



BUDGET 2007

SNAPSHOT OF TAX PROVISIONS

By

Business Process Industry
Association of India

Knowledge Partner

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Direct Taxes

Personal Income Tax (PIT)

- The PIT rates have not been changed, however the basic exemption (i.e income upto which no tax is payable) has been increased to Rs1,10,000/-from the existing level of Rs.1,00,000/-. The basic exemption for woman assessee has gone upto Rs1,45,000/- from the existing level of Rs.1,35,000/ and for senior citizens it has gone upto Rs.1,95,000/- from the existing level of Rs.1,85,000/-. This would result in a tax saving of Rs1,000/- per annum and Rs. 2,000/- for senior citizens.
- The Comparison of existing and proposed slabs are as follows:

<i>Existing Slabs</i>		<i>Proposed Slabs</i>
0 to 1,00,000	: 0%	0 to 1,10,000 : 0%
1,00,001 to 1,50,000	: 10%	1,10,001 to 1,50,000 : 10%
1,50,001 to 2,50,000	: 20%	1,50,001 to 2,50,000 : 20%
2,50,001 and above	: 30%	2,50,001 and above : 30%
Surcharge of 10% for income above Rs10 lacs		Surcharge of 10% for income above Rs10 lacs
Education cess of 2%		Education cess of 2% plus 1%

- Deduction u/s 80D for expenses incurred for payment of Medical Insurance premium is increased to Rs. 15,000/- per annum from the existing limit of Rs. 10,000/- per annum. In case the premium is paid in respect of a senior citizen the limit is increased to Rs. 20,000/- from the existing Rs.15,000/-.
- Deduction u/s 80E in respect of interest on education loan is now extended even for interest on education loan taken for the purpose of higher study of the spouse and children. Earlier it was restricted only to the interest on self higher education loan.
- Capital gains tax would be liable to be taxed on profits realized on sale of work of art, drawings, paintings and sculptures. This has been brought in by excluding the above from the definition of personal effects which is not liable to capital gains.
- Capital gains exemption u/s 54EC that can be availed by a person by investing in NHAI/ REC Bonds will henceforth be restricted to a maximum investment of Rs.50 lacs per annum. Earlier there was no such limits in the statute. Thus the

maximum exemption that can be availed in a year u/s 54EC will be restricted to Rs.50 lacs only.

- The dividends to be received on equity shares would marginally go down as the companies now need to pay higher dividend distribution tax (DDT). This has been made by amending Sec 115-O. The DDT on dividend from equity shares have gone upto 15% from the existing 12.5%.
- The income to be received on mutual fund units would marginally go down as the mutual funds now need to pay higher dividend distribution tax (DDT). This has been made by amending Sec 115-R. The DDT payable by mutual funds will now be :
 - 25% on income distributed by money market or liquid funds.
 - 12.5% on income distributed to individuals and HUF's by a fund other than money market or liquid funds.
 - 20% on income distributed to others by a fund other than money market or liquid fund.

The exemption of DDT on income distribution from equity oriented funds would continue.

- The threshold limit for not levying Banking Cash Transaction Tax for individuals has gone upto to Rs. 50,000/- per withdrawal from the existing Rs. 25,000/- per withdrawal.

Corporate Income Tax (CIT)

- Tax rates have not been changed, it continues to be at 30%.
- Small & Medium enterprises, i.e companies or firms having taxable income less than Rs 1 crore will not be liable to surcharge. For those whose taxable income is more than Rs 1 crore the surcharge will continue to be at 10%.
- Additional educational cess for secondary and higher education at 1% is introduced on both basic tax and surcharge. This overall takes the education cess payable from existing 2% to 3%.
- Companies that are enjoying tax holiday u/s10A or 10B will now be liable for Minimum Alternate Tax. Thus STPI Units and EOU units will now have to pay MAT of 11.33% of their book profits. This can be taken credit as per prescribed guidelines when they start paying normal tax. This move in effect has partly postponed the end of 100% tax holiday regime from year 2009 to 2007.

