

**Highlights of  
Union Budget 2012**



**BAKER TILLY  
SINGHI**

“Quality service is not what you put into it - it’s what the client gets out of it”

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## FOREWORD

The Union Budget for the financial year (FY) 2012-13 was presented by our Honourable Union Finance Minister Mr Pranab Mukherjee on 16 March 2012 on the backdrop of intensified sovereign debt crisis in Euro Zone, widespread uncertainty injected by the political turmoil in Middle East, rising of crude prices and the overall gloomy world economy. The Finance Minister has accepted that India being part of the world economy cannot remain unaffected from the impact of the global crisis as ignoring the same shall be misleading.

India's Gross Domestic Product (GDP) is estimated to grow by 6.9% in 2011-12, after having grown at the rate of 8.4% in each of the 2 preceding years. In the past 2 years, the monetary and fiscal policy was geared to tame the inflationary pressures which impacted investment and consumption growth. The fiscal policy had to absorb expanded outlays on subsidies and duty reductions to limit the pass-through of higher fuel prices to consumers. However, there are numerous indicators suggesting that the economy is now turning around. There are signs of recovery in coal, fertilisers, and cement and electricity sectors. These are core sectors that have an impact on the entire economy. Indian manufacturing appears to be on the cusp of a revival.

India's GDP is estimated to grow at 6.9% in real terms for the year 2011-12 with growth estimates in agriculture at 2.5%, industry at 3.9% and 9.4% in services. There was the inflationary pressure throughout the year easing only a little in December 2011 to 8.3% and 6.6% in January 2012. The monthly food inflation was reduced from 20.2% in February 2011 to 9.4% in March 2011 and negative in January 2012 with a marginal increase in February, 2012. During April-January 2011-12, exports grew by 23% to reach US Dollar 243 billion, while imports at US Dollar 391 billion recorded a growth of over 29%. The current account deficit as a proportion of GDP for 2011-12 is likely to be around 3.6%. The GDP growth in the year 2012-13 has been estimated to be at 7.6%, +/- 0.25%.

Some of the tax proposals in the Budget are guided by the need to move towards the Direct Tax Code (DTC) in case of direct taxes and Goods & Service Tax (GST) in case of indirect taxes. A report of Parliament Standing Committee has been placed on DTC and the same shall be enacted at the earliest. Regarding GST, drafting of model legislation for Centre and State GST in concert with States is under progress. The positive in implementation of GST is that the GST Network (GSTN) has been approved by the Empowered Committee of State Finance Ministers and will be set up as a National Information Utility becoming operational from August 2012.

As a move towards DTC, the Finance Minister has introduced the tax slabs for individuals in line with that of DTC raising the basic exemption limit and increasing the upper limit of 20% slab, thus allowing an additional disposable income in the hands of individuals. No changes in the corporate income tax have been proposed, however, measures for promoting higher investment in certain sectors have been proposed.

The Budget also proposes to introduce a much awaited and widely welcome Advance Pricing Mechanism for transfer pricing and a much feared but widely expected, General Anti Avoidance Rule (GAAR) to counter aggressive tax avoidance. A series of measures to deter the generation and use of unaccounted money have also been proposed. In case of assets held abroad, compulsory reporting is being introduced and assessment of up to 16 years will now be allowed to be re-opened.

The Finance Minister has made an effort to widen the service tax base, strengthen its enforcement and bring it as close as possible to the central excise. A common simplified registration form and a common return are being introduced for central excise and service tax. All services will now attract service tax, except those in the negative list. The negative list has 17 heads.

