

Highlights of Finance Bill,2008

Direct Taxes:

- The basic exemption limit is proposed to be increased from Rs.1,10,000/- to Rs.1,50,000/-. Accordingly, the new rates of income-tax on total income in such cases shall be as under:
 - Upto Rs. 1,50,000 - NIL
 - Rs.1,50,001 to Rs.3,00,000/- - 10%
 - Rs.3,00,001 to Rs.5,00,000/- - 20%
 - Above Rs. 5,00,000/- - 30%
 - In the case of every individual, being a woman resident in India, and below the age of sixty-five years at any time during the previous year, the exemption limit is proposed to be raised from Rs.1,45,000/- to Rs.1,80,000/-. The new rates of income-tax in such cases shall be as under
 - Upto Rs.1,80,000/- - NIL
 - Rs.1,80,001/- to Rs.3,00,000/- - 10%
 - Rs.3,00,001/- to Rs. 5,00,000/- - 20%
 - Above Rs.5,00,000/- - 30%
 - In the case of every individual, being a resident in India, who is of age of sixty-five years or more at any time during the previous year, the exemption limit is proposed to be raised from Rs.1,95,000/- to Rs.2,25,000/-. The new rates of income-tax on total income in such cases shall be as under:
 - Upto Rs. 2,25,000/- - NIL
 - Rs.2,25,001/- to Rs.3,00,000/- - 10%
 - Rs.3,00,001/- to Rs.5,00,000/- - 20%
 - Above Rs.5,00,000/- - 30%
- No Change in Surcharge and Education Cess rates**
- A new tax called **Commodities Transaction Tax (CTT)** is proposed to be levied on taxable commodities transactions entered in a recognized association.
 - The Commodities Transaction Tax is allowed as a deduction under the head Profits and Gains of Business or Profession.
 - Any transfer of a capital asset in a transaction of **reverse mortgage** shall not be regarded as transfer and therefore shall not attract capital gains tax.
 - The lump sum amount or instalment received under reverse mortgage is to be treated as capital receipt.
 - The following investments have been included under **Section 80C**:
 - Five year time deposit in account under Post Office Time Deposit Rules, 1981; and
 - Deposit in an account under the Senior Citizens Savings Scheme Rules, 2004.

- If the assessee withdrawn the amount from such accounts before the expiry of a period of 5 years from the date of its deposit, the amount so withdrawn shall be deemed to be income of the assessee of the previous year in which the amount is withdrawn.
- Additional Deduction of Rs.15,000/- (Senior Citizen –Rs.20,000/-) on health insurance premium paid for parents under **Section 80D**.
- The advancement of any other object of **general public utility** shall not be a treated as charitable purpose for claiming exemption **u/s 10(23C)**
- The benefit of **Section 35D** relating to amortization of preliminary expenses extended to Service Sector also.
- Parent company allowed to set-off the dividend received from its subsidiary company against dividend distributed by the parent company, provide that the dividend received has suffered Dividend Distribution Tax and the parent company is; not a subsidiary of another company.
- The provisions of **Section 194C** now cover Association of Persons (AOP) and Body of Individuals (BOI).
- In the case of foreign remittance attracting provisions of **Section 195** , the e-filing of Certificate and undertaking is proposed to be introduced.
- The Scheme of Dematerialisation of TDS and TCS Certificates is proposed to extend the commencement of scheme to 01-04-2010.
- No TDS on Corporate Bonds under **Section 193**.
- Income from nursery operations is come under the definition of "Agricultural Income".
 - **The rate of tax on Short Term Capital Gains is increased to 15% from 10%**
 - Amendment made to **Section 40 A(3)**:
- The splitting of payment in a single day is not permitted and the entire amount is not allowed as a deduction.
- **The due date for filing of returns covered under Tax Audit i.e. Section 44AB has been preponed to 30th September instead of 30th October and it is applicable from 1st April,2008.**
- The granting power is given to Assessing Officer to extend the time for completion of special audit under **section 142 (2A)**.
- The assessing officer is not required to satisfy for initiation of penalty under **Section 271 (1)**.

- Presumption of books of account, other documents etc even in the course of survey operations under **Section 292C**.
- Amendment made to **Section 115JB** with regard to deferred tax and dividend distribution tax.

No rebate is allowed for STT under **Section 88 E** and the same is allowed as deduction under sect 36.

- It is proposed to discontinue the B C T T from 1st March, 2009.

SERVICE TAX

Ø The annual threshold limit of Service Tax Exemption for small service providers is being increased from Rs.8 lakh to Rs.10 lakh.

Ø Consequent upon the increase in the threshold exemption limit from RS. 8 lakh to Rs.10 lakh, the annual turnover limit for obtaining service tax registration shall also be increased from Rs.7 lakh to Rs. 9 lakh.

Ø The renting of immovable property includes allowing or permitting the use of space in an immovable property, irrespective of the transfer of possession or control of the immovable property.

Ø The monetary limit for self-adjustment of excess amount of service tax paid is increased from Rs.50,000/- to Rs.1,00,000/-.

Ø The time limit for filing of revised return of service tax is increased from 60 days to 90 days

Ø The Central Excise Officer has empowered to reduce or waive the penalty for delaying filing of return, where the gross amount of service tax payable is nil.

Ø The rate of Service tax on Works Contract Service is being increased from 2% to 4% of the total of the Works Contract.

Ø Service Tax Return Preparer Scheme is introduced under Service Tax in line with Tax Return Preparers (TRP) under Income tax.

Excise Duty

√ General CENVAT rate on all goods reduced from 16% to 14% to give a stimulus to the manufacturing sector.

C S T

ü **Central Sales Tax rate being reduced from 3% to 2% from April 1, 2008.**

ü Roadmap for Goods and Service Tax being prepared to introduction of GST from April 1, 2010.