



throwing light

Finance Bill 2009 - Unplugged

How the Finance Bill 2009 affects you:

(Figures in brackets indicate the earlier rates)

AS AN INDIVIDUAL TAX PAYER

- **SIGNIFICANT** The minimum amount exempt from tax for individuals increased as under:-
For senior citizens – Rs. 240,000 (Rs. 225,000)
For women – Rs. 190,000 (Rs. 180,000)
For all others – Rs. 160,000 (Rs. 150,000)

- Surcharge will be applicable only to companies and not to any other entities.

- Advance Tax to be paid only if the tax so payable exceeds Rs. 10,000 (Rs. 5,000)

- **SIGNIFICANT** The fair market value of any gifts received in kind by an individual or an HUF after 1st October 2009 shall be deemed to be income of the recipient unless the gift is received from a relative.

- **SIGNIFICANT** For the year ending 31st March 2010, wealth tax will be payable only if taxable wealth exceeds Rs. 30 lakhs.

- Notices by tax authorities can now be also served electronically. It will also be mandatory to mention a computerized Document Identification Number (DIN) for all documents issued by a Tax authority and for documents filed with them and all documents not having a DIN will be treated as invalid.

AS A CORPORATE TAX PAYER

- **SIGNIFICANT** Minimum Alternate Tax will now be payable at 15% (10%) of book profit.

- The MAT so paid can now be carried forward as MAT Credit for 10 years (7 years).

- Book Profit will always be deemed to be profit before provision for diminution in value of any assets.

AS AN EMPLOYER / EMPLOYEE

- **SIGNIFICANT** Fringe Benefit Tax has been abolished. No guidelines for refund of FBT paid by companies as advance tax by 15th June 2009.

- The fair market value of sweat equity or shares allotted to employees shall be included as perquisites when the option is exercised.

- Contribution to an approved Superannuation fund to the extent it exceeds Rs. 100,000 will be treated as a perquisite to the employee.

AS A BUSINESSMAN

- The term 'manufacture' has now been specifically defined in the Act so as to incorporate various Court judgments in this regard.

- **SIGNIFICANT** A partnership firm can now claim a deduction for remuneration paid to working partners based on enhanced slabs as under:-
For upto Rs. 300,000 of book profit – upto 90% thereof and at 60% of the balance. The same limits will now apply for business firms and professional firms.

- Payments made towards usage of goods carriages in cash shall be disallowed only if they exceed Rs. 35,000 unlike all other payments where the limit for disallowance is Rs. 20,000.

- **SIGNIFICANT** A businessman (other than corporate and professionals) whose total turnover in business is less than Rs. 40 lakhs will be deemed to have earned a taxable income of at least 8% of turnover. If he pays tax thus then he is not obliged to maintain books of account and is also not obliged to pay taxes in advance. Such a businessman however cannot claim any deduction in respect of such business income. If the businessman however wishes to claim that his profit is less than 8% of turnover, the accounts will have to be audited.

- **SIGNIFICANT** A deduction under any provision such as 10A, 10B, 80IA, etc will not be allowed unless it is claimed by the assessee in the return of income.

- **SIGNIFICANT** Whenever a deduction is claimed under 10A, 10AA, 10B or Chapter VIA, if any goods are transferred to or from another business of the same assessee, they shall be deemed to have been so transferred at their market value.

- **SIGNIFICANT** The benefit of weighted deduction (125%) for expenditure on Research and Development activity in an approved In house R&D facility u/s 35(2AB) shall now be available to any manufacturing company so long as it does not manufacture an item listed in the Eleventh Schedule to the I.T. Act.

- A deduction under 80IA will not be available to someone who only executes a works contract in respect of development of an infrastructure facility.

- The deduction under 80IB(10) available to builders for low cost housing shall be given only if

not more than one unit has been allotted to an individual and his family members.

- **SIGNIFICANT** In respect of transaction involving Transfer Pricing, the draft assessment order will be provided to the assessee and the assessee can within 30 days file his objections to the said draft with the Dispute Resolution Panel (comprising of 3 Commissioners of Income Tax) who will within 9 months issue directions to the Assessing Officer on the same.

AS A PROVIDER / RECEIVER OF SERVICES

- **SIGNIFICANT** Service Tax extended to services rendered by law firms (not individual lawyers) except for services related to appearing before any Authority; to transport of goods by rail, inland water transportation and to Cosmetic and Plastic Surgeons.

- Business Auxiliary Services will be exempt from service tax only if the services are used in the manufacture of excisable goods and not otherwise.

AS A LIMITED LIABILITY PARTNERSHIP

- **SIGNIFICANT** The Bill prescribes tax treatment for LLPs and makes these at par with partnership firms. The Income of the LLP is taxable at 30% and a deduction is allowed for remuneration paid to working partners.

The partners of an LLP shall be jointly and severally liable for income tax dues of the LLP.

AS AN INVESTOR

- The provisions of section 50C which deal with capital gains tax on sale of immovable property based on stamp duty valuation shall now apply, even if the sale documents has not been stamped.

- **SIGNIFICANT** If an immovable property is purchased by an individual or an HUF at a price which is lower than the stamp duty valuation by more than Rs. 50,000, the difference will be assumed to be the Income of the buyer in the year of purchase.

AS AN EXPORTER

- Undertakings eligible for a deduction under 10A / 10B can claim this deduction upto the year ending 31st March 2011 (earlier upto 31st March 2010).

- For undertakings eligible for a deduction under 10AA, the deduction will be computed by prorating the export turnover of the undertaking and the total turnover of the 10AA undertaking (and not the assessee as a whole).

- **SIGNIFICANT** Exporters will be exempt from payment of service tax levied upon them by a reverse charge in respect of goods transportation

by road and commission to agents (to the extent it does not exceed 10%).

- **SIGNIFICANT** Claims for refund of service tax by exporters can now be made within 1 year of export. If the claim is less than .25% of the FOB value, the claim can be made by self certification and in other cases it must be certified by the auditor. Refunds will be issued within 1 month and without a pre audit.

AS A CHARITABLE TRUST

- Anonymous donations received by a Charitable Trust will be taxed at a flat rate of 30% to the extent that they exceed 5% of the Trust's income or Rs. 100,000 whichever is higher.

AS A DEDUCTOR OF TDS

- **SIGNIFICANT** For payments to contractors – TDS rate will be 1% if recipient is an individual or HUF and 2% in other cases. The TDS will be on the entire invoice value unless the value of material used is shown separately in the invoice itself. No TDS to be done in case of carriage of goods if the recipient intimates his PAN to the payer. 194C will be applicable when payment is made for manufacturing of goods where material is provided by the payer.

- **SIGNIFICANT** For rent – TDS will be 2% on rent of equipment and 10% in rent of immoveable property.

CAVEAT

The changes proposed by the Finance Bill 2009 will become binding law only after the Bill receives the President's assent. Most changes will apply to the accounting year which has commenced on 1st April 2009. The above is merely a gist of the amendments proposed. We recommend that you seek professional advice before implementing them.