.60
500,001 +	30.90

- Basic Exemption limit is Rs 190,000 for resident Woman and Rs 240,000 for Senior Citizens (65years+)

- **Partnership Firm Tax Rates (including LLP) – 30.90%**
- **Tax Rates for Domestic Company**

Total Income (Rs)	Tax Rates (%)*
<100,00,000	30.90
>100,00,000	33.99

* - includes Surcharge of 10% wherever applicable and Education Cess of 2%, Secondary and Higher Education Cess of 1%

- **Other Corporate Tax Rates**

Tax	Tax Rates (%)
Dividend Distribution Tax	16.995
Minimum Alternative Tax	16.995

- - includes Surcharge of 10% and Education Cess of 2%, Secondary and Higher Education Cess of 1%.

- **Tax Rates for Foreign Company**

Total Income (Rs)	Tax Rates (%)*
<100,00,000	41.20
>100,00,000	42.23

^ - includes Surcharge of 2.5% wherever applicable and Education Cess of 2%, Secondary and Higher Education Cess of 1%

- **Fringe Benefit Tax – Abolished**

Definition

- ❖ Definition of ‘**charitable purpose**’ has been amended to include ‘*preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest*’ so that they would be excluded from the applicability of the conditions applicable to the “advancement of any other object of general public utility” which has been held as **not** to be ‘a charitable purpose’. [Section 2(15) w.e.f. AY 2009-10]
- ❖ The term ‘**manufacture**’ has not been defined in the statute. Hence a new clause has been added to define ‘manufacture’ “*manufacture*”, with its grammatical variations, means a change in a non-living physical object or article or thing,— resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or (b) bringing into existence of a new and distinct object or article or thing with a different chemical composition or integral structure [Section 2(29BA) w.e.f. AY 2009-10]
- ❖ The definitions of ‘firm’, ‘partner’ and ‘partnership’ have been amended to include the terms as defined in the Limited Liability Partnership Act, 2008. [Section 2(23) w.e.f. AY 2010-11]

Exemption of income

- Exemption from Income for units in free trade zone under section **10A** and for export oriented undertakings under section **10B** available upto AY 2010-11 has been extended upto AY 2011-12. [Section 10A and 10B]
- The exempted profit of the SEZ unit was equal to Profits of the business of the SEZ unit X Export turnover of the unit divided by the Total turnover of the business carried on '**by the assessee**'. This was perceived to be discriminatory in so far as those assesseees are concerned who were having multiple units in both the SEZ and the domestic tariff area (DTA) vis-a-vis those assesseees who were having units in only the SEZ. The words '**by the assessee**' have been replaced by the words '**by the undertaking**' with a view to removing the anomaly so as to provide the deduction with reference to the total turnover of the undertaking. [Section 10AA w.e.f. AY 2010-11]
- Any voluntary contributions received by an **electoral trust** (which is formed and functions in accordance with the rules made by the Central Government) shall not be included in the total income of such electoral trust, if such electoral trust distributes to any political party, registered under section 29A of the Representation of the People Act, 1951, 95% of the aggregate donations received by it in that year along with the surplus, if any, brought forward from any earlier previous year. [Section 13B w.e.f. AY 2010-11]

Salaries

- Consequent to the abolition of the Fringe Benefit Tax, the taxation of the **fringe benefits as perquisites** in the hands of the employees has been restored. Accordingly, perquisite would now include the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee and the amount of any contribution to an approved superannuation fund by the employer in excess of Rs 100,000. Further amendment has also been made to provide that perquisite shall also include the value of any other fringe benefit or amenity as may be prescribed in the Rules. [Section 17 w.e.f. AY 2010- 11]

Business deduction

- Weighted deduction of 150% allowed to a company engaged in the business of biotechnology or in the business of manufacture or production of drugs, pharmaceuticals, electronic equipments, computers, telecommunication equipments, chemicals or any other article or thing notified by the Board and which has incurred expenditure (excepting on land and building) on in-house scientific research and development facility approved by the prescribed authority,

has now being extended to **all companies** engaged in the business of manufacture or production of an article or thing except those specified in the Eleventh Schedule of the Income-tax Act. [Section 35(2AB) w.e.f. AY 2010-11]

- Investment-linked tax incentive has been introduced for the following businesses which commences its operation on or after the 1st day of April, 2009 (except in case of cross country natural gas pipeline network for distribution where it commences operations on or after 1st day of April 2007) :—
 - (a) setting up and operating cold chain facilities for specified products;
 - (b) setting up and operating warehousing facilities for storage of agricultural produce;
 - (c) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network.