INDIRECT TAXES

Service Tax

- Exemption limit for small service providers to be raised from Rs.400,000 to Rs.800,000 ;
- Extension of service tax to: services outsourced for mining of mineral, oil or gas; renting of immovable property for use in commerce or business (residential properties, vacant land used for agriculture and similar purposes, and land for sports, entertainment and parking purposes & immovable property for educational or religious purposes to be excluded); development and supply of content for use in telecom and advertising purposes; asset management services provided by individuals; design services; services involved in execution of a works contract with an optional composition scheme under which tax will be levied at only 2% of the total value of works contract;
- Exemption to: Services provided by Resident Welfare Associations to their members who contribute Rs.3000 or less per month for services rendered, services provided by technology business incubators, their incubates whose annual business turnover does not exceed Rs.50 lakhs to be exempt for first three years; clinical trial of new drugs to make India a preferred destination for drug testing;
- Department of Telecommunications to constitute a committee to study the present structure of levies on telecom industry

Sales Tax

- 1 % reduction in Central Sales Tax. (from 4% to 3%).

Customs

- Peak customs duty rate on non-agricultural items reduced from 12.5 to ten per cent;
- All coking coal fully exempted from duty;
- Duties on seconds and defective reduced from 20 to ten per cent;
- Customs duty on polyester to be reduced from ten per cent to 7.5 per cent;

- Three per cent import duty to be levied on private importers of aircraft including helicopters;
- Export duty on iron ore and concentrate at the rate of Rs.300 per tonne. Export duty on Chromium proposed at Rs. 2000 tonne;
- Import duty of 15 specified machinery to be reduced from 7.5 per cent to five per cent;
- Import duty on medical equipment cut to 7.5 per cent;
- Import duty of 3 per cent on private aircraft.

Central Excise

- Excise duty on cement reduced from Rs.400 per tonne to Rs.350 per tonne for cement bags sold at Rs.190 per bag at retail market. Those sold above Rs.190 will attract excise duty of Rs.600 per tonne;
- Duty on pet food reduced from 30 per cent to 20 per cent;
- Duty on sunflower oil to be reduced by 15 per cent;
- Duty reduced on watch dials and movements and umbrella parts from 12.5 to five per cent;
- No change in general CENVAT rate;
- Ad volarem duty on petrol and diesel to be brought down from 8% to 6%;
- Small-scale industries excise duty exemption raised from Rs one crore to Rs 1.5 crore;
- Excise duty for plywood reduced from 16 per cent to eight per cent;
- Food mixes to be fully exempted from excise duty;
- Excise duty for plywood reduced from 16 per cent to eight per cent;
- Bio-diesel to be fully exempted from excise duty;

- Water purification devices, small and big, fully exempted from excise;
- Additional CVD duty on crude and refined edible oils eliminated;
- Duty on farm sprinklers cut to 5 % from 7.5%;
- Excise duty on cigarettes increased by 5%;
- Excise duty on Pan Masala without tobacco as mouth fresheners reduced from 66 per cent to 45 per cent;

GENERAL

- PAN to be made single identity card for all securities/stocks/MFs related transactions;
- Insurance companies to launch a senior citizens scheme in 2007-08;
- Health insurance covers for weavers to be enlarged to ancillary industries;
- Special purpose Tea Fund to rejuvenate tea production;
- One hundred per cent subsidy for small farmers and 50 per cent for other farmers for water recharging scheme;
- Bonds worth Rs.5,000/ crores to augment NABARD to be issued;
- Regional Rural Banks urged to open more branches;
- Regional Rural Banks to accept NRE and FCNR deposits;
- Debt management offices to be set up;
- Mutual Funds to set up Infrastructure Fund Schemes;
- Indian investors can invest in overseas capital markets through mutual funds;
- Govt. will reimburse the EPF contributions of employers in the case of physically challenged people taken on rolls of the company and included in the PF scheme;