



INDIAN UNION BUDGET HIGHLIGHT 2013-14

**R N MARWAH & COMPANY**

**CHARTERED ACCOUNTANTS**

Established 1946

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# R N MARWAH & COMPANY

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Established 1946

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## R.N. MARWAH & COMPANY

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## THE PARADIGM OF UNION BUDGET 2013

# REFLECTIONS AND A SENSE OF BEWILDERNESS

Explaining the purpose of the annual Budget exercise, Mr. Montek Singh Ahluwalia, Dy. Chairman of Planning Commission said "Budget deals with issues of macro imbalance, provides the correctives on fiscal deficits which everyone wanted." Does the Budget meet these criteria, or indeed, meets the aspirations of the people?

Two most critical areas of concern of people are checking the galloping inflation and rise of unemployment, especially among the Youth. Though the Finance Minister acknowledged these in his opening remarks, apart for some lip service, the Budget is curiously silent on any attempt to resolve them. Some humble suggestions which would address these two issues are given below:

India and Indians are amongst the highest taxed countries and people in the world. The indirect taxes cast a heavy burden on even the poorest of the poor. The high duties on the petroleum products, which fetch the Government increased revenues every time the price is increased due to the international prices of the crude oil, have a cascading effect on inflation. Prices of even the meaneast of goods consumed by the people, not to speak of most inputs of raw materials used in the industry, rise, thus increasing the cost of production, and consequently market prices (that in turn lead to higher excise duties for government, as also increase the benefits of its evasion). A cut of even a modest 5% in the excise duty on petroleum products would cut through this viscous cycle of inflation, put higher disposable income in the hands of people, lead to increase in demand of goods and services, make industries more profitable, increase employment and thus address "issues of macro imbalance" as correctly identified by Mr Ahluwalia.

Apart from some tokenisms towards safety of women, the FM has completely missed out addressing the requirements of the Youth, who today constitute a majority of the voting population. A large number of these are educated, and even, technically trained. Yet there are no opportunities for them towards entrepreneurship, for a diverse range of reasons. One of the biggest issues relates to lack of capacity to a line of bank credit and the high interest rates. It is submitted that the Nationalised Banks can be directed to advance loans towards setting up of new business/industry, or do technical upgradation



of existing industry upto Rs 5 crore at rates of interest 2% below the prevalent rates to Youth, between the ages of 18 – 35 years. Since the prevalent rates are nearly 15% or higher, it is submitted, the rates charged by the bank would still be higher than the bank rates internationally. If the Finance Minister wishes to encourage and empower the Young women, I submit that they could be given a further incentive of 1%. Let loans of upto Rs 1 crore be advanced to them without any security. The computation of the reduced rate of interest should begin only after the principal amount of the loan is paid, to encourage them to repay the loans.

In the life of a young nation, even one year is a long time. The time for action, and affirmative action, is now. Tinkering with legislations is passé. Let us not loose opportunities, or remain lost in outdated beliefs and concepts. For example, in a hot country, Airconditioning is not a luxury. Rather than making it more expensive, it should be encouraged to become more widespread. Regarding availability of power, may I suggest encouragement of solar power at every roof top level, to generate even miniscule electricity! The vast rooftops of all Government buildings and secretariats could be converted to solar farms.

Durgesh Shankar  
M.Sc (Econ.), LL.B  
Senior Advisor (Retd.Member CBDT)



## HIGHLIGHTS OF THE UNION BUDGET 2013

Few of the important amendments, proposed to be effected by the Finance Bill, 2013 introduced on the floor of the Parliament on February 28, 2013 effective from Assessment Year 2014-15 or Financial Year 2013-14 are as under:

### DIRECT TAXATION

#### PERSONAL TAX

##### Section 87A inserted and Income Tax Slabs Retained

- Existing income tax slabs have been retained.
- New section 87A inserted as per which rebate of Rs. 2,000/- for individuals having total income up to Rs. 5 lacs has been introduced.
- Surcharge of 10% on tax on income of more than Rs. 1 crore
- Rate of surcharge on domestic companies having income exceeding Rs. 10 crore increased from 5% to 10%.
- Rate of surcharge on non-resident companies having income exceeding Rs. 10 crore increased from 2% to 5%.
- Rate of surcharge on dividend distribution tax increased from 5% to 10%; effective rate would now be 16.995%.

Category of Tax Payers	Income	Existing Tax Rates	Proposed tax rate	Impact
INDIVIDUALS	Up to 2,00,000	NIL	NIL	NIL
	2,00,001 to 5,00,000	10%	10%	2,000
	Savings			
	5,00,001 to 10,00,000	20%	20%	NIL
	10,00,001 to 1 crore	30%	30%	NIL
	Above 1 crore	30%	30+ 10% Surcharge	3% Burden
FOR SENIOR CITIZENS	Up to 2,50,000	NIL	NIL	NIL
	2,50,001 to 5,00,000	10%	10%	2,000
	Savings			
	5,00,001 to 10,00,000	20%	20%	NIL
	10,00,001 to 1 crore	30%	30%	NIL
	Above 1 Crore	30%	30+ 10% Surcharge	3% Burden
VERY SENIOR CITIZENS	Up to 5,00,000	NIL	NIL	2,000
	Savings			
	5,00,001 to 10,00,000	20%	20%	NIL
	10,00,001 to 1 crore	30%	30%	NIL
	Above 1 Crore	30%	30+ 10% Surcharge	3% Burden

##### Section 80EE inserted - Deduction in respect of interest on loan sanctioned during financial year 2013-14 for acquiring residential house property

- It is proposed that in computing the total income of an assessee, being an individual, there shall be deducted, interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property.
- The deduction shall not exceed Rs. 1,00,000/-.
- The deduction shall be subject to the following conditions:-
  - The loan is sanctioned between 1st April, 2013 and ending on 31st March, 2014;
  - The amount of loan does not exceed twenty-five lakh rupees;
  - The value of the residential house property does not exceed Rs. 40,00,000/-;
  - The assessee does not own any residential house property on the date of sanction of the loan.
  - Unutilized deduction to be carried forward till 31.03.2015.