Under this Section, 100% deduction would be allowed in respect of the whole of any expenditure (except any expenditure incurred on acquisition of any land or goodwill or financial instrument) of capital nature incurred, wholly and exclusively, for the purposes of the specified business during the previous year in which such expenditure is incurred.

Any sum received or receivable on account of any capital asset, in respect of which deduction has been allowed under this Section, being demolished, destroyed, discarded or transferred shall be treated as income of the assessee and chargeable to income tax under the head 'Profits and gains of business or profession'.

Any loss computed in respect of the specified business shall not be set off except against profits and gains, if any, of any other specified business. To the extent the loss is unabsorbed the same will be carried forward for set off against profits and gains from any specified business in the following assessment year and so on. [Section 35AD, Section 28(vii) and Section 73A w.e.f. AY 2010-11]

- Under the existing provisions, the payment of salary, bonus, commission or remuneration (hereinafter referred to as "remuneration") to a working partner of a partnership firm is allowed as deduction if it is authorised by the partnership deed and subject to the overall ceiling of monetary limits prescribed under sub-clause (v) of clause (b) of section 40. A uniform limits for both professional and non professional firms has now been prescribed as follows:

- | | |
|--|---|
| (a) on the first Rs.3,00,000 of the Book-profit or in case of a loss | Rs 1,50,000 or at the rate of 90% of the book-profit, whichever is more |
| (b) on the balance of the book-profit | at the rate of 60 per cent |
- [Section 40(b)(v) w.e.f. AY 2010-11]

- Payment in excess of Rs 20,000 made otherwise than by an account payee cheque or account payee bank draft is not allowed as a deduction. The limit of cash payment to transport operators has been enhanced to Rs 35,000. [Section 40A (3A) w.e.f. AY 2010-11]
- Under the **new presumptive taxation scheme**, any individual, HUF and partnership firm excluding LLP, not availing deductions under sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA, engaged in any business having a gross turnover /gross receipts of less than Rs 40 lakhs, would have an option of paying a presumptive rate of income of 8% of gross turnover /gross receipts (no advance tax is required to be paid) without maintaining any books of accounts. [Section 44AD w.e.f. AY 2011-12]
- Under the presumptive scheme available to assessee engaged in business of plying, hiring or leasing goods carriages owning less than 10 goods carriages at any time during previous year, the presumed income per vehicle for the owners has been enhanced to Rs.5, 000 per month in case of heavy goods vehicle and to Rs.4,500 per month in case of other than heavy goods vehicles. [Section 44AE w.e.f. AY 2011-12]

Income from other sources

- Any 'sum of money' (in excess of Rs 50,000) received without consideration by an individual or HUF was chargeable to income tax in the hands of the recipient (other than relatives as defined) under the head 'income from other sources'. It is now proposed that the value of any property such as immovable property being land or building or both, shares and securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art received without consideration or for inadequate consideration will also be included in the computation of total income of the recipient. [Section 56 w.e.f. October 1, 2009]

Deductions

The **transfer price of goods and services** between the undertaking or eligible business and any other undertaking or business of the assessee shall be determined at the market value of such goods or services as on the date of transfer. Further, the expression "market value" has been defined to mean –

(a) in relation to any goods or services sold or supplied, means the price that such goods or services would fetch if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any,

(b) in relation to any goods or services acquired, means the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market, subject to statutory or regulatory restrictions, if any. [Section 80A w.e.f. April 1, 2009]

- A deduction was available to an assessee, being an individual, on account of any amount paid by him by way of interest on loan taken from any financial institution or any approved charitable institution for the purpose of pursuing higher education in specified fields of study. This deduction is now extended to cover all fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent. [Section 80E w.e.f. AY 2010-11]

Tax holiday

- Extension of sunset clause for tax holiday for an undertaking engaged in generation and distribution of power or which starts transmission or distribution by laying a network of new transmission or distribution lines has been extended till March 31, 2011 [Section 80IA]
- Extension of sunset clause for tax holiday for an undertaking engaged in commercial production of mineral oil has been extended till March 31, 2012. [Section 80IB]
- Profits arising from the commercial production or refining of **natural gas** from blocks which are licensed under the VIII Round of bidding for award of exploration contracts i.e. NELP-VIII would also be eligible for the deduction [Section 80IB]

