

UNION BUDGET 2008

HIGHLIGHTS

DIRECT TAX PROPOSALS
INDIRECT TAX PROPOSALS
OTHER PROPOSALS

Korah & Korah

CHARTERED ACCOUNTANTS

Cochin

www.korahandkorah.com

DIRECT TAX PROPOSALS

PERSONAL TAX

- **Individual tax exemption threshold hiked from Rs 1, 10,000 to Rs 1, 50,000.**
 - **10% tax between Rs 1, 50,001 and Rs 3, 00,000**
 - **20% tax between Rs 3, 00,001 and Rs 5, 00,000**
 - **30% tax on income above Rs 5, 00,001**
- **Senior citizens' tax exemption threshold hiked from Rs 1, 95,000 to 2,25,000.**
- **Ladies tax exemption threshold hiked from Rs 1, 45,000 to 1,80,000.**
- **The Senior Citizens Savings Scheme, 2004 and the Post Office Time Deposit Account added to the basket of saving instruments under Section 80-C.**
- **Additional deduction of Rs. 15,000 under section 80D to an individual who pays medical insurance premium for his/her parent or parents.**

CORPORATE TAX

- **No change in corporate income tax rate**
- **No change in corporate surcharge tax**
- **Marginal relief for Surcharge to be provided in case of every company having total income chargeable to MAT under section 115JB and when such income exceeds Rs. 1 Crore.**
- **Minimum Alternate Tax to be recalculated with retrospective effect from the assessment year 2001-02. Book profit to now include deferred tax provision**

- **Dividend of subsidiary company exempt from Dividend Distribution Tax in the hands of the Holding Company.**
- **Business of production of seeds and manufacture of agriculture implements added to the list of companies which are allowed weighted deduction of 150% for in-house scientific research expenditure (Section 35(2AB)).**
- **Sec. 35D which covers amortization of preliminary expenses has been amended to provide benefit of amortisation of specific post commencement preliminary expenses to the 'Services' sector for the extension of an undertaking or the setting up of a new unit.**

CAPITAL GAIN

- **Increase in short term capital gains tax under sections 111A & 115AD from 10% to 15%.**
- **Reverse mortgage of residential property done by Senior Citizens would not amount to "transfer" & hence no capital gains tax liability.**
- **Rebate u/s 88E relating to Securities Transaction Tax (STT) availed by share brokers withdrawn.**

FRINGE BENEFIT TAX

- **Crèche facility, Sponsorship of an employee sportsperson, organizing sports events for employees and guest house maintenance expenses are now excluded from the purview of FBT.**
- **Valuation of Fringe Benefit in connection with Festival celebrations expenses shall be 20% instead of the current rate of 50%.**

OTHER TAX PROPOSALS

- **Due date of submission of income tax return & fringe benefit tax return has been brought forward from October 31 to September 30 for the current financial year. This applies to all Companies and those individuals & firms, which require tax audits.**
- **PAN mandatory for insurance, personal loans and deposits.**
- **Weighted deduction of 125% on any payment made to approved companies engaged in scientific research and development.**
- **Section 40A (3), which deals with disallowance of cash payments over Rs 20,000 modified to cover all transactions within a day to the same party.**
- **TDS certificate in paper format will continue till March 31, 2010.**
- **Securities Transaction Tax and Commodities Transaction Tax shall be allowed as expenditure under section 36.**
- **Banking cash transaction tax to be withdrawn from April 1, 2009.**
- **Commodities Transactions Tax to be levied on Futures & Options.**
- **5-yr tax holiday to 2,3,4-star hotels in UNESCO's heritage sites.**
- **5-yr tax holiday for setting up hospitals in tier-II, tier III regions.**
- **Interest on Corporate Debt instruments issued in demat form and listed on recognized stock exchange exempted from TDS.**

- **Income from saplings or seedlings grown in nursery is not taxable.**
- **Income generated by Charitable Trusts/Not for Profit Companies from commercial activities will now be taxed.**
- **Direct tax proposals to be revenue neutral.**

INDIRECT TAX PROPOSALS

SERVICE TAX

- **Threshold limit of exemption for small service providers will be increased from Rs. 8 lakhs to Rs. 10 lakhs.**
- **New services brought under the tax bracket:**
 - **Asset management services provided under ULIP.**
 - **Services by stock / commodity exchanges and clearing houses.**
 - **Right to use goods, in cases where VAT is not applicable.**
 - **Customized software.**
 - **Tour Operators operating Contract Carriages.**
 - **Services provided in relation promotion or marketing of games of chances, organized, conducted or promoted by the client whether or not conducted online including lottery, lotto or bingo (under Business and Auxiliary Services).**
 - **Money chargers (under banking and other financial services)**
- **Other changes**
 - **Works Contract to attract 4% instead of 2% service tax under composition scheme.**
 - **Cargo handling Services to include service of packing together with transportation of cargo or goods with or without one or more other services like loading, unloading, unpacking.**
 - **Manpower recruitment or Supply Agency services has been extended to include professional services to any person (earlier it was restricted to a client).**

- **Online Information and Database Access or Retrieval has been extended to include professional services to any person (earlier it was restricted to a client)**
- **Scientific or Technical Consultancy has been extended to include professional services to any person (earlier it was restricted to a client).**
- **Service Tax Dispute Resolution Scheme to come into effect from 01.07.2008.**

CST

- **Central Sales tax reduced to 2%**

EXCISE DUTY

- **General rate on all goods reduced from 16% to 14%**
- **Duty on two wheelers reduced from 16% to 12 %**
- **Excise on small cars reduced from 16% to 14%**
- **Duty of 1% on Mobile Phones**
- **Duty on non filter cigarettes to be raised**
- **Duty slashed to 8% on water purification items.**
- **Duty withdrawn on naphtha for production of polymers**
- **Reduction on excise duties on anti-AIDS drugs**
- **Excise on paper and paper products reduced**
- **Excise duties on buses, chassis slashed**
- **Excise on pharma goods slashed to 8%**

Customs Duty

- **No change in peak rate of customs duties**
- **Duty on Packaged Software increased from 8 to 12%**
- **Duty on few bulk drugs cut to 5%**
- **Duty on crude sulphur reduced to 2%**
- **Duties on convergence products slashed to 5%**
- **No duty on components for Set top boxes**
- **Duty on Project imports cut to 5%**

Indirect tax proposals to result in a loss of Rs 5,000 crores

OTHER PROPOSALS

- **Defence allocation hiked by 10% to Rs 1,05,600 crores**
- **Rs 32,676 crore as subsidy to PDS**
- **Rs 15,000 crores for non-profit body for skilled dev programme**
- **National Highway Development programme gets Rs 12,966 crores**
- **Accelerated power development programmes to get Rs 8,000 crores**
- **Rs 12,956 crores for NHDP**
- **One lakh broadband-enabled common service centres in villages planned**
- **Manufacturing growth rate to be taken to double digit**
- **Rural Infrastructure Development Fund corpus to be hiked to Rs 14,000 crores**
- **Total estimate of loans being waived is Rs 60,000 crores benefiting 40 million farmers**
- **Implementation of debt waiver scheme to end by June 30**
- **Waiver amounts to 4% of total bank loans**
- **Rescheduled farm loans eligible for waiver**

(Note : 1 crore rupees = USD 250,000)