

Budget 2009 – Proposals at a glance

DIRECT TAXES

Income-tax

a) Changes in rates of Taxes

TYPE	EXISTING (%)	PROPOSED (%)	EFFECTIVE RATE ¹ (%)
CORPORATE TAX RATES			
Basic rate – Domestic Co.	30	No change	33.99 ¹
Basic rate – Foreign Co.	40	No change	42.23 ¹
Surcharge (If income ≥ Rs.1 cr.)	10	No change	
Education Cess	3	No change	
Minimum Alternate Tax (MAT)	10	15	16.995 ¹
Dividend Distribution Tax (DDT)	15	No change	16.995 ¹
Fringe Benefits Tax	Various rates	Abolished	
PARTNERSHIP FIRM TAX RATES (INCLUDING LLP)			
Basic rates	30	No change	30.90 ²
Surcharge (If income ≥ Rs.1 cr.)	10	NIL	
Education Cess	3	No change	
¹ (Includes surcharge, where applicable and education cess)			
² (Includes education cess)			

INDIVIDUALS (INCLUDES HUF, AOP & BOI)			
EXISTING		PROPOSED	
INCOME SLAB	RATE (%)	INCOME SLAB	RATE (%)
0 - 1,50,000	NIL	0 - 1,60,000	NIL
1,50,001 - 3,00,000	10	1,60,001 - 3,00,000	10
3,00,001 - 5,00,000	20	3,00,001 - 5,00,000	20
≥5,00,001	30	≥5,00,001	30
INDIVIDUALS (INCLUDES HUF, AOP & BOI)			
BASIC EXEMPTION LIMIT	EXISTING	PROPOSED	
Any Individual (other than woman and senior citizens)	1,50,000	1,60,000	
Resident Woman	1,80,000	1,90,000	
Senior Citizens	2,25,000	2,40,000	

b) Definition

- Amendment to definition of 'charitable purpose'

'charitable purpose' 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]

- Insertion of definition of 'manufacture'

"manufacture", with its grammatical variations, means a change in a non-living physical object or article or thing,—

(a) 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]

c) Exempt Income

- Extension of exemption u/s 10A & 10B

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*]

- Removal of anomaly u/s 10AA

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*]

- Exemption to electoral trust

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*]

d) Salary Income

- 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*]

e) Business Income

- Extension of benefit of weighted deduction of 150% to all companies engaged in in-house scientific research and development

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*]

- Introduction of Investment-linked tax incentive

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 and so on. [Section 35AD, Section 28(vii) and Section 73A w.e.f. AY 2010-11]

- Revised uniform limits for deduction of remuneration to partners

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 have now been prescribed as follows:

Book profit/ (loss) of Firm	Deductible amount
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
on the balance of the book-profit	at the rate of 60 per cent

[Section 40(b)(v) w.e.f. AY 2010-11]

- Relaxation of limit of cash payment to transport operators

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]

- Extension of presumptive taxation scheme to other businesses

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]

f) Income from other sources

- Taxation of gifts in kind

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]

g) Deductions

- Deduction for certain eligible undertakings

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]*
- Deduction for higher studies

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]*

h) 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]

i) 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]

j) Minimum Alternate Tax (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]

k) Changes in Provision relating to Tax Deducted at Source (TDS)

NATURE OF PAYMENT	EXISTING RATE (%)	PROPOSED RATE (%) ¹
Rent (194-I)		
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

Payment to contractors (194-C)		
<i>Contractor</i>		
Individual/HUF contractor	2	1
Other than individual/HUF contractor	2	2
<i>Sub-contractor</i>		
Individual/HUF sub-contractor	1	1
Other than individual/HUF sub-contractor	1	2
<i>Advertising contractor</i>		
Individual/HUF contractor/sub-contractor for Advertising	1	1
Other than individual/HUF contractor/subcontractor for advertising	1	1
<i>Transporter</i>		
Individual/HUF transporter	2	1 ²
Other than individual/HUF transporter	2	2 ²

¹ w.e.f. October 1, 2009

² upto March 31, 2010. Rate will be **NIL** if the transporter quotes his PAN

Other important points

- Removal of surcharge and cess on TDS on non-salary payments
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.
- PAN mandatory
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]
- Time limit introduced for passing an order for failure to deduct TDS [Section 201(1)]

STATUS	TIME LIMIT
If statement of TDS is filed by the deductor if deductee is a resident taxpayer	within two years from the end of the financial year in which the statement of TDS is filed
If statement of TDS is not filed by the deductor	up till four years from the end of the financial year in which the payment is made or credit is given

If the deductor has deducted but not deposited the TDS	No time limit
If the employer has failed to pay the tax wholly or partly, under sub-section (1A) of section 192, as the employee would not have paid tax on such perquisites	No time limit
If the deductee is a non-resident as it may not be administratively possible to recover the tax from the non-resident.	No time limit¹
For pending cases for FY 2007-08 and earlier years	To be completed by March 31, 2011

¹ w.e.f. April 1, 2010

I) 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:
 - a. 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.
 - b. The AO has to finalize the assessment order within 1 month days
 - c. 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.
 - d. The DRP will provide guidance to the AO to complete the assessment based on review of objections and evidence/information.
 - e. 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.
 - f. The DRP shall not pass any directions which are prejudicial to the interest of the Eligible Assessee, without hearing the assessee.

[Section 144C w.e.f. October 1, 2009]

m) 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]

n) 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]*

o) 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]*

p) Commodity Transaction Tax

- Abolished

INDIRECT TAXES

Excise duty

a) 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.

b) Sector wise Changes in Excise Rates

Particulars	Change
Automobile Sector	1. Duty reduced from 20% to 8% 2. Duty reduced from Rs.20,000/- per vehicle to Rs.15,000/- per vehicle
Petroleum Sector	1. Duty reduced to 14%. 2. Fixed rate of duty of Rs.14.50 per litre instead of 6% + Rs.13 per litre of petrol 3. Fixed rate of duty of Rs.4.75 per litre instead of 6% + Rs.3.25 per litre of diesel 4. Fully exempted
Textiles Sector	Duty increased from 4% to 8%
Miscellaneous	
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	Fully exempted

manufacture of footwear	
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

c) 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 01.07.1999 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.

d) 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%.

Custom duty

a) Effective Dates

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

b) Sector wise Changes in Custom duty

Particulars	Change
Health Care	Duty reduced from 10% & 7.5% to 5% with Nil CVD
Electronic Hardware	Duty reduced from 10% to 5%. Or Duty imposed of 5%
Renewable Energy Sector	Duty reduced from 7.5% to 5% or 2.5%.
Capital Goods	1. Duty reduced from 7.5% to 5% or NIL 2. Certain items fully exempted
Precious Metals	
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	
Cotton waste, Wool waste	Duty reduced from 15% to 10%
Rock phosphate	Duty reduced from 5% to 2%
Concrete batching plants of	Duty exemption withdrawn and will

capacity 50 cum per hour or more	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

c) 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

a) 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

b) 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)].

c) 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) (zzzb)].
- 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)].

d) 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.

e) 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 01.01.2005.

f) 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.

g) 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.

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.