Transfer Pricing

- The Board is now empowered to formulate safe harbour rules i.e. to provide the circumstances in which the Income-tax authorities shall accept the transfer price declared by the assessee. [Section 92C w.e.f. AY 2010-11]
- The proviso to section 92C has been amended to provide that where more than one price is determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such price. However, if the arithmetical mean, so determined, is within 5% of the transfer price, then the transfer price shall be treated as the arm's length price and no adjustment is required to be made. [Section 92C w.e.f. October 1, 2009]

MAT

- Any provision for diminution in the value of any asset debited to the profit and loss account shall be added to the net profit as shown in the profit and loss account for the purpose of computation of book profit. [Section 115JB w.e.f. AY 2001-02]
- The amount of tax credit paid as MAT and remaining unadjusted shall be allowed to be carried forward and set off upto the tenth assessment year instead of seventh assessment year. [Section 115JAA w.e.f. AY 2010- 11]

FBT

- FBT provisions will not apply from FY 2009-2010. [Section 115WM w.e.f. AY 2010-11]

Alternate Dispute Resolution Mechanism

- Alternate Dispute Resolution Mechanism has been introduced for Eligible Assesseees (meaning any person in whose case a TP adjustment has been made and any Foreign Company). Under ADR, a Dispute resolution Panel consisting of 3 Commissioners would be formed. The order of the AO finalized based in pursuance to an order of the Panel, which can be appealed to the ITAT. The mechanism would work as follows:
- Once the AO has forwarded the draft order to the tax payer, the latter has to file within 30 days from receipt of such order (i) acceptance of the order with the AO; or (ii) objections if any to order with the DRP and the AO.
- The AO has to finalize the assessment order within 1 month days from the end of the month in which such acceptance is received or the expiry of the period by which the objection is to be filed.
- The DRP will provide guidance to the AO to complete the assessment based on review of objections and evidence/ information.
- The direction of the DRP is binding on the AO. The direction shall be passed within a period of 9 months from the end of the month in which the draft order is forwarded to the Eligible Assessee.
- The DRP shall not pass any directions which are prejudicial to the interest of the Eligible Assessee, without hearing the assessee. [Section 144Cw.ef October 1, 2009]

Assessment Procedures

- If the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, he may assess or reassess such income after recording reasons for reopening the assessment. It is now provided that the assessing officer may assess or reassess income **in respect of any issue which comes to his notice**

subsequently in the course of proceedings under this section, notwithstanding that the reason for such issue has not been included in the reasons recorded under sub-section (2) of section 148. [Section 147 w.e.f AY 1989-1990]

Tax Deducted at Source

- Tax deduction rates have been rationalized as under:

Nature of Payment (194-I)	Existing Rate	Proposed Rate**
Rent of plant, machinery or equipment	10%	2%
Rent of land, building or furniture to an individual and HUF	15%	10%
Rent of land, building or furniture to a person other than an individual or HUF	20%	10%

Nature of Payment (194-C)	Existing Rate	Proposed Rate**
Individual/HUF contractor	2%	1%
Other than individual/HUF contractor	2%	2%
Individual/HUF sub-contractor	1%	1%
Other than individual/HUF sub-contractor	1%	2%
Individual/HUF contractor/sub-contractor for advertising	1%	1%
Other than individual/HUF contractor/subcontractor for advertising	1%	2%

**w.e.f. October 1, 2009

- NIL rate will be applicable if the transporter quotes his PAN. If PAN is not quoted the rate will be 1% for an individual/HUF transporter and 2% for other transporters upto March 31, 2010.
- In order to ease the computation of TDS, it is proposed to remove surcharge and cess on tax deducted on non-salary payments made to resident taxpayers.

- The rate of TDS will be 20 per cent in all cases, if PAN is not quoted by the deductee w.e.f. April 1, 2010. *[Section 194C, 194I and 206AA]*
 - An order under Section 201(1) for failure to deduct the whole or any part of the tax as required under this Act, if the deductee is a resident taxpayer shall be passed **within two years** from the end of the financial year in which the statement of tax deduction at source is filed by the deductor. Where no such statement is filed, such order can be passed up till **four years** from the end of the financial year in which the payment is made or credit is given.

For pending cases, it is provided that such proceedings for a financial year beginning from April 1, 2007 and earlier years can be completed by the March 31, 2011.