##### Raising the limit of percentage of eligible premium for life insurance policies of persons with disability or disease.

- At present premium paid under Life Insurance Policy upto 10% of the Sum Assured is exempt u/s 10(10D) of the Act. The Budget 2013-14 proposes to 15% of the sum assured is eligible for exemption u/s 10(10D).

##### Keyman Insurance Policy

- It is proposed to delete the exemption u/s 10(10D) available on any sum received under keyman insurance policy.

##### Insertion Of Section 194IA - Widening Of Tax Base And Anti Tax Avoidance Measures

- It is proposed to insert a new section 194-IA to provide that every transferee, at the time of making payment or crediting of any sum as consideration for transfer of immovable property (other than agricultural land) to a resident transferor, shall deduct tax, at the rate of 1% of such sum where the total amount of consideration for the transfer of an immovable property is more than fifty lakh rupees.





### Expanding the scope of deduction and its eligibility under section 80CCG

- Investment in listed units of an equity oriented fund shall also be eligible for deduction.
- The deduction shall be allowed for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units were first acquired by the new retail investor whose gross total income for the relevant assessment year does not exceed twelve lakh rupees.

### Taxability of immovable property received for inadequate consideration

- It is proposed to amend the provisions of clause (vii) of sub-section (2) of section 56 so as to provide that where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration, shall be chargeable to tax in the hands of the individual or HUF as income from other sources.

## CORPORATE TAX

### Commodities Transaction Tax (CTT) introduced

- CTT to be levied on taxable commodities transactions (other than on agricultural commodities).
- CTT to be levied at 0.01% and would be payable by the seller.
- CTT paid to be deductible in computing business income from taxable commodities transactions.

### Taxation of Income by way of Royalty or Fees for Technical Services

- The tax rate in case of non-resident taxpayer, in respect of income by way of royalty and fees for technical services as provided under section 115A, is proposed to be increased from 10% to 25%.
- This rate of 25% shall be applicable to any income by way of royalty and fees for technical services received by a non-resident, under an agreement entered after 31.03.1976, which is taxable under section 115A.

### New Section 32AC inserted - Investment Allowance @ 15% Of Cost Of New Plant & Machinery

- It is proposed that manufacturing companies investing a sum of more than Rs. 100 crore in specified new assets between 1st April, 2013 to 31st March, 2015, then, the assessee shall be allowed—
  - (i) for assessment year 2014-15, a deduction of 15% of aggregate amount of actual cost of new assets acquired and installed during the financial year 2013-14, if the cost of such assets exceeds Rs. 100 crore;
  - (ii) for assessment year 2015-16, a deduction of 15% of aggregate amount of actual cost of new assets, acquired and installed between 1st April, 2013 to 31st March, 2015, as reduced by the deduction allowed, if any, for assessment year 2014-15.

### Extension of the sunset date under section 80IA for the power sector

- At present Power industry established upto 31.03.2013 are granted exemption u/s 80IA of the Act. In the Budget 2013, power units coming into existence upto 31.03.2014 have been continued to avail the exemption u/s 80IA of the Act.

### Insertion of New Chapter XII-DA - Additional Income-tax on distributed income by company for buy-back of unlisted shares

- It is proposed to provide that the consideration paid by the company for purchase of its own unlisted shares which is in excess of the sum received by the company at the time of issue of such shares (distributed income) will be charged to tax.
- The company would be liable to pay additional income-tax @ 20% of the distributed income paid to the shareholder.
- The income arising to the shareholders in respect of such buy back by the company would be exempt.
- This amendment will take effect from 1st June, 2013.

### Insertion of New Section 43CA - Computation of income under the head "Profits and gains of business or profession" for transfer of immovable property in certain cases



## Rationalisation Measures General Anti-Avoidance Rule (GAAR)

- Implementation of GAAR has been postponed to 01.04.2016.
- The following amendments have been made in GAAR provisions currently provided in the Act:-
  - (a) An arrangement, the main purpose of which is to obtain a tax benefit, would be considered as an impermissible avoidance arrangement.
  - (b) The factors like, period or time for which the arrangement had existed; the fact of payment of taxes by the assessee; and the fact that an exit route was provided by the arrangement, would be relevant but not sufficient to determine whether the arrangement is an impermissible avoidance arrangement.
  - (c) An arrangement shall also be deemed to be lacking commercial substance, if it

- It is proposed that where the consideration for the transfer of an asset (other than capital asset), being land or building or both, is less than the stamp duty value, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration for the purposes of computing income under the head "Profits and gains of business of profession".
- In case of difference between date of agreement and date of registration, stamp duty value as on date of agreement to be considered.
- However, this exception shall apply only in those cases where amount of consideration or a part thereof has been received by any mode other than cash on or before the date of the agreement.

- does not have a significant effect upon the business risks, or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained but for the application of Chapter X-A.
- (d) The directions issued by the Approving Panel shall be binding on the assessee as well as the income-tax authorities and no appeal against such directions can be made under the provisions of the Act.
  - (e) The Central Government may constitute one or more Approving Panels as may be necessary and the term of the Approving Panel shall be ordinarily for one year and may be extended from time to time up to a period of three years.
  - The two separate definitions in the current provisions of section 102, namely, "associated person" and "connected person" will be combined and there will be only one inclusive provision defining a 'connected person'.