## BUDGET AT A GLANCE

### ▶ Direct Tax

- ✚ Corporate tax rates remain unchanged
- ✚ Tax rate on interest payments for foreign currency loans reduced from 20% to 5% for funding certain infrastructure sectors
- ✚ Security Transaction Tax rates reduced from 0.125% to 0.1%.
- ✚ Alternate Minimum Tax provisions introduced for balance category of tax payers at an effective rate of 18.5% with credit available up to 10 years
- ✚ Cascading effect of Dividend Distribution Tax removed in multi-tier holding company structure
- ✚ Concessional tax rate of 15% on dividends received by domestic company from its overseas subsidiary allowed for 1 more year
- ✚ Basic exemption limit for individuals enhanced from INR 180,000 to 200,000 and 20% tax slab expanded up to INR 1 million
- ✚ Deduction up to INR 10,000 introduced for interest on savings bank accounts with banks and post offices
- ✚ Unexplained credits, investments, money and expenditure will be taxed at a flat rate of 30% irrespective of the applicable slab rate
- ✚ Senior citizens not having any income from business or profession exempted from paying advance tax
- ✚ Clarificatory amendment introduced with intention to overrule Vodafone judgment. Transaction between two non-resident companies in relation to transfer of shares of an overseas company which substantially derives value from assets located in India is taxable. The amendments come into effect from 1962
- ✚ Withholding tax / Tax collection at source (TCS) provisions rationalized to take care of situations wherein taxes have been paid by payee / seller
- ✚ Sunset clause for availing tax holiday for power sector extended by 1 more year. Benefit of initial depreciation at 20% extended to power sector
- ✚ Introduction of GAAR to curb aggressive tax planning
- ✚ Share premium in excess of fair market value to be treated as income in the hands of recipient company

## **Indirect Tax**

### **Excise Duty**

- Central Excise Duty enhanced from 10% to 12% and lower rate of Duty enhanced from 5% to 6%
- Nominal Central Excise Duty of 1 % (without input CENVAT) imposed on 130 items (which were earlier exempted) entering in the tax net enhanced to 2% (like coal, mobile handsets and cellular phones etc)
- Certain specified processes in relation to certain goods is deemed to be manufacture

### **Custom Duty**

- Peak rate of duty maintained at 10%.
- Effective rate of customs duty increased from 26.85% to 28.85% on account of increase in Countervailing Duty (CVD)
- Exemption of the cess on CVD portion has been allowed

### **Service Taxes**

- Effective rate of service tax increased from 10% to 12%
- Proposal to introduce Negative List basis of levy of service tax
- 17 categories of services under Negative List
- Changes made in the composite rate for certain services consequent to the change in the service tax rate

### **Sales Tax**

- There are no changes in provisions of Central Sales Tax

### **GST**

- No announcement about GST implementation date
- Recommendations awaited from the Parliamentary Standing Committee on the Constitution Amendment Bill
- GSTN proposed to be operational from August 2012
- GSTN will implement common PAN-based registrations, returns, payments processing for all States on a shared platform

## DIRECT TAX PROPOSALS

### ▶ Rates of tax

- **Non taxable threshold limit for individuals enhanced to INR 200,000**
- Non taxable threshold limit has now been aligned for resident women and individuals (other than senior citizens)
- **Taxable slab of 20% enhanced to INR 1,000,000**
- Proposed slab rates in line with DTC Bill. The slab rates for personal income tax are as follows:
  - Up to INR 200,000 : Nil
  - INR 200,001 to INR 500,000 : 10%
  - INR 500,001 to INR 1,000,000 : 20%
  - Above INR 1,000,000 : 30%
- Corporate tax rates remains unchanged at 30% (plus surcharge & education cess) for domestic companies and 40% (plus surcharge & education cess) for foreign companies
- **Securities transaction tax on delivery based transactions of equity shares and mutual fund units reduced from existing 0.125% to 0.1%**
- Dividend Distribution Tax (DDT) rate remains unchanged at 15% (plus applicable surcharge and education cess) - DDT payable by holding company to be reduced by DDT paid by subsidiary - This benefit would also be available in multi-tier corporate structure with effect from 1 July 2012
- Foreign citizen / non-resident entertainer and sportsmen to be taxed at 20 % on gross basis