However, no time-limits have been prescribed for order under subsection (1) of section 201 where—

- the deductor has deducted but not deposited the tax deducted at source, as this would be a case of defalcation of government dues,
- the employer has failed to pay the tax wholly or partly, under subsection (1A) of section 192, as the employee would not have paid tax on such perquisites,
- the deductee is a non-resident as it may not be administratively possible to recover the tax from the non-resident. *[Section 201 w.e.f. April 1, 2010]*

Other Administrative procedures

- Every income tax authority shall allot a computer generated Document Identification Number (DIN) in respect of every notice, order, letter or any correspondence issued to or received by any other income-tax authority or assessee or any other person and such number shall be quoted thereon.

It is further proposed that where the notice, order, letter or any correspondence issued by or received by any income-tax authority does not bear a DIN, such notice, order, letter or any correspondence shall be treated as invalid and shall be deemed never to have been issued. *[Section 282B w.e.f. October 1, 2010]*

- The service of notice or summon or requisition or order or any other communication may be made by delivering or transmitting in the form of any electronic record as provided in Chapter IV of the Information Technology Act, 2000 *[Section 282 w.e.f. October 1, 2009]*

Wealth Tax

- The threshold limit for payment of Wealth Tax has been raised from fifteen lakh rupees to thirty lakh rupees. [W.e.f. AY 2010-2011]

Commodity Transaction Tax

- Abolished

Fringe Benefit Tax

- Abolished

INDIRECT TAXES

Goods and Service Tax

- Reconfirmation for the smooth introduction of the Goods and Services Tax (GST) with effect from April 1, 2010 in keeping with the principles of fiscal federalism under the Constitution. The proposed GST Model envisages dual GST comprising of a Central GST and a State GST.

Excise Duty

Effective Dates

Particulars	Date from when effective
Legislative changes in Excise Laws	Date of Presidential assent to the Finance Bill, 2009
New Rates of Excise duty	July 7, 2009

Concessional excise duty rate of 4% has been **increased to 8%** with certain exceptions like specified food products, drugs and pharmaceuticals products, papers, medical equipments, pressure cookers, cars for physically handicapped persons etc.

Sector wise Changes in Excise Rates

Automobile Sector

Particulars	Change
Petrol driven trucks/lorries	Duty reduced from 20% to 8%

Excise duty on chassis of such trucks/lorries	Duty reduced from 20% + Rs.10,000/- to 8% + Rs.10,000/-
Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000cc and above	Duty reduced from Rs.20,000/- per vehicle to Rs.15,000/- per vehicle

Petroleum Sector

Particulars	Change
Special Boiling Point spirits and Naphtha	Duty reduced to 14%.
Duty paid High Speed Diesel blended with up to 20% bio-diesel	Fully exempted
Petrol intended for sale with a brand name	Fixed rate of duty of Rs.14.50 per litre instead of 6% + Rs.13 per litre
Diesel intended for sale with a brand name	Fixed rate of duty of Rs.4.75 per litre instead of 6% + Rs.3.25 per litre.

Textiles

Particulars	Change
Manmade fibre and yarn PTA and DMT Polyester chips, acrylonitrile	Duty increased from 4% to 8%
Pure cotton	Scheme of optional duty of 4% for has been restored.
Man-made and natural fibres other than pure cotton, beyond the fibre and yarn stage	Duty increased from 4% to 8% under the existing optional scheme
Tops of manmade fibre manufactured from duty paid tow	Optional excise duty exemption at par with tops manufactured from duty paid staple fibre
DTA clearances of textile goods made by EOU's using indigenous raw materials / input for manufacture of such goods.	Suitable adjustments to be made in the rates of applicable duty.

Miscellaneous

Particulars	Change
Goods manufactured at the site of construction for use in construction work at such site.	Fully exempted
Recorded smart cards and recorded proximity cards and tags	Duty exemption has been made optional
Ethylene Vinyl Acetate (EVA compound manufactured on job work for further use in manufacture of footwear	Fully exempted
Printed laminated rolls bearing the brand name of another person	Benefit of SSI exemption scheme extended
On packaged or canned software	Duty exemption on the portion which represents the consideration for transfer of the right to use such Software.
Branded articles of jewellery	Duty reduced from 2% to Nil