## ■ Removal of the cascading effect of Dividend Distribution Tax (DDT)

- It is proposed to grant relief on the dividend received from foreign subsidiary re distributed to the shareholders of Indian holding co. Will not attract DDT u/s 115O.
- This amendment will take effect from 1st June, 2013

## ■ Amendment to Section 40(a)(ia) - Disallowance of certain fee, charge, etc. in the case of State Government Undertakings

- It is proposed to cover payment of privilege fee, license fee, royalty, etc. levied or charged by the State Government undertakings on which tax is not deducted at source will be considered for disallowance u/s 40(a)(ia) of the Act.

## WEALTH TAX

## ■ Procedural Amendments - Enabling provisions for facilitating electronic filing of annexure-less return of net wealth- Insertion of new Section 14A and 14B of the Wealth Tax Act

- In order to facilitate electronic filing of annexure-less return of net wealth, it is proposed to insert new sections 14A and 14B in the Wealth-tax Act on lines of Section 139C and 139D of the Income Tax Act.
- Consequently, it is also proposed to amend provisions of section 46 of the Wealth-tax Act which provides for rule making powers of the Board.
- These amendments will take effect from 1st June, 2013.



## INDIRECT TAXATION

### SERVICE TAX

The Finance Bill, 2013 with regard to service tax, has only a few following proposals:-

### Amnesty Scheme (VCES) for Non Filers and Stop Filers:

Data shows that there are 17,00,000 registered assessee under service tax, but only about 7,00,000 file returns. Therefore, to encourage voluntary compliance and broaden the tax base, it has been proposed to provide one time amnesty by way of (i) waiver of interest and penalty; and (ii) immunity from prosecution, to the stop filers, non-filers or non-registrants or service providers (who have not disclosed true liability in the returns filed by them during the period from October 2007 to December 2012) who pay the "tax dues". The scheme will be operational from the date on which the Finance Bill, 2013 receives the assent of the President.

### Rationalization of Abatement for Construction Industries

Vide the Notification No. 26/2012-ST, abatement has been provided to the Construction Industries. At present taxable portion of constructions for service tax purpose is prescribed as 25% uniformly where value of land is included in the amount charged from the service recipient.

This is being rationalized. Accordingly, where the carpet area of residential unit is upto 2000 square feet. or the amount charged is less than One Crore Rupees, in the case of 'construction of complex, building or civil structure, or a part thereof, intended for sale to a buyer; wholly or partly except where the entire consideration is received after issuance of completion certificate by the competent authority', taxable portion for service tax purpose will remain as 25%; in all other cases taxable portion for service tax purpose will be 30%. This change will come into effect from the 1st day of March, 2013.





## No Change In Rate of Tax

There is no change in the normal rate of service tax of 12 percent.

## Two New Services in Negative List

The negative list has been amended and two services include in the negative list. They are vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agriculture and agricultural produce.

## New Separate Section

Sec. 66BA is being inserted in the Finance Act, 1994- by the authority of this section, references to section 66 (charging section under the positive list approach) in Chapter V of the Finance Act, 1994 or any other act, will be construed as reference to section 66B (charging section under the negative list approach), with effect from the



disease causing microbes will be covered by the negative list.

## Show Cause Notice To be Treated as Notice in Certain Circumstances

In section 73, a new sub-section (2A), similar to sub-section (9) of section 11A of Central Excise Act, 1944, is being inserted to harmonize the Central Excise and Service Tax law. As a result, if a show cause notice issued under proviso to sub-section (1) of section 73, is not found sustainable by an appellate authority or tribunal or court, the same will be deemed to be a notice issued for a period of eighteen months.

## Maximum Penalty for Failure to Obtain Registration

Section 77, sub-section (1), clause (a), is being amended, in such manner that, maximum penalty imposable for failure to obtain registration will be ten thousand rupees only.

## Provision for Imposing Penalty on Directors etc. of

1st day of July, 2012. Reference to section 66 appearing in the Finance (No.2) Act, 2004 and the Finance Act, 2007, in the context of education cesses will be read as 66B, in accordance with this new section;

## Widening Scope of Testing related to Agriculture under Negative List

Section 66D (d)(i) of the Finance Act, 1994 (related to Negative List of Services) is being amended and the word, 'seed' is being omitted from the expression 'seed testing'. As a result, testing activities directly related to production of any agricultural produce like soil testing, animal feed testing, testing of samples from plants or animals, for pests and







## Company

A new Section 78A is being introduced, to make provision for imposition of penalty on director, manager, secretary or other officer of the company, who is in any manner knowingly concerned with specified contraventions.

## New Provision for Admitting Appeal After Expiry of Relevant Period

In section 86 (related to Appeal to Appellate Tribunal), sub-section (5), it is proposed to insert the expression “sub-section (1) or” appropriately. Therefore, in case of assessee appeal also, appellate tribunal can admit an appeal or permit the filing of memorandum of cross objections after the expiry of the relevant period.

## Jail Term for Offences

Section 89 (related to Offences and Penalties) is being amended:

(i) in the case of an offence specified in clauses (a), (b) and (c) of sub-section (1) where the amount exceeds fifty lakh rupees, punishment shall be for a term which may extend to three years, but shall not, in any case, be less than six months; (ii) in the case of failure to pay service tax collected, to the credit of the Central Government within six months, an offence specified in section 89(1)(d), if such non-payment exceeds fifty lakh rupees, punishment shall be imprisonment for a term which may extend upto seven years but not less than six months; (iii) in the case of any other offence, the punishment shall be imprisonment for a term which may extend to one year.

## Non-Cognizable and Bailable Offences

Section 90 (related to Abatement of False Return, etc.) is being introduced to specify and differentiate cognizable offences from non-cognizable and bailable offences, (the Section was omitted by the Finance (No.2) Act, 1998, w.e.f. 16-10-1998).

## Provision for Arrest

Section 91 (related to Certain Offences to be Non-cognizable) is being introduced to provide for power to arrest; Commissioner of Central Excise is empowered to authorize any officer of Central Excise not below the rank of Superintendent of Central Excise, to arrest a person for specified offences particularly non-payment of collected service tax, (the Section was omitted by the Finance (No.2) Act, 1998, w.e.f. 16-10-1998).