### ▶ Key international tax proposals

- Indirect transfers - Income deemed to accrue or arise in India 'through' transfer of a capital asset situate in India to include, inter-alia income deemed to accrue or arise:
  - 'by means of';
  - 'in consequence of'; or
  - 'by reason of' transfer of that capital asset
- **Share or interest in a company or entity registered or incorporated outside India deemed to be situated in India if it derives its value, directly or indirectly, substantially from assets located in India.** There is no specific guidance provided for determination of 'substantial value'. **Through this amendment, the recent Apex Court decision in the case of Vodafone has been reversed**
- Capital asset definition proposed to be amended to include rights in or in relation to an Indian company, including rights of management or control or any rights whatsoever
- Transfer definition amended to include disposal of an asset or creating any rights therein
  - Directly or indirectly
  - Absolutely or conditionally

- Voluntarily or involuntarily
- By way of an agreement (whether entered into or outside India) or otherwise

The above would be effective notwithstanding that such transfer of rights is effected or dependent upon or flows from transfer of shares of a company registered or incorporated outside India

- A validation clause is proposed to be inserted to validate all the demands raised / notices sent or purporting to have been sent, in connection with indirect transfer of a capital asset, prior to coming into force of the validating clause notwithstanding any judgment or decree of a court / tribunal / other authority
- It has been clarified that obligation to withhold tax from payment to non residents proposed to be made applicable to all persons, resident or non-resident, irrespective of whether the non-resident payer has
  - Residence or place of business or business connection in India;
  - Any other presence in any other manner whatsoever in India

This amendments is proposed with retrospective effect from 1 April 1962

- **Foreign dividend - Taxation of 15% on gross basis on dividends declared, distributed or paid by specified foreign company extended upto 31 March 2013**
- **Tax Residency Certificate - Submission of tax residency certificate made a mandatory condition for availing benefits under any tax treaty**
- It is clarified with retrospective effect that Dispute Resolution Panel (DRP) shall have powers to enhance the variation on matters raised or not by the assessee
- Direction of the DRP now also appealable by the income tax authorities with effect from 1 July 2012

#### ▶ Anti-avoidance measures

- **GAAR proposed to be introduced prospectively to deal with aggressive tax planning involving use of sophisticated structures**
- Advance Pricing Agreements to be introduced with effect from 1 July 2012
- **Scope of transfer pricing provisions widened with effect from 1 April 2013 by including “specified domestic transaction” if aggregate value of such transactions exceeds INR 50 million**
- Coverage of international transactions widened with retrospective effect from 1 April 2002
- The transfer pricing officer can determine arm’s length price (ALP) of any international transaction entered into by the assessee, not referred to him by the AO, provided that assessee has not reported the same. The amendment would apply retrospectively from 1 June 2002. However, for cases concluded before 1 July 2012, the AO will not have right to re-open the case only on account of such amendment

- AO not empowered either to assess or reassess or pass an order enhancing the assessment or reducing a refund already made for any assessment year closed before 1 July 2012
- Penalty @ 2% to apply for non-reporting of transactions in accountants report in Form 3CEB
- In case of assets held abroad, compulsory reporting is being introduced and assessment of up to 16 years can be re-opened
- Safe Harbour rules
  - Clarified with retrospective effect that assessee not entitled to the benefit of  $\pm$  5% safe harbour of the ALP as standard deduction
  - Also clarified that  $\pm$  5% safe harbour on the transfer price to apply to all the assessment or reassessment proceedings pending before assessing officer (AO) as on 1 October 2009
  - New safe harbour of  $\pm$  3% of the transfer price introduced with effect from FY 2012-13

#### ▶ Widening of tax net

- **Tax withholding on transfer of immovable properties introduced**
- Definition of royalty expanded to cover:
  - right for use of or right to use a, computer software (including granting of a licence) irrespective of the medium through which such right is transferred
  - right, property or information, whether or not (i) the possession or control of it is with the payer, or (ii) it is used directly by the payer, or (iii) the location is in India
  - transmission by satellite (including up-linking, amplification, conversion for down-linking of any signal), cable, optic fibre or by any other similar technology
- **Scope of levy of AMT(at 18.5%) extended to all persons other than companies [earlier applicable only to Limited Liability Partnerships (LLPs)]**
- **Alternate Minimum Tax (AMT) levy not applicable to individuals / Hindu Undivided Families (HUFs) whose adjusted total income does not exceed INR 2 million**
- MAT
  - On disposal of revalued asset, revaluation reserve taken directly to general reserve to form part of book profits
  - Insurance, banking & electricity companies incorporated under Indian Companies Act, 1956 would also be subject to Minimum Alternate Tax (MAT) levy
- Fair market value of asset to be taken as full value of consideration where consideration for transfer of a capital asset is not attributable or determinable