Other Amendments

- Section 9A and 37 are amended to provide the manner of compounding of offences and certain offences and circumstances which are not compoundable.
- Sections 14A and 14AA amended to empower the Chief Commissioner of Central Excise to nominate a Chartered Accountant for conducting Special Audit.
- It is proposed that the Central Government may by notification authorize the Authority for Advance Rulings constituted under the Income Tax Act to act as an Authority for purposes of customs, central excise and service tax.
- Section 35G has been amended retrospectively from 01.07.2003 to empower High Courts to condone delay in filing of appeals.
- Section 35H has been amended retrospectively with effect from 1.07.1999 to empower High Courts to condone delay in filing of applications or memorandum of cross objections.
- Central Excise Tariff Act, 1985 has been amended so as to exclude 'betel nut product known as supari' of tariff item from its purview. To negate the decision of the Hon'ble Supreme Court in **Crane Betel Nut Powder**

Works Vs. CCE [2007 (210) ELT 171 (SC)], a Chapter Note has been inserted in Chapter 21 of the Schedule to the CETA. The process of adding or mixing cardamom, copra, menthol, spices, sweetening agents or any such ingredients other than lime, katha (catechu) or tobacco to betel nut, in any form, shall amount to manufacture.

Amendments in Excise Rules and CENVAT Credit Rules

- New rule inserted in Central Excise Rules, 2002 to provide that records seized but not relied upon in the Show Cause Notice by department should be returned to the party within 30 days of issue of Show Cause Notice.
- Explanation inserted in Rule 2 of Cenvat Credit rules, 2004 to clarify that 'inputs' shall not include cement, angles, channels, CTD or TMT bars and other items used for construction of shed, building or structure for support of capital goods.
- Rule 6 (3) of the Cenvat Credit Rules, 2004 is amended to prescribe that a manufacturer of both dutiable and exempted goods, who does not maintain separate accounts of inputs, shall pay an amount equal to 5% of the total price of the exempted goods instead of 10%.

Customs Duty

Effective Dates

Particulars	Date from when effective
Legislative changes in Customs Laws	Date of Presidential assent to the Finance Bill, 2009
New Rates of Customs duty	July 7, 2009

Sector wise Changes in Custom Duty

Health Care

Particulars	Change
10 specified life saving drugs/vaccine and their bulk drugs	Duty reduced from 10% to 5% with Nil CVD
Specified Heart devices, viz. artificial Heart and PDA/ASD occlusion device	Duty reduced from 7.5% to 5% with Nil CVD.

Electronic Hardware

Particulars	Change
LCD Panels for manufacture of LCD televisions	Duty reduced from 10% to 5%.
Set Top Box for television broadcasting	Duty exemption withdrawn and 5% duty imposed
Parts for manufacture of mobile phones and accessories	Full exemption from 4% special CVD for 1 year upto 06.07.2010

Renewable Energy Sector

Particulars	Change
Permanent magnets for PM synchronous generator above 500 KW used in wind operated electricity generators	Duty reduced from 7.5% to 5%.
Bio-diesel	Duty reduced from 7.5% to 2.5%.

Capital Goods

Particulars	Change
Particulars	Change
Specified machinery for tea, coffee and rubber plantations	Concessional Duty of 5% reintroduced for a period of one year upto 06.07.2010.
Mechanical harvester for coffee plantation	Duty reduced from 7.5% to 5% and CVD reduced to Nil.

Export Sector

Particulars	Change
Specified raw materials/inputs imported by manufacturer-exporters of sports goods	List of such fully exempted goods has been expanded by including 5 additional items.
Un worked corals	Duty reduced from 5% to Nil.
Specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products and footwear industry	List of such fully exempted goods has been expanded by including additional items.

Precious Metals

Particulars	Change
Serially numbered gold bars (other than tola bars) and gold coins	Duty increased from Rs.100 per 10 gram to Rs.200 per 10 gram.
Other forms of gold	Duty increased from Rs.250 per 10 gram to Rs.500 per 10 gram.
Silver	Duty increased from Rs.500 per Kg. to Rs.1000 per Kg.