## Remove Difficulty

Section 95 (related to power to remove difficulty in implementing new services) is being amended to empower the Central Government for removal of difficulty in respect of amendments carried out through the Finance Act, 2013.

## Retrospective Exemption to Indian Railways

Retrospective exemption is being extended to the Indian Railways on the service tax leviable on various taxable services provided by them during the period prior to the 1st day of July 2012, to the extent show cause notices have been issued upto the 28th day of February 2013. Section 99 is being added for this purpose, in Chapter V of the Finance Act, 1994.

## Rationalization of Exemption

The following exemptions are being rationalized w.e.f. 1st day of April, 2013:

- Exemption limit prescribed for charitable organizations, providing service towards any other object of general public utility. So far, the limit was 25 Lakh Rupees per annum. Now, they will be covered by the threshold exemption.
- Exemption provided to restaurants other than those having (i) air-conditioning and (ii) license to serve liquor, is being rationalized; condition regarding ‘license to serve liquor’



is being omitted. Therefore, with effect from 1st April, 2013, service tax will be leviable on taxable service provided in restaurants with air-conditioning or central air heating in any part of the establishment at any time during the year.

- Exemption to transport of goods by road and rail/vessel.



### Withdrawal of Exemption

The following exemptions are being withdrawn:

- Services provided by an educational institution by way of renting of immovable property.
- Temporary transfer or permitting the use or enjoyment of a copyright relating to cinematographic films was fully exempt so far; now, this exemption will be restricted to exhibition of cinematograph films in a cinema hall or a cinema theatre.
- Services by way of vehicle parking to general public.
- Services provided to Government, a local authority or a governmental authority, by way of repair or maintenance of aircraft.

### Change Related to Advance Ruling

Scope of advance ruling is being extended to cover resident public limited companies.

### CUSTOMS

Amendments in the Customs Act, 1962;

#### Protection to “designs and geographical indications Rights”-

Amendment has been made to provide protection to “designs and geographical indications” along with existing term “Copyrights” in clause (n) of sub-section (2) of section 11.

#### No Refund and SCN if Amount Less Than Rs. Hundred-

Vide the Notification No. 26/2012-ST, abatement has been provided to the Construction Industries. At present taxable portion of constructions for service tax purpose is prescribed as 25% uniformly where value of land is included in the amount charged from the service recipient.

This is being rationalized. Accordingly, where the carpet area of residential unit is upto 2000 square feet. or the amount charged is less than One Crore Rupees, in the case of ‘construction of complex, building or civil structure, or a part thereof, intended for sale to a buyer, wholly or partly except where the entire consideration is received after issuance of completion certificate by the competent authority’, taxable portion for service tax purpose will remain as 25%; in all other cases taxable portion for service tax purpose will be 30%. This change will come into effect from the 1st day of March, 2013.

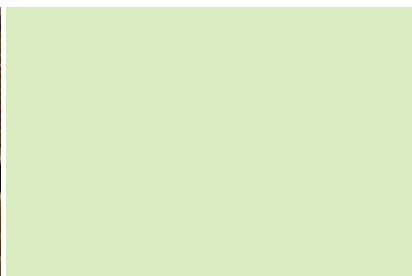
#### Provisional Attachment of Property

Section 28BA is being amended to provide for provisional attachment of property belonging to any person to whom notice under sub-section (4) of section 28 has been served.

#### Scope of Term “Activity” Expanded

Clause (a) of section 28E is being substituted so as to include any new business of import or export proposed to be undertaken by the existing importer or exporter within the meaning of “activity”.





### Provision of Landing of Vessels and Aircrafts Anywhere

Section 29 is being amended to empower the Board to permit landing of vessels and aircrafts at any place other than customs port or customs airport.

### Provision of Electronic Filing of import manifest and Export manifest

Section 30 and 41 are being amended to provide for electronic filing of import manifest and export manifest also to provide that the Commissioner of Customs may, in cases where it is not feasible to deliver the import manifest by presenting electronically, allow the same to be delivered in any other manner.

### Reduce of Interest Free Period For Payment of Import Duty

Sub-section (2) of section 47 is being amended to reduce the interest free period for payment of import duty from five days to two days.

### Provision for Restriction of Period of Storage of Imported Goods in a Public or Private Warehouse

Section 49 is being amended to restrict the period of storage of imported goods, pending clearance, in a public or private warehouse to thirty days and to provide that the

Commissioner of Customs may extend the period of storage for further period not exceeding thirty days at a time.

### Export of Warehoused Goods Without Payment of Import Duty

Section 69 is being substituted to provide that any warehoused goods may be exported to a place outside India without payment of import duty if a shipping bill or a bill of export in prescribed form or label or declaration accompanying the goods as referred to in section 82 has been presented in respect of such goods.

### Provision Regarding Bailable and Non-Bailable Offence

Under the existing sub-section (6) of section 104, all offences under the Act are bailable. Sub-section (6) is being substituted with sub-section (6) and (7). Sub-section (6) provides that the following specified offences punishable under section 135 shall be non-bailable, namely:-

- (a) evasion or attempted evasion of duty exceeding Rs.50 lakh;
- (b) prohibited goods notified under section 11 which are also notified under sub-clause (C) of clause (i) of sub-section (1) of section 135;
- (c) import or export of any goods which have not been declared in accordance with the provisions of this Act and the market price of which exceeds Rs. 1 crore;
- (d) Fraudulently availing of or attempt to avail of drawback or any exemption from duty provided under this Act, if the amount of drawback or exemption from duty exceeds Rs.50 lakh.

Sub-section (7) provides that all other offences except those specified in sub-section (6) shall be bailable.

