

INCOME TAX BUDGET

2013-14

Budget highlights for Layman of Direct Taxes

CA RAJAT MOHAN

18A, IInd Floor, North Avenue Road, West Punjabi Bagh, New Delhi-110026

Office Phone: 011-47322696/97

Direct Tax Highlights

1. Tax Rate Comparison

A) Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

No change in the rates of income tax applicable to individual, Hindu Undivided Family, Association of persons, Body of Individuals and Artificial Juridical person in the Union Budget 2013-14.

The only benefit available is to small tax payers i.e. falling within the slab limit of Rs. 2,00,000-5,00,000. From AY 2014-15, they will get a tax credit of Rs. 2,060, only if their income is below Rs. 5,00,000.

The super rich i.e. having income of more than Rs. 1,00,00,000 will have to pay surcharge on income tax at the rate of 10%. Following is a comparison of the impact of the new tax rates:

Income	Old Tax	New Tax	Saving
5,00,000	30,900	28,840	2,060
8,00,000	92,700	92,700	-
10,00,000	1,33,900	1,33,900	-
50,00,000	13,69,900	13,69,900	-
1,00,00,000	29,14,900	29,14,900	-
1,10,00,000	32,23,900	35,46,290	-3,22,390

B) Co-Operative Societies, Firms and Local Authorities

No change in the tax rates applicable to co-operative societies, firms and local authorities. However the amount of tax payable shall be increased by surcharge at the rate of 10% if the total income exceeds Rs. 1,00,00,000.

C) Companies

No change in the tax rates applicable to companies. Only change is in the rate of surcharge which is shown below:

Rate of Surcharge	Domestic Company	Foreign Company
Income exceeding 1 crore but less than 10 crore	5%	2%
Income exceeding 10 crore	10%	5%

2. Increase in surcharge on dividend distribution tax or tax on distributed income from 5 to 10%.
3. Additional surcharges to be in force for only one year.
4. Education cess remains at 3%.
5. A new section 80EE is added for providing deduction for first-home buyers in respect of interest on loan taken for acquisition of residential house property upto a maximum of Rs. 1,00,000.
6. Permissible premium rate increased from 10% to 15% of the sum assured of life insurance policies for persons suffering from disability and certain ailments.
7. For the purpose of Section 80D, contributions made to schemes of Central and State Governments similar to Central Government Health Scheme are eligible.
8. Donations made to National Children Fund are eligible for 100% deduction.
9. Investment allowance at the rate of 15% to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
10. 'Eligible date' for projects in the power sector to avail benefit under Section 80- IA is extended from 31.3.2013 to 31.3.2014.
11. Concessional rate of tax of 15% on dividend received by an Indian company from its foreign subsidiary is proposed to continue for 2013-14.

12. Securitization Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income to companies, individual or HUF etc. No further tax on income received by investors from the Trust.
13. Investor Protection Fund of depositories in some cases is exempt from Income-tax.
14. Parity in taxation between IDF-Mutual Fund and IDF-NBFC.
15. A Category I AIF set up as Venture capital fund allowed pass through status under Income-tax Act.
16. TDS at the rate of 1% on transfer of non-agricultural land where consideration exceeds Rs.50 lakh.
17. Withholding tax of 20% on profit distribution by unlisted companies to shareholders through buy back of shares.
18. W.e.f. 1 April, 2014, tax rate on payments by way of royalty and fees for technical services to non-residents is increased from 10% to 25%.
19. Reductions made in rates of STT in respect of certain transaction.
20. Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.

Other Proposals

1. Modified provisions of GAAR will come into effect from 1.4.2016.
2. Rules on Safe Harbor will be issued after examine the reports of the Rangachary Committee appointed to look into tax matters relating to Development Centers & IT Sector and Safe Harbor rules for a number of sectors.
3. Fifth large tax payer unit to open at Kolkata shortly.
4. 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.