Miscellaneous

Particulars	Change
Cotton waste, Wool waste	Duty reduced from 15% to 10%
Rock phosphate	Duty reduced from 5% to 2%
Aerial Passenger Ropeway Projects	CVD exemption withdrawn
Concrete batching plants of capacity 50 cum per hour or more	Duty exemption withdrawn and will attract duty of 7.5%.
Packaged or canned software	CVD exemption provided on the portion of the value which represents the consideration for transfer of the right to use such software.
Inflatable rafts, snow-skis, water skis, surf-boats, sail-boards and other water sports equipment	Fully exempted

Other Amendments

- Section 26A inserted to provide for refund of import duty paid if imported goods are found to be defective or not in conformity to the specifications agreed upon between the importer and seller.
- It is proposed that the Central Government may by notification authorize the Authority for Advance Rulings constituted under the Income Tax Act to act as an Authority for purposes of customs, central excise and service tax.
- Section 130 has been amended retrospectively from 01.07.2003 to empower High Courts to condone delay in filing of appeals.
- Section 130A has been amended retrospectively with effect from 01.07.1999 to empower High Courts to condone delay in filing of applications or memorandum of cross objections.
- Section 137 has been amended to provide the manner of compounding of offences and certain offences and circumstances which are not compoundable.
- Section 3 of Customs Tariff Act has been amended to provide that when there is fixed tariff value for collection of central excise duty on an article produced or manufactured in India, the value of a like imported article shall be such tariff value.
- Section 9A of the Customs Tariff Act, 1975 is being amended to provide that the margin of dumping in relation to an article exported by an exporter or producer shall be determined on the basis of records maintained by such exporter or producer and on the basis of information available in the case of non - cooperating exporter or producer.
- Notification No.40/2006-Customs. dt. 1st May, 2006 has been amended retrospectively to allow rebate of excise duty under Rule 18 & 19(2) of the Central Excise Rules or Cenvat Credit of duty, paid on materials used in the manufacture of exported goods.
- Notification No. 27/2009-Customs (NT) dated 17.03.2009 has been given retrospective effect from 09.05.2000 to provide for officers of DGCEI to act as officers of customs with all India jurisdiction.

Service Tax

Effective Dates

Particulars	Date from when effective
New services / changes in existing services	From a date to be notified later
Amendment in Finance Act, 1994	Date of Presidential assent to the Finance Bill, 2009
Amendment in Rules and Notifications	From July 7, 2009
Exemptions	From July 7, 2009

Following Services are specifically included in the list of taxable services

- Service provided in relation to transport of (i) coastal goods; and (ii) goods through Inland Water including National Waterways [Section 65(105)(zzzzl)]
- Advice, consultancy or technical assistance provided in the field of law (not applicable in case the service provider or service receiver is an individual) Section 65(105)(zzzzm)
- Cosmetic and plastic surgery service [Section 65(105)(zzzzk)].

Change in Scope of certain existing services

- Business Auxiliary Service (BAS) to exclude those processes which results in the manufacture of excisable goods (as defined under Excise Act) [Section 65(19) and Section 65(105) (zzb)].
- The definition of 'Information Technology Software Service' is being amended retrospectively from 16.05.2008 by replacing the word 'providing' with the word 'acquiring'. [Section 65(53a) and Section 65(105)(zzzze)]
- The definition of stock-broker (in stock-broker service) is amended to exclude sub-broker from its ambit. [Section 65(101) and Section 65(105)(a)]
- Service provided in relation to transport of goods by rail. The definition is proposed to be modified to remove the exclusion provided to Government railway whether by container or otherwise [Section 65(105) (zzzp)].

Amendment in Finance Act, 1994

- Abolition of revision procedure prescribed under Section 84 and procedure to be prescribe for filing departmental appeals before the Commissioner (Appeal).
- Central Government empowered to frame rules with respect to the place of provision of taxable services and relevant date for determination of the rate of service tax.

Amendment in the rules and existing Notifications

- Scope of Notification No. 1/2002-S.T. dated 01.03.2002 is being enlarged by extending the applicability of the provisions to installations, structures and vessels in the entire continental shelf of India and the Exclusive Economic Zone of India.
- Rule 6 (3) of the Cenvat Credit Rules, 2004 is amended to prescribe that a provider of both taxable and exempted services, who does not maintain separate accounts of inputs, shall pay an amount equal to 6% of the value of exempted services instead of 8%.
- Cenvat Credit Rules, 2004 rule 3 (5B) amended to provide that service provider shall pay back the amount of credit taken on inputs/capital goods fully written off.
- Explanation to Works Contract Rules, 2007 Rule 3(1) has been amended to allow benefit of optional composition scheme only to such works contracts, wherein the entire value of goods and services used in execution of works contract has been declared to be the gross value charged for the transaction. This restriction would not apply to existing works contracts.
- Retrospective effect is being given to notification No. 1/2009-ST dated 5.1.2009 (Specified services provided by any person to goods transport agency) from 1.01.2005.