### Extension of Period of Stay

A proviso is being inserted in sub-section (2A) of section 129B to provide that in cases where the delay in disposing of the appeal is not attributable to the appellant, the Tribunal may extend the period of stay by a period not exceeding 185 days subject to the condition that if the appeal is not disposed of within the total period of 365 days from the date of order, the stay order shall stand vacated.



## Enhancement of Monetary Limit of Single Bench of Tribunal

Section 129C is being amended to enhance the monetary limit of the Single Bench of the Tribunal to hear and dispose of appeals from Rs.10 lakh to Rs.50 lakh.

## Threshold Limit for Punishment for Evasion of Duty Increased

In sub-clauses (B) and (D) of clause (i) of section 135(1), the threshold limit for punishment in an offence relating to evasion or attempted evasion of duty or fraudulently availing of or attempting to avail of drawback or any exemption from duty in connection with export of goods, has been increased from Rs.30 lakh to Rs.50 lakh.



## Recovery of Due from Person Other Than Defaulter

16) A new clause (d) is being inserted in section 142 to provide (i) for recovery of money due to the Central Government from any other person other than the defaulter after giving such other person a notice in writing, (ii) that the person to whom such notice has been issued shall be bound to comply, and (iii) that if the person to whom the notice is issued fails to comply, he shall be deemed to be a defaulter in respect of the amount specified in the notice.

## Removable of Duty Liability on Consumed Sample Goods

Sub-section (3) of section 144 is being amended to remove the duty liability on any sample of goods which is consumed or destroyed during the course of testing or examination.

## “Customs House Agents” is Now “Customs Brokers”

Section 146 is being substituted to change the nomenclature of “customs house agents” to “customs brokers” considering the global practice and internationally accepted nomenclature.

## Scope of Liability of Agents Expand

Sub-section (3) of section 147 is being amended to expand the scope of the liability of agents of the owner, importer or exporter of any goods.

## Retrospective Exemption on etc.

Full exemption from export duty is being given retrospectively on flat rolled products of iron or non-alloy steel, plated or coated with zinc falling under headings 7210 and 7212 vide notification No. 27/2011-Customs, dated 01.03.2011 from 01.03.2011.

## AMENDMENTS IN THE SCHEDULES TO THE CUSTOMS TARIFF ACT, 1975:

### CUSTOMS

Baggage Rules are being amended to,-

- (i) raise the duty free allowance in respect of jewellery for an Indian passenger who has been residing abroad for over one year or a person who is transferring his residence to India from Rs.10,000 to Rs.50,000 in case of a gentleman passenger and from Rs.20,000 to Rs.1,00,000 in case of a lady passenger.
- (ii) raise the duty free allowance for crew member of vessel/aircraft from Rs.600 to Rs.1500





RATE OF DUTY INCREASED/LEVIED

Sector	Type of Duty	Product	Previous Rate	Proposed Rate
AUTOMOBILE	Basic customs	new passenger cars and other motor vehicles (high end cars) with CIF value more than US\$ 40,000 and/or engine capacity exceeding 3000cc for petrol run vehicles and exceeding 2500 cc for diesel run vehicles	75%	100%
		motor cycle with engine capacity of 800cc or more	60%	75%
METALS	Excise duty	Ilmenite unprocessed	0%	10%
		Ilmenite, upgraded	0%	5%
		Bauxite	0%	10%
CAPITAL GOODS/ INFRASTRUC-TURE:	Basic customs duty	steam coal	NIL	2%
		CVD	1%	2%
AIRCRAFTS & SHIPS	Basic customs duty	Yachts and Motor Boats	10%	25%
TEXTILES	Basic customs duty	raw silk (not thrown), of all grades	5%	15%
ELECTRONICS/ HARDWARE:	Basic customs duty	Set Top Boxes for TV	5%	10%



RATE OF DUTY INCREASED/LEVIED

Sector	Type of Duty	Product	Previous Rate	Proposed Rate
AGRICUL-TURE/AGRO PROCESSING/ PLANTATION SECTOR:	Basic customs duty	Dehulled Oat	30%	15%
	Basic customs duty	Grain	30%	10%
	Export duty	hazel nuts	10%	NIL
METALS	Basic customs duty	De-oiled Rice	10%	NIL
		stainless steel wire	10%	5%
PRECIOUS METALS	Basic customs duty	cloth stripe	7.5%	5%
		wash coat for use in the manufacture of catalytic convertors and their parts		
		pre-forms of precious and semi-precious stones	10%	2%
CAPITAL GOODS/ INFRASTRUC-TURE	Basic customs duty	bituminous coal	5%	2%
	CVD		6%	2%
	Basic customs duty	20 specified machinery for use in leather and foot-wear industry	5%	2%
TEXTILES	Basic customs duty	Textile Machinery & Parts	7.5%	5%

Extended Time Limit and Exemption to Aircrafts & Ships:

Time limit for consumption of imported goods by ship repair units is being extended from 3 months to 1 year. Time period for consumption/installation of parts and testing equipments imported for maintenance, repair and overhaul (MRO) of aircrafts by units engaged in such activities is being extended from 3 months to 1 year. Presently, the basic customs duty exemption is available to parts and testing equipments for maintenance, repair and overhaul of aircrafts. This exemption is now being extended to parts and testing equipments for maintenance, repair and overhaul of aircrafts and parts thereof.



## EXCISE

### AMENDMENTS IN THE CENTRAL EXCISE ACT, 1944:

#### Term of Imprisonment if Evasion of Duty Exceeds Fifty Lakh Rupees

Section 9 provides that an offence case involving evasion in which the duty leviable exceeds thirty lakh rupees shall be punishable with a term of imprisonment extending to seven years with fine. This section is being amended so as to substitute the amount of thirty lakh rupees with fifty lakh rupees.