## ▶ Exemptions and deductions

- Conversion of sole proprietorship / partnership into company - Cost of acquisition of assets in the hands of successor company proposed to be that of sole proprietorship or firm in case of tax exempt conversion with retrospective effect from 1 April 1999
- No requirement for the parent company to issue shares to itself for amalgamation / demerger transaction to be tax neutral
- Investment-linked tax incentive of 100% deduction of capital expenditure (other than on land, goodwill and financial instrument) also extended to:
  - Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962
  - Setting up and operating a warehousing facility for storage of sugar
  - Bee-keeping and production of honey and beeswax
- Incentive increased from 100% to 150% of capital expenditure for taxpayers which commence operations on or after 1 April 2012 with respect to the following specified business:
  - Setting up and operating a cold chain facility, a warehousing facility for storage of agricultural produce, a hospital with at least 100 beds for patients
  - Developing and building a housing project under a scheme for affordable housing and Production of fertilizer in India
- In respect of 100% deduction for capital expenditure allowable to taxpayers engaged in building and operating a hotel, a suitable clarification provided so that a hotel owner continues to be eligible for the investment linked deduction if he, while continuing to own the hotel, transfers the operation of such hotel to another person
- Weighted deduction of 150% on any expenditure on agricultural extension project or any expenditure (excluding cost of any land or building) on skill development project duly notified by Central Board of Direct Taxes also provided for
- **Weighted deduction of 200% of expenditure incurred on approved in-house scientific research and development facilities extended for a further period of 5 years i.e., up to 31 March 2017 from 31 March 2012**
- Income accrual to Venture Capital Fund (VCF) / Venture Capital Company (VCC) now taxable in hands of investors on accrual basis
- Exemption from applicability of withholding tax on income paid by VCF / VCC to investors withdrawn
- Tax incentive for funding of certain Infrastructure sectors - Withholding tax rate reduced to 5% for interest received by a non-resident from companies engaged in the following sectors:

- Construction of (i) dam, (ii) port (including inland port), (iii) road, toll road or bridge, (iv) ships (in a shipyard)
- Operation of aircraft
- Manufacture or production of fertilizers
- Generation, transmission or distribution of power
- Developing an affordable housing project in accordance with the notified scheme
- Loan should be in foreign currency and may be taken between 1 July 2012 to 1 July 2015 with the previous approval of the Central Government
- **Additional depreciation for power projects - Benefit of 20% additional initial depreciation extended to new machinery or plant (other than ships and aircraft) acquired by entities engaged in the business of generation or generation and distribution of power**
- **Tax holiday for deduction in respect of generation, distribution and transmission of power extended to 31 March 2013**
- Insurance policies issued after 1st April 2012 wherein premium payable exceeds 10% (presently 20%) of “capital sum assured” would not be eligible for deduction / exemption. The definition of actual sum assured has also been inserted
- Relief from long term capital gains on transfer of residential property (house or plot of land) if
  - invested in equity of new start up SME company in the manufacturing sector ;
  - the company utilizes the funds for purchase of new plant & machinery and
  - subject to fulfillment of other prescribed conditions
- Any income received by a foreign company in India in Indian currency on account of sale of crude oil to any person in India would not be included in its total income subject to fulfillment of prescribed conditions
- ▶ **Measures to counter unaccounted money**
- Cash credits - Share application money, share capital, share premium, or other sum credited in the books of a closely held company to be taxed in its hands unless the resident shareholder/ subscriber (other than a registered venture capital fund) explains the nature and source of the investment
- Taxation of cash credits, unexplained money and investments, etc. - Income of such nature to be taxed on gross basis at the rate of 30% (plus applicable surcharge and cess)
- **Consideration exceeding fair value of shares**
  - **Consideration in excess of fair value received by a closely held company on issue of shares at a premium to a resident (other than a registered venture capital fund) to be taxed as income from other sources**