Exemptions

- Inter-state or intra-state transportation of passengers in a vehicle bearing 'Contract Carriage Permit' exempted from service tax with specified conditions.
- Federation of Indian Export Organizations (FIEO) and specified Export Promotions Councils exempt from service tax leviable under Club or Association Service up to 31.03.2010.
- Exemption from service tax leviable under banking and other financial services or under foreign exchange broking service on services provided

to inter-bank purchase and sale of foreign currency between scheduled banks.

Refund Scheme for Exporters

Scheme for refund of service tax paid on services, which though not in the nature of input services, are relatable to export of goods, is being revamped through two notifications to ensure speedier grant of refunds to the exporters. The salient features of the new scheme are as follows:

- Two taxable services, viz. 'Transport of goods by road' and 'Commission paid to foreign agents' have been exempted from the levy of service tax, if the exporter is liable to pay service tax on reverse charge basis. The exporter will have to pay service tax on the amount of commission which is in excess of 10%.
- 'Terminal Handling Charges' added to the list of eligible services for exemption.
- Refund can be claimed in one year from the date of export. The exporter can file a refund claim anytime after each export shipment.
- A simplified format is being prescribed for filing refund claims.
- Self-certification is being introduced to ensure faster sanction and disbursement of refunds. In a case, where amount of refund claim exceeds 0.25% of the FOB value of exports, the documents submitted by the exporter should be certified by the chartered accountant, who audits his annual accounts. On the basis of such certification, the refund claim shall be sanctioned within one month without any pre-audit.

BUDGET ANNOUCEMENTS

BUDGET ESTIMATES

- **Expenditure:** Budget Estimates provide for a total expenditure of Rs.10,20,838 crore consisting of estimated Plan expenditure at Rs.3,25,149 crore, estimated Non-Plan expenditure at Rs.6,95,689 crore.
- **Revenue receipts:** Gross tax receipts budgeted at Rs.6,41,079 crore in B.E. 2009-10 compared to Rs.6,87,715 crore in B.E. 2008-09 and Nontax revenue receipts estimated at Rs.1,40,279 crore in B.E. 2009-10 compared to Rs.95,785 crore in B.E. 2008-09.

- **Revenue deficit** projected at 4.8 per cent of GDP in B.E. 2009-10 compared to 1 per cent in B.E.2008-09 and 4.6 per cent as per provisional accounts of 2008-09.
- **Fiscal deficit** for Fiscal deficit as a percentage of GDP is projected at 6.8 per cent compared to 2.5 per cent in B.E. 2008-09 and 6.2 per cent as per provisional accounts 2008-09.

OVERVIEW OF THE ECONOMY

- Growth rate of GDP dipped from an average of over 9 per cent in the Previous three fiscal years to 6.7 per cent during 2008-2009.
- Inflation rate rose nearly to 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 2008-2009.

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 2007-2008 to 6.2 per cent of GDP in 2008-2009. The fiscal stimulus at 3.5 per cent of GDP at current market prices for 2008-2009 amounts to Rs.1,86,000 crore.
- Measures taken by the Government were effective in arresting the fall in GDP growth rate in 2008-2009. 6.7 per cent growth rate recorded in 2008-2009.

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 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 National Highway Development Programme (NHDP) increased by 23 per cent over B.E. 2008-2009 in B.E. 2009-2010 and allocation for Railways increased from Rs.10,800 crore in Interim B.E. 2009-2010 to Rs.15,800 crore in B.E. 2009-2010.

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- 2010 over B.E. 2008-2009. Allocation for housing and provision of basic amenities to urban poor enhanced to Rs. 3,973 crore in B.E. 2009-2010.

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. 2009-2010 to Rs.500 crore in B.E. 2009-2010 to expedite completion of the project.

Power

- Allocation under Accelerated Power Development and Reform Programme (APDRP) increased by 160 per cent to Rs.2, 080 crore in B.E. 2009-2010 over B.E. 2008-2009.

Gas

- Blueprint to be developed for long distance gas pipelines leading to a National Gas Grid to facilitate transportation of gas across length and breadth of the country.

AGRICULTURE DEVELOPMENT

- Target for agriculture credit flow set at Rs.3, 25,000 crore for the year 2009-2010. In 2008-2009 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. 2009-2010.