#### If Duty Liability Exceeds Rupees Fifty Lakh only then offence is Cognizable and Non- bailable

Section 9A is being amended to make an offence cognizable and non-bailable where the duty liability exceeds Rs.50 lakh and punishable under clause (b) or clause (bbbbb) of sub-section (1) of section 9. Further, Section 20 is being amended so as to make the provisions applicable only to offence which is non-cognizable. Further more, Section 21 is being amended so as to make the provisions regarding release of arrested person on bail or personal bond applicable only to offence which is non-cognizable.

#### Provision of Recovery of Money

Section 11 is being amended so as to provide for

- (i) recovery of money due to the Government from any person other than from whom money is due after giving a proper notice, if that other person holds money for or on account of the first person;
- (ii) the other person to whom such notice has been issued is bound to comply and
- (iii) if the other person to whom the notice is served fails to comply, he shall face all the consequences under this Act.

#### Service of Statement Containing Details of Duty Not Paid

Section 11A is being amended to insert sub-section (7A) providing that service of a statement containing details of duty not paid, short levied or erroneously refunded shall be deemed to be a service of notice under sub-section (1) or (3) or (4) or (5) of this section.

#### Definition of Activity Expanded

Clause (a) of section 23A is being amended to expand the

definition of the term “activity” to include any new business of production or manufacture proposed to be undertaken by the existing producer or manufacturer.

#### Scope of Admissibility of Application For Advance Ruling Expanded to Include Credit of Service Tax Paid

The existing sub-section (2) of section 23C provides for the admissibility of application for advance ruling, inter alia, for credit of excise duty paid or deemed to have been paid. The scope of admissibility has been expanded to include credit of service tax paid or deemed to have been paid on input services.

#### Enhancement in Monetary Limit of Single Bench of Tribunal to Hear and Dispose of Appeals

Section 35D is being amended to enhance the monetary limit of the Single Bench of the Tribunal to hear and dispose of appeals from “ten lakh rupees” to “fifty lakh rupees”.

#### Additional Modes of Delivery of Specified Documents

Section 37C is being amended to specify additional modes of delivery of specified documents i.e. by speed post with proof of delivery or through courier approved by the Central Board of Excise & Customs.

## EXEMPTION

#### Agriculture/Agro/Processing/ Plantation Sector

1) Full exemption from excise duty is being provided on tapioca sago (sabudana) and tapioca starch manufactured and consumed captively in the manufacture of tapioca sago.

2) Full exemption from excise duty is being provided on henna powder or paste, not mixed with any other ingredient.

#### Aircrafts and Ships

1) Full exemption from excise duty is being provided on ships and other vessels. Consequently, there will be no

CVD on these ships and vessels when imported.

#### Textiles

1) Full exemption from excise duty is being provided on hand made carpets and carpets and other textile floor coverings of coir or jute, whether or not handmade.

#### Intermediate Goods

Full exemption from excise duty is being provided to intermediate goods manufactured and consumed captively by exempted units under Area Based Exemption Scheme in Himachal Pradesh and Uttarakhand.



## RATE OF DUTY INCREASED/LEVIED

Sector	Type of Duty	Product	Previous Rate	Proposed Rate
AUTOMOBILE	Excise duty	SUV	27%	30%*
METALS	Excise duty	silver manufactured from zinc/lead smelting	0%	4%
	Compounded levy	stainless steel "Patta Patti"	Rs 30,000 per machine per month	Rs 40,000 per machine per month
ELECTRONICS /HARDWARE	Excise duty	mobile phones of retail sale price exceeding Rs 2000/-	1%	6%
	Excise duty	marble tiles and slabs	Rs 30 per sq. mtr	Rs 60 per sq. mtr

\*Sports Utility Vehicles registered solely for use as taxis will not suffer additional excise duty consequent to the increase in excise duty on SUVs from 27% to 30%. Tax refund in respect of SUVs is being adjusted accordingly.

## RATE OF DUTY REDUCED

Sector	Type of Duty	Product	Previous Rate	Proposed Rate
AUTOMOBILE	Excise duty	truck chassis	14%	13%

## INDUSTRY IMPACT

Industry	Budget Proposals	Impact
AUTOMOBILE	<ul style="list-style-type: none"> <li>Although the standard rate of excise duty has not been increased, excise duty on SUVs has been hiked from 27% to 30%.</li> <li>Further Basic custom duty has been increased from 75% to 100% on new passenger cars and other motor vehicles (high end cars) with CIF value more than US\$ 40,000 and/or engine capacity exceeding 3000cc for petrol run vehicles and exceeding 2500 cc for diesel run vehicles and from 60% to 75% on motorcycles of capacity of &gt;800cc.</li> <li>Reduction of Excise duty on truck chassis by 1% to 13%.</li> </ul>	<p>Negative on SUV and High End Passenger Vehicles.</p> <p>Positive on the Commercial Vehicles due to reduction in excise duty.</p>
Construction	<ul style="list-style-type: none"> <li>The government has increased allocation towards various infrastructural schemes/projects like JNNURM, RIDF, PMGSY and IAY.</li> <li>The government has allowed issue of tax free bonds to the tune of Rs 500 billion through various government infrastructure institutions for the year 2013-14.</li> <li>IIFCL in partnership with the Asian Development Bank will be allowed to offer credit enhancement to infrastructure companies for the long term funds.</li> <li>Additional declaration on interest on housing loans upto Rs 25,00,000/- in addition to the deduction of Rs 1,50,000 under Section 24 Income Tax Act.</li> <li>Rationalization of Abatement for Construction Industries by change of taxable portion of service tax purpose from 25 % to 30 % high value properties.</li> <li>Increase in excise duty in marble tiles and slabs for Rs. 30 per sq.mtr. to Rs. 60 per sq.mtr.</li> </ul>	<p>Positive</p> <p>Higher allocation to infrastructure projects and ease in availability of long-term finance will augur well for the construction sector.</p> <p>Further Affordable Housing sector is expected to receive a boost on account of the additional deduction.</p> <p>However, Decrease in Abatement and excise duty on mar marble tiles and slabs shall add on the cost of Real Estate Projects.</p>