- Fair value to be reckoned based on the higher of the value determined as per a method to be prescribed or as substantiated by the company to the AO having regard to the value of the company's assets including intangible assets
- **Mandatory tax return filing in relation to foreign assets - Resident taxpayers having any asset (including any financial interest in any entity) located outside India or signing authority in any account located outside India mandatorily required to file a return of income**
- Time limitation for reassessment - Time limit for initiation of reassessment of income / wealth in a case where income / wealth in relation to any asset (including financial interest in any entity) located outside India has escaped assessment extended to 17 years from the end of the relevant FY. Provision to be effective retrospectively
- Penalty on undisclosed income found in search cases - Penalty on undisclosed income in a search initiated on or after 1 July 2012 revised subject to conditions
- ▶ **Rationalization of withholding tax provisions**
- Deemed date of payment of tax by the resident payee - With effect from 1 July 2012, deductor who fails to deduct whole or any part of the tax on payment to resident deductee shall not be deemed to be an assessee in default if the resident deductee has furnished his return of income, taken into account such sum for computing his taxable income in his tax return, paid tax due on the above income and the deductor has furnished a certificate from an accountant in the prescribed form for the above
- Similar amendments for TCS provisions to clarify the deemed date of discharge of tax liability by the buyer / licensee / lessee
- Seller of bullion or jewellery shall collect tax at 1% of sale consideration from every buyer if sale consideration in cash exceeds INR 200,000
- Seller to collect 1% tax on sale of minerals (coal, lignite and iron ore) subject to conditions
- Date of furnishing tax return by the resident deductee deemed to be the date of deduction and payment of tax by the deductor for the purpose of allowance of business expenditure for the relevant FY
- Fee / penalty for delay in furnishing Tax Deducted at Source / TCS statement and incorrect information enhanced / introduced (with effect from 1 July 2012)
- Time limit for completion of withholding tax assessment for resident assessee extended from 4 years to 6 years with retrospective effect from 1 April 2010
- ▶ **Other amendments**
- Advance tax payable is computed by reducing from the tax payable the amount of income tax which is deductible or collectible, irrespective of the fact whether tax is actually deducted or

collected. No, such advance tax would be payable unless tax has been actually deducted or collected

- Resident senior citizens (i.e., individuals aged 60 years or more at any time during the FY) not having income from business or profession are not required to pay advance tax
- Presumptive taxation limits for specified small businesses increased from INR 6 million to INR 10 million
- **Limits for tax audit increased for businesses from INR 6 million to INR 10 million / for professionals from INR 1.5 million to INR 2.5 million**
- Cash donations in excess of INR 10,000 not eligible for tax deduction
- Due date for filing of return of income in case of non-corporate taxpayers, who have undertaken international transactions extended from 6 months within the end of the FY (i.e., 30 September) to 8 months (i.e., 30 November).
- Interest earned on deposits in savings bank account, co-operative banks and post office exempt upto INR 10,000 in the hands of individuals and HUFs

### ▶ Excise Duty

- The following amendments are effective from 17 March 2012
  - **General excise duty rate is enhanced from 10% to 12%**
  - **The merit rate of 5% is being enhanced to 6% while 1% excise duty applicable to 130 items is also increased to 2% with a few exceptions (like coal, mobile handsets and cellular phones etc)**
  - The statutory or tariff rate of central excise for petroleum goods, the statutory ad valorem duty or the ad valorem components on products having composite rate is also being reduced to 14%
  - The rate of cess levied on indigenous crude under the Oil Industry (Development) Act, 1974 is being enhanced from INR 2,500 per tonne to INR 4,500 per tonne
  - The excise duty is being enhanced to 12% on readymade garments bearing a brand name or sold under a brand name. The rate of abatement on such readymade garments is being increased from 55% to 70%. Hence, the tariff value for purposes of charging duty would be at 30% of the retail sale price. The scope of exemption on return goods has been modified.
- The following specified processes in relation to certain goods is deemed to be manufacture by way of insertion of chapter notes in respective headings:
  - The process of matching, batching and charging of Lithium Ion batteries or the making of battery packs
  - The process of oiling and pickling in respect of goods of heading 7208
  - The process of cutting, slitting and printing of aluminium foils
  - The processes of affixing or embossing trade name or brand name on articles of jewellery or on articles of goldsmiths" or silversmiths" wares of precious metal or of metal clad with precious metal