Debt Relief for Farmers

- Time given to the farmers having more than two hectares of land to pay 75 per cent of their overdue under Debt Waiver and Debt Relief Scheme extended from 30th June, 2009 to 31st December, 2009.
- Taskforce to be set up to examine the issue of debt taken by a large number of farmers in some regions of Maharashtra from private money lenders who were not covered by the loan waiver scheme announced last year.

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 up to March 2010.
- 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 nongovernmental advertisements, extended from 30th June, 2009 to 31st December, 2009.

MEDIUM - TERM SUSTAINABILITY

Fertilizer Subsidy

- To ensure balanced application of fertilizers for increasing agricultural productivity, Government intends to move towards a nutrient based subsidy regime so as to cover larger basket of fertilizers with innovative fertilizer products available in the market at reasonable prices and also intend to move to a system of direct transfer of subsidy to the farmers in due course.

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 will set up an expert group to advice on a viable and sustainable system of pricing petroleum products.

People's ownership of PSUs

- While retaining at least 51 per cent Government equity in Public Sector Undertakings, people's participation in disinvestment programmes to be encouraged.
- Public Sector Enterprises such as banks and insurance companies to remain in public sector and will be given full support including capital infusion to grow and remain competitive.

Financial Sector

- Threshold for non-promoter public shareholding for all listed companies will be raised in a phased manner.
- Scheduled commercial banks allowed setting 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 underbanked/ 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. 2009-2010 over B.E. 2008-2009. 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 convergence.

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.

Bharat Nirman

- Allocation for Bharat Nirman increased by 45 per cent in 2009-10 over B.E. 2008-2009. Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent over B.E. 2008-2009 to Rs.12,000 crore in B.E. 2009-2010.
- Under Rajiv Gandhi Grameen Vidyutikaran 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. 2009-2010. 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.

Integrated Child Development Services (ICDS)

- All ICD Services to be extended to every child under the age of six by arch, 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. 2008-2009 to Rs.1,740 crore in 2009-2010 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.

Handloom

- One handloom mega cluster each in West Bengal and Tamil Nadu and one powerloom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).

Health

- Allocation under National Rural Health Mission (NRHM) increased by Rs.2,057 crore over Interim B.E. 2009-10 of Rs.12,070 crore. ! All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40 per cent over previous allocation to Rs.350 crore in B.E. 2009-10.

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.

TOWARDS BUILDING ACCOUNTABLE INSTITUTIONS

Improving Delivery of Public Services

- Unique Identification Authority of India (UIDAI) to set up online data base with identity and biometric details of Indian residents and provide enrolment and verification services across country. Provision of Rs.120 crore made for this in the Budget.
- First set of unique identity number to be rolled out in 12 to 18 months.

National Security

- Additional amount of Rs.430 crore provided over Interim B.E. 2009-10 to modernise police machinery in the States.
- Additional amount of Rs.2,284 crore proposed over Interim B.E. 2009-10 for construction of fences, roads, flood lights on the international borders.

- Programme for housing to create 1 lakh dwelling units for Central Paramilitary Forces personnel to be launched through innovative financing model.

One Rank One Pension for Ex-servicemen (OROP)

- Based on the recommendation of the Committee headed by the Cabinet Secretary on OROP, government has decided to substantially improve the pension of pre 01.01.2006 defense pensioners below officer rank and bring pre 10.10.1997 pensioners on par with post 10.10.1997 pensioners. The decisions to be implemented from 01st July, 2009 and will cost more than Rs.2,100 crore annually.

Education

- Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore.
- Rs.827 crore allocated for opening one Central University in each uncovered State. Rs.2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs.
- The overall Plan budget for higher education is to be increased by Rs.2,000 crore over Interim B.E. 2009-10.
- Rs.50 crore allocated for Punjab University, Chandigarh to provide better infrastructure to the people of Chandigarh.

Commonwealth Games, 2010

- Outlays to be stepped up from Rs.2,112 crore in Interim Budget to Rs.3,472 crore in regular Budget 2009-10.

Srilankan Tamils

- Rs.500 crore allocated for rehabilitation of internally displaced persons and reconstruction of the northern and eastern areas of Sri Lanka. Ministry of External Affairs to work closely with the Sri Lankan Government.

Cyclone Aila

- Rs.1,000 crore allocated for programme for rebuilding the damaged infrastructure caused due to cyclone Aila in West Bengal.