Industry	Budget Proposals	Impact
Education	<ul style="list-style-type: none"> <li>The budgetary allocation to Ministry of HRD for various schemes like Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan, scholarships and remaining for up-gradation of existing universities and other education schemes has been increased by 17% to Rs.65,877 crore.</li> <li>Further, service tax exemption has been granted for institutes offering vocational courses.</li> </ul>	<p>Positive</p> <p>The increase in government expenditure on education sector augurs well for companies engaged in providing education and allied education services.</p>
Roads and Highways	<ul style="list-style-type: none"> <li>Government has decided to constitute a regulatory authority for the road sector for addressing the issues like financial stress, enhanced construction risk and contract management issues etc.</li> <li>In order to strengthen the rural road network, Rs 217 billion has been allocated towards PMGSY for the year 2013-14. It is proposed to carve out PMGSY-II and allocate the funds to this programme in near future.</li> <li>Also, the government has set a target of awarding 3,000 km of road projects in the first six months of FY14.</li> </ul>	<p>Positive</p> <p>The constitution of independent authority is expected to accelerate the pace of awarding of road project and Awarding Road Project Target will augur well for the road sector.</p>
Gems & Jewellery	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 has proposed to impose excise duty of 4% on silver produced or manufactured during the process of zinc or lead smelting starting from the stage of zinc or lead ore or concentrate, to bring the rate on par with the excise duty applicable to silver obtained from copper ores and concentrates.</li> <li>To promote exports, basic customs duty on pre-forms of precious and semi-precious stones which are exported after polishing, is being reduced from 10% to 2%.</li> </ul>	<p>Neutral</p> <p>This will impact the prices of silver marginally and will be passed on to the consumers. And reduction in export duty would marginally be positive for export oriented players.</p>



Industry	Budget Proposals	Impact
Healthcare	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 has increased the allocation for the Ministry of Health and Family Welfare to Rs 373.30 billion (Rs 327.45 billion in 'Budget at a glance 2013-14'). This is an increase of 49%/32% respectively over Revised Estimates of FY12.</li> <li>Additionally, the push to insurance penetration by establishing one office of any public sector life/general insurer in every town with population greater than 10,000 is a long-term positive for the sector.</li> <li>The expansion of RSBY (Rashtriya Swasthya Bima Yojana) to other categories such as rickshaw, auto-rickshaw and taxi drivers, sanitation workers, rag pickers and mine workers.</li> <li>The Union Budget 2013-14 has proposed to increase the allocation for the new National Health Mission which combines the rural mission and the proposed urban mission by about 24% to Rs 212.39 billion.</li> </ul>	<p>Positive</p> <p>RSBY would increase the demand for health care facilities.</p>
Media	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 proposes to expand private FM radio services to 294 more cities. About 839 new FM radio channels will be auctioned in 2013-14. After the auction, all cities having a population of more than 100,000 will be covered by private FM radio services.</li> <li>The customs duty on set-top boxes (STB) for TV sets has been increased from current 5% to 10% to promote the indigenous manufacturing of STBs.</li> <li>The Union Budget proposes to continue full exemption of service tax on copyright on cinematography but limited only to films exhibited in cinema halls.</li> </ul>	<p>Neutral</p> <p>This will help the radio industry in India expand rapidly which had been growing at a CAGR of 15% over last 3-4 years. However increase in customs duty will increase STB prices. This will have a negative impact on government's initiative on digitization and will affect the TV distribution and broadcasting industry. Further exemption of service tax on copyright is a positive move and will reduce the costs for various players in the value chain of film industry.</p>





Industry	Budget Proposals	Impact
Ports	<ul style="list-style-type: none"> <li>The Union Budget 2013-14, has approved establishment of two new ports one at Sagar in West Bengal and one at AP with a total capacity of 100 million tonnes.</li> <li>The budget also proposed to develop one new outer-harbour at Tuticorin port through Private Public Partnership with an estimated cost of Rs 75 billion and capacity of 42 million tonnes.</li> <li>Further the Union Budget has also announced inclusion of an inland waterway in Assam as the sixth national waterway.</li> </ul>	<p>Positive</p> <p>This is expected to enhance the overall capacity of the Indian Port sector specifically ports located on the eastern coast (capacity-wise contributes around 30% as compared to 70% handled by the ports located on the western coast). The said waterway is expected to help in cost effective transportation of cargo in the north eastern states.</p>
Telecom	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 proposes to increase the concessional excise duty on mobile phones costing more than Rs 2,000 from 1% to 6% while retaining it at 1% for mobile phones below Rs 2,000.</li> </ul>	<p>Neutral</p> <p>This will increase the handset prices especially in the smartphone category as the average price of smartphone in India is closer to Rs 4,000, impacting negatively the non-voice revenues of telecom service providers. Also, the 3G enabled handsets are expected to cost more, further impacting the penetration of 3G which currently stands at around 2-3%.</p>
Textile	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 has proposed to continue the Textile Upgradation Fund Scheme (TUFS) for the sector in the 12th Plan with an investment target of Rs 1510 billion.</li> <li>Further, it has proposed to allow setting up a textile parks under Scheme for Integrated Textile Parks (SITP) and the developer of SITP will be eligible for an additional grant upto Rs 100 million per Park.</li> <li>In case of handloom sector, it has proposed to allow working capital and term loan at a concessional interest rate at 6%. In case of the readymade garment industry, it has introduced a new 'zero excise duty route' in addition to the CENVAT route now available.</li> </ul>	<p>Positive</p> <p>The said initiatives will augur well for the road sector.</p>