## ▶ Customs Duty

- **Basic Customs duty (BCD) rates remain unchanged at 10%**
- **Effective rate of customs duty increased from 26.85% to 28.85% on account of increase in CVD**
- **Exemption of the cess on CVD portion has been allowed**
- The following amendments shall be effective on enactment of Finance Bill:
  - Importer of specified goods to declare the state of destination where goods shall be sold for the first time after import along with VAT registration. (Effective for imports made from 11 May 2012)
  - Retrospective amendment for CVD exemption provided for “foreign going vessels” for period 1 March 2011 to 16 March 2012
  - Introduction of provision enabling recovery of duty, in cases where duty credit instruments obtained by way of collusion, wilful misstatements or suppression of facts from the person to whom the instrument such as duty credit scrip was issued
  - Courier services recognized for serving demand notices/ orders/ summons under Customs Act.
  - Government will notify class / classes of importers that are required to pay customs duty electronically
  - Offences under Customs Act attracting imprisonment of 3 years or more made cognizable. No bail to be granted by court without public prosecutor presenting case on behalf of department
  - Adjudication limits for Deputy / Assistant Commissioner increased to INR 500,000 and for other lower officers to INR 50,000
- The other significant amendments are as follows:
  - Liberalization and simplification of procedures for imports at concessional rate for manufacturing excisable goods
  - Project import status with lower rate of BCD at 5% for green house set up, carrying activity of protected cultivation of horticulture and floriculture produce
  - Full exemption from BCD extended to coal mining projects
  - Reduction of BCD to 2.5% on machinery and instruments used for surveying and prospecting of mines presently attracting duty of 10% and 7.5%
  - BCD at concessional rate of 5% extended to raw materials for manufacture of intermediate parts / sub-parts of blades for rotors for wind energy generators
  - Export duty on chromium ore has been enhanced from INR 3,000 per tonne to 30% ad valorem

- Relief has been proposed for sectors such as steel, textiles, branded readymade garments, low-cost medical devices, labour intensive sectors producing items of mass consumption and matches produced by semi-mechanized units. Automatic shuttle less looms are fully exempted from basic customs duty of 5%. Full exemption on basic duty has been accorded to automatic silk reeling and processing machinery as well as its part
- Full exemption from basic customs duties on waste paper, LCD and LED TV Panels for 20 inches and above and parts of memory card for mobile phones. SAD exemption extended up to 31 March, 2013
- Full exemption from basic customs duty has been allowed on coating chemical used for compact fluorescent lamps
- Concession from basic customs duty and special CVD is being extended to certain items imported for manufacture of hybrid or electric vehicle and battery packs for such vehicles
- The basic customs duty was also reduced on some water soluble fertilizers and liquid fertilizers, other than urea, from 7.5% to 5% and from 5% to 2.5%
- Full exemption has been allowed from basic customs duty and a concessional CVD of 1% to Steam coal for a period of 2 years till 31 March 2014
- Full exemption has been allowed from basic duty to Natural Gas and Liquefied Natural Gas and Uranium concentrate, Sintered Uranium Dioxide in natural and pellet form
- Full exemption from import duty on specified equipment imported for road construction contracts awarded by Metropolitan Development Authorities. Tunnel boring machines and parts for their assembly are covered by this exemption

