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HIGHLIGHTS OF THE UNION BUDGET 2011-12

Presented by the Hon'ble Finance Minister Mr. Pranab Mukherjee in the Parliament on 28 feb '11

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DIRECT TAXES :-

1. The Tax Rates

A. PERSONAL INCOME TAX

Basic Exemption limit enhanced to Rs. 1,80,000/- from Rs. 1,60,000/- at present.

Basic Exemption Limit in the case of Senior Citizen (above 60 years) enhanced to Rs. 2,50,000/- from Rs. 2,40,000/-.

-no changes in the basic exemption of women Assessee(it remains at Rs.190000)

-Basic Exemption limit for very Senior Citizen (80 years and above) will be Rs. 5,00,000/-

Income slab	Exiting Tax Rate	Proposed Tax Rate	Tax Saving (Rs)
Upto Rs. 1,60,000	Nil	Nil	Nil
Rs. 1,60,000 to Rs. 1,80,000	10%	Nil	2,000
Rs. 1,80,000 to Rs. 5,00,000	10%	10%	Nil
Rs. 5,00,000 to Rs. 8,00,000	20%	20%	Nil
Rs. 8,00,000 and above	30%	30%	Nil

-No Surcharge on Personal income tax

-Secondary and Higher Education cess of 3% remain unchanged. Thus the effective Tax Saving on income exceeding Rs. 1,80,000/- will be Rs. 2060/-.

- No need to file separate return for salaries employees who don't have any other income and entire tax is paid through TDS deducted by employer & information is furnished in TDS statements.



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B. CORPORATE TAX:

<u>Particulars</u>	<u>Tax Rate</u>
1. Domestic Company	
Normal Tax Rate	<u>30%</u>
Minimum Alternative Tax (MAT)	<u>18.5%</u>
2. Foreign co. normal tax rate	<u>40%</u>

-No change in the Corporate Income tax rate of 30%.

-Minimum Alternative Tax (MAT) on Book profit **increased to 18.50% from 18%**.

-Rate of Surcharge **reduced to 5% from 7.50%**

-Rate of Income tax on dividends received by an Indian company from its foreign subsidiary is lowered to **15 percent from 30 percent** at present for FY 2011-12

Alternate Minimum Tax for Limited Liability Partnership (LLP)

- On the adjusted total income, Alternate minimum tax(A.M.T) would be computed at the rate of 18.5% (which is also MAT rate for Companies).

Rationalization of Tax on Income distributed to unit holders

<u>Distributed by</u>	<u>Current rate</u>	<u>Proposed rate</u>	<u>Remark</u>
Money market mutual fund or liquid fund	25% in case of all recipient	25% - in the case of Individual and HUF recipient 30% - In case of any other recipient other than Individual and H.U.F	5% increase in additional income-tax chargeable where recipient is a person other than an Individual or HUF

C.TRANSFER PRICING MATTER

-New due date for company required to submit report u/s. 92E (Transfer Price Report) – **30th November**

-Instead of 5% safe harbor for ALP (Arms Length Price) in case of international transactions, Separate % will be notified for different sectors

-TPO (Transfer Pricing Order) empowered for survey u/s. 133A



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D.Extension of Dividend Distribution Tax to SEZ Developers

- As per the existing provision of Section 115-O, SEZ developers are exempted from the payment of dividend distribution tax (DDT). However, SEZ Units were liable to pay DDT on distribution of dividends. It has now been proposed to discontinue the exemption to SEZ developers as a result of which they would be liable to pay DDT on any distribution of dividend. This is in line with the Direct Tax Code, 2010 which has proposed to extend DDT provision to SEZ developers.
- The above amendment is proposed to take effect from 1st June, 2011.

E.EXEMPTIONS AND DEDUCTIONS

1. Tax Benefits for New pension System (NPS)

It is proposed to amend section 80CCE so as to provide that the contribution made by the employee to a pension scheme u/s.80CCD shall be exclude from the limit of Rupees One Lac provided under section80CCE.

It is further proposed to amend section 36 so as to provide that any sum paid by the assessee as an employer by way of contribution towards a pension scheme as referred to in section 80CCD on account of an employee to the extent it does not exceed 10 percent of the salary of the employee shall be allowed as deduction in computing Business income.

2. Weighted deductions for Research & Development Activities

The Bill proposes to increase the amount of weighted deduction from 175% to 200% for any sum paid to a National Laboratory or to a university or an Indian Institute of Technology with a specific direction that the amount paid will be used for scientific research undertaken under a programme approved by the prescribed authority.

3.Deduction in respect of long-term infrastructure bonds

The deduction under section 80CCF (over and above the existing limit of INR 1,00,000 u/s. 80-C) with respect to investment upto an amount of Rs. 20,000 invested in Long term Infrastructure Bonds is extended for one more year (i.e. FY 2011-12).



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4. Deduction for newly setup business

Two new businesses added in investment linked deduction u/s. 35AD – Additional deduction available for newly set up businesses for (1) Production of fertilizers & (2) developing a scheme for affordable housing approved by Govt.

5. 80 IA

Deduction for power project extended for 1 more year upto 31st March 2012.

6.80 IB

Deduction for mineral oil extractors not available after 31st March 2012.

INDIRECT TAXES

Service Tax

CHANGE IN MECHANISM TO LEVY AND CHARGE SERVICE TAX

Point of Taxation Rules, 2011

A new legislation is going to be incepted with effect from 1st April, 2011 for the determination of the point of time when the services would be deemed to be provided. The time of provision of service would be the earliest of the following:

- Date on which service is provided or to be provided
- Date of invoice
- Date of receipt of payment

New Taxable Services (Effective on passing of Finance Bill, 2011)

- Hotel Accommodation in excess of Rs. 1000 per day
- AC restaurants with license to serve liquor
- Hospitals with 25 or more beds with centralized AC
- Air travel
- Investment services by Life Insurance Companies
- Some legal services



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Exemptions from Service Tax

<u>Taxable service</u>	<u>Service exempt</u>
Transport of passengers by Air Service (Effective from 1 st April, 2011)	Service Tax in excess of 10% of gross value of ticket; or Rs.150 (Domestic travel in economy class) or Rs.750 (International travel in economy class); whichever is lower.
Business Exhibition Service (Effective from 1 st March, 2011)	Services rendered to an exhibitor participating in an exhibition held outside India.
General Insurance Service (Effective from 1 st March, 2011)	General insurance provided under the Rashtriya Swasthya Bima Yojana.
Transport of Goods By Road Service (Effective from 1 st April, 2011)	Services provided to person in India for goods transported (by road) from a place outside India to a final destination which is also outside India.
Transport of Goods By Rail Service (Effective from 1 st April, 2011)	Services provided to person in India for goods transported (by rail) from a place outside India to a final destination which is also outside India.

Other Major Ammendments:-

Import duty on gypsum and coal increased from 5% to 2.5%

Customs duty on raw silk reduced from 30 to 5 per cent

1% Excise duty on 130 new items: FM

Base rate on excise duty raised to 5%

Customs duty on Pet Coke and Gypsum to be reduced to 2.5%

Export duty at 20% for iron ore

Cut in excise duty of hybrid fuel, yarn, steel