Industry	Budget Proposals	Impact
Engineering & Capital goods	<ul style="list-style-type: none"> <li>There will be an investment allowance of 15% to companies on investments of more than Rs 1bn. This is over and above provisions of accelerated depreciation of 20% in the first year. The companies will be able to claim allowance in the year in which amount exceeds Rs 1bn. Hence, apart from incentivising companies to spend on plant and machinery, it also provides for prepayment of the spending (to the extent possible).</li> </ul>	<p>Positive</p> <p>This is expected to encourage investment in plant and machineries thereby benefiting the engineering &amp; capital goods sector.</p>
Logistics & warehousing	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 made available a sum of Rs 50 billion through NABARD for financing construction of warehouses, godowns, silos and cold storage units designed to store agricultural produce, both in the public and the private sectors which will help in enhancing storage capacity.</li> <li>Government has decided to constitute a regulatory authority for the roads sector which would mitigate bottlenecks and expedite work on road projects hence would enhance quality and network of roads which in turn would improve transportation efficiency.</li> <li>Moreover, the additional funds for Delhi Mumbai Industrial Corridor (DMIC) would be made available by the government on requirement basis, which would expedite work on DMIC and hence further improve transportation efficiency.</li> </ul>	<p>Neutral</p> <p>However, there were no direct big ticket announcements related to logistics and warehousing industry hence we view this budget as neutral for logistics and warehousing industry.</p>
FMCG & Consumer durables	<ul style="list-style-type: none"> <li>The Union Budget 2013-14 has proposed to raise specific excise duty on cigarettes by about 18 percent and similar increase on other tobacco items such as cigars, cheroots and cigarillos.</li> <li>The budget also proposed to increase excise duty on mobile handsets including cellular phones having retail sale price more than Rs 2000 from 1 per cent to 6 per cent. The duty on mobile phones priced up to and inclusive of Rs 2000 (retail sale price) would remain unchanged.</li> </ul>	<p>Negative</p> <p>This rise in the excise duty would negatively impact the demand of the entire tobacco industry. This hike in cell phone would affect the demand for smart phones and encourage sale of grey market.</p>



Industry	Budget Proposals	Impact
Banking & Financial	<ul style="list-style-type: none"> <li>The Budget has proposed capital infusion of Rs 140 billion in Public Sector Banks in 2013-14 which is expected to help them achieve the Basel III capital adequacy levels.</li> <li>All PSU bank branches to have an ATM by 31.03.2014.</li> <li>All towns with &gt;10,000 population to have a LIC office and an office of a general insurance company.</li> <li>Banks are permitted to act as insurance brokers.</li> <li>Changes to Section 36 (i) (vii) of Income Tax Act on bad debts write-off and rural advances.</li> </ul>	<p>Positive</p> <p>The said initiatives will augur well for the Banking sector.</p>
Micro, Small and Medium Enterprises	<ul style="list-style-type: none"> <li>Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.</li> <li>SIDBI's India Microfinance Equity Fund to get further Rs 1 billion support over the existing committed support of Rs 1.07 billion that had benefitted 37 MFIs.</li> <li>Ministry of Corporate Affairs to notify that funds provided to technology incubators located within academic Institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.</li> </ul>	<p>Positive</p> <p>The said initiatives will augur well for the Micro, Small and Medium Enterprises.</p>
Power	<ul style="list-style-type: none"> <li>As expected, tax holidays under section 80-IA have been extended by a year to March 31, 2014 for claiming 10-year tax holidays for power projects.</li> <li>Basic customs duty on steam coal is being increased from nil to 2% and CVD from 1% to 2%.</li> </ul>	<p>Overall impact shall be Netrual.</p>

## R N MARWAH & COMPANY

CHARTERED ACCOUNTANTS

Established 1946



### HEAD OFFICE:

Mr. U.N. Marwah,  
Managing Partner  
4/80, Janpath  
New Delhi-1100 01  
(India)  
Tel: +91-11-43192000  
Fax: +91-11-43192021  
E-mail: rnm@rnm.in

Fax: +91 22 6117 4950  
E-MAIL: ASHISH@RNM.IN

### PUNE

Mr. NitinKhangaonkar  
9 'B' & 'C' Wing,  
Supriya Gardens, Aundh,  
Pune- 411 007  
Tel: +91 98230 81701  
E-MAIL: NITIN@RNM.IN

### BRANCH OFFICE:

Mr. Rathna Kumar  
813 Oxford Towers,  
139 Airport Road,  
Bangalore-560 008  
E-mail: bangalore@rnm.in

### COIMBATORE

Mr. D. Purushthoman  
Kaanchan, No. 6, North  
Hozur Road,  
Coimbatore- 641 018  
Tel. +91 422 2212548  
+91 422 2215407  
Fax. +91 422 2201206  
E-MAIL: PURUSH@RNM.IN

### AFFILIATE OFFICES:

#### MUMBAI

Mr. AshishBairagra,  
F11, 3rd Floor, ManekMahal,  
90 Veer Nariman Road,  
Church Gate,  
Mumbai-400 020  
Tel. +91 22 6117 4949

### CHENNAI

Mr. Ashok Deora  
SF 6, Golden Enclave,  
184 Poonamallee High Road,

Chennai- 600 010  
Tel: + 91 44 4217 8153,  
+ 91 44 2641 5805  
Fax : + 91 44 2641 5805  
E-MAIL: ASHOK@RNM.IN

### MAURITIUS

Mr. KamalHawabhay,  
365 Royal Road Rose Hill, Mauritius  
Tel : + 230 4542110  
Fax : + 230 4549671  
E-MAIL: KAMAL@RNM.IN

### HONG KONG

Mr. Raymond Choi  
3705 Bank of America Tower  
12 Harcourt Road  
Central Hong Kong  
Tel: +852 2115 9878  
Fax: +852 2115 9818  
E-MAIL: RAYMOND@RNM.IN

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