## ▶ Service Tax

- **The service tax rate would be raised from 10% to 12% with effect from 1 April 2012**
- Other key changes in composition tax rates (with effect from 1 April 2012)
  - Life insurance - 3% on first year premium and 1.5% for subsequent years
  - Money changing - rate increase by 20%
  - Works Contract - 4% to 4.8%
  - Air transportation amended to ad valorem with abatement of 60%
- Proposal to introduce Negative List basis of levy of service tax on a date to be notified - Any service now taxable unless included in Negative List or exempt. The list of 17 services to be included in the Negative List, such as:
  - Services provided by Government, Reserve Bank of India (RBI), local authority
  - Trading of goods
  - Services relating to agriculture
  - Process amounting to manufacture
  - Selling of time and space for advertisements (other than radio / television)
  - Access to road / bridge
  - Admission to entertainment events or access to amusement facilities
  - Renting of residential property
  - Interest or discount on loans, advances and deposits
- Specific exemptions also proposed to be introduced
- The other significant changes that would be effective from 1 April 2012 are as follows:
  - The time limit for issuance of invoice increased from 14 days to 45 days for banking and other financial services and for all other services the same is 30 days
  - Adjustment of excess service tax paid is allowed without monetary limit if the adjustment is not on account of reasons such as interpretation of law, taxation, and valuation
  - Receipt of consideration for export of services aligned with the time prescribed by RBI for determining date of payment of tax
  - In case of rate change or new levy, date of payment of tax shall be the date of actual credit in the bank account where the said amount is credited more than 4 working days after the date of such changes. In other cases, the date of payment shall be earlier of the dates on which the payment is entered in the books of account or credited to the bank account
- The significant changes mentioned below will take effect on enactment of the Finance Bill:
  - The tax rate, value of service and exchange rate prevailing at the time of providing or agreeing to provide the service to apply

- Renting of immovable property service providers granted immunity from penalty if service tax along with interest up to 6 March 2012 is paid within 6 months from the date of enactment of the Finance Bill
- Exemption for setting up of common facilities for treatment and recycling of effluents and common waste to be effective from 16 June 2005
- Appeal before Commissioner (Appeals) of service tax to be filed within 2 months for orders passed after enactment of the Finance Bill with power to condone the delay of a month
- Time limit for the Government to file an appeal before the Customs Excise and Service Tax Appellate Tribunal increased from 3 months to 4 months
- Retrospective service tax relief provided to services in relation to management, maintenance or repair of road, non-commercial Government buildings
- Settlement commission provisions introduced

## TOUCH POINTS

### KOLKATA

1B Old Post Office Street  
Emerald House, 4<sup>th</sup> Floor, Kolkata - 700 001  
Ph. No: +91 (33) 2248 4573 / 4577 / 7530  
Fax No: +91 (33) 2230 7146

### NEW DELHI

401-408, Pragati House  
47-48, Nehru Place, New Delhi - 110 019  
Ph. No: +91 (11) 2629 3986/87  
Fax No: +91 (11) 3082 0183

### MUMBAI

B2 402B, Marathon Innova  
4<sup>th</sup> Floor, Off Ganpatrao Kadam Marg  
Opp. Peninsula Corporate Park,  
Lower Parel, Mumbai - 400 013  
Ph. No: +91 (22) 6662 5537 / 8  
Fax No: +91 (22) 6662 5539

### CHENNAI

1 Philips Street, Chennai - 600 001  
Ph. No: +91 (44) 4262 1416  
Fax No: +91 (44) 2538 4536

### GUWAHATI

Sanmati Plaza, Ashoka Furnishing Building  
2nd floor, G. S. Road, Guwahati - 781 005  
Ph. No: +91 (361) 2458 663/2458 997

### BANGALORE

F-113, Central Chambers, Ground Floor  
2<sup>nd</sup> Main Gandhi Nagar, Bangalore - 560 009  
Ph. No:

### HYDERABAD

5-4-187/3 & 4 Soham Mansion  
2<sup>nd</sup> Floor, M. G. Road, Secunderabad - 500 003  
Ph. No.: +91 (712) 6641111

### NAGPUR

1<sup>st</sup> Floor, VCA Complex, Civil Lines  
Nagpur - 440001  
Ph. No.: +91 (40) 27542635

### CONTACT US AT

[services@bakertillysinghi.com](mailto:services@bakertillysinghi.com)

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