

ALL INDIA RUBBER INDUSTRIES ASSOCIATION

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Highlights of Union Budget 2013-14

THE ECONOMY AND THE CHALLENGES

- Getting back to potential growth rate of 8 percent is the challenge facing the country.
- Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9 per cent in 2011 to 3.2 per cent in 2012.

INVESTMENT, INFRASTRUCTURE AND INDUSTRY

Need of new and innovative instruments to mobilise funds for investment in infrastructure sector. Measures such as:

- Infrastructure Debt Funds (IDF) to be encouraged,
- IIFCL to offer credit enhancement.
- Infrastructure tax-free bond of Rs. 50,000 crore in 2013-14,
- Build roads in North eastern states and connect them to Myanmar with assistance from WB & ADB,
- Raising corpus of Rural Infrastructure Development Fund (RIDF) to Rs 20,000 crore and
- Rs 5,000 crore to NABARD to finance construction for warehousing. Window to Panchayats to finance construction of godowns.

New Investment

Companies investing Rs. 100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15 per cent of the investment.

Savings

- Additional deduction of interest upto Rs. 1 lakh for a person taking first home loan upto Rs. 25 lakh during period 1.4.2013 to 31.3.2014
- In consultation with RBI, instruments protecting savings from inflation to be introduced.

Industrial Corridors

- Plans for seven new cities have been finalised and work on two new smart industrial cities at Dholera, Gujarat and Shendra Bidkin, Maharashtra will start during 2013-14
- Delhi Mumbai Industrial Corridor (DMIC) to be provided additional funds during 2013-14 within the share of the Government of India in the overall outlay, if required.
- Chennai Bengaluru Industrial Corridor to be developed.

- Preparatory work has started for Bengaluru Mumbai Industrial Corridor.

Ports

- Two new major ports will be established in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity.
- A new outer harbour to be developed in the VOC port at Thoothukkudi, Tamil Nadu through PPP at an estimated cost of Rs. 7,500 crore.

Micro, Small and Medium Enterprises

- Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.
- Refinancing capacity of SIDBI raised to Rs. 10,000 crore.
- Another sum of Rs. 100 crore provided to India Microfinance Equity Fund.
- A corpus of Rs. 500 crore to SIDBI to set up a Credit Guarantee Fund for factoring.
- A sum of Rs 2,200 crore during the 12th Plan period to set up 15 additional Tool Rooms and Technology Development Centres with World Bank assistance.
- 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.

Capital Market

- Proposal to amend the SEBI Act, to strengthen the regulator, under consideration.
- Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).

OTHER PROPOSALS

Skill Development

Target of skilling 50 million people in the 12th Plan period, including 9 million in 2013-14.

DIRECT TAXES

- No case to revise either the slabs or the rates of Personal Income Tax.
- Relief for Tax Payers in the first bracket of Rs.2 lakhs to Rs. 5 lakhs. A tax credit of Rs. 2000 to every person with total income upto Rs.5 lakhs.
- Surcharge of 10 percent on persons (other than companies) whose taxable income exceed Rs. 1 crore to augment revenues.
- Increase surcharge from 5 to 10 percent on domestic companies whose taxable income exceed Rs. 10 crore.
- In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2 to 5 percent, if the taxable income exceeds Rs. 10 crore.

- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent.
- Additional surcharges to be in force for only one year.
- Education cess to continue at 3 percent.
- Permissible premium rate increased from 10 percent to 15 percent of the sum assured by relaxing eligibility conditions of life insurance policies for persons suffering from disability and certain ailments.
- Contributions made to schemes of Central and State Governments similar to Central Government Health Scheme, eligible for section 80D of the Income tax Act.
- Donations made to National Children Fund eligible for 100 percent deduction.
- Investment allowance at the rate of 15 percent to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
- Concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary proposed to continue for one more year.
- Securitisation Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income for companies, individual or HUF etc. No further tax on income received by investors from the Trust.
- TDS at the rate of 1 percent on the value of the transfer of immovable properties where consideration exceeds Rs. 50 lakhs. Agricultural land to be exempted.
- A final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.
- Proposal to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent.
- Reductions made in rates of Securities Transaction Tax in respect of certain transaction.
- Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
- Modified provisions of GAAR will come into effect from 1.4.2016.
- Fifth large tax payer unit to open at Kolkata shortly.
- A number of administrative measures such as extension of refund banker system to refund more than Rs. 50,000, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.

Indirect Taxes

- No change in the normal rates of 12 percent for excise duty and service tax.
- No change in the peak rate of basic customs duty of 10 percent for non-agricultural products.

Customs

- Period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.
- Duty on specified machinery for manufacture of leather and leather goods including footwear

reduced from 7.5 to 5 percent.

- Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.

Excise duty

- Excise duty on SUVs increased from 27 to 30 percent. Not applicable for SUVs registered as taxies.
- Duty on mobile phones priced at more than Rs2000 raised to 6 percent.

Service Tax

- Proposals to levy Service Tax on all air conditioned restaurant.
- For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of Rs1 crore or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from from 75 to 70 percent.
- Out of nearly 17 lakh registered assesses under Service Tax only 7 lakhs file returns regularly. Need to motivate them to file returns and pay tax dues. A onetime scheme called 'Voluntary Compliance Encouragement Scheme' proposed to be introduced. Defaulter may avail of the scheme on condition that he files truthful declaration of Service Tax dues since 1st October 2007.
- Tax proposals on Direct Taxes side estimated to yield to Rs13,300 crore and on the Indirect Tax side Rs.4,700 crore.

Good and Services Tax

- A sum of Rs. 9,000 crore towards the first installment of the balance of CST compensation provided in the budget.
- Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.
