

# Key Features of Budget 2014-2015

## Foreign Direct Investment (FDI)

- Government to promote FDI selectively in sectors.
- The composite cap of foreign investment to be raised to 49 per cent with full Indian management and control through the FIPB route.
- The composite cap in the insurance sector to be increased up to 49 per cent from 26 per cent with full Indian management and control through the FIPB route.
- Requirement of the built up area and capital conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities.
- The manufacturing units to be allowed to sell its products through retail including Ecommerce platforms.

## INDUSTRY

- Central Government Departments and Ministries to integrate their services with the e- Biz -a single window IT platform- for services on priority by 31 December this year.
- ` 100 crore provided for setting up a National Industrial Corridor Authority.
- Amritsar Kolkata Industrial master planning to be completed expeditiously.
- Master planning of 3 new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed.
- Perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters.
- Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization will be accelerated.
- Proposed to establish an Export promotion Mission to bring all stakeholders under one umbrella.
- Apprenticeship Act to be suitably amended to make it more responsive to industry and youth.

## Micro Small and Medium Enterprises (MSME) Sector

- Skill India to be launched to skill the youth with an emphasis on employability and entrepreneur skills.
- Committee to examine the financial architecture for MSME Sector, remove bottlenecks and create new rules and structures to be set up and give concrete suggestions in three months.
- Fund of Funds with a corpus of ` 10,000 crore for providing equity through venture capital funds, quasi equity, soft loans and other risk capital specially to encourage new startups by youth to be set up.
- Corpus of ` 200 crore to be set up to establish Technology Centre Network .
- Definition of MSME to be reviewed to provide for a higher capital ceiling.
- Programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery to be put in place.
- Entrepreneur friendly legal bankruptcy framework will be developed for SMEs to enable easy exit.
- A nationwide “District level Incubation and Accelerator Programme” to be taken up for incubation of new ideas and necessary support for accelerating entrepreneurship.

## Energy

- ` 100 crore is allocated for a new scheme “Ultra-Modern Super Critical Coal Based Thermal Power Technology.”
- Comprehensive measures for enhancing domestic coal production are being put in place.
- Adequate quantity of coal will be provided to power plants which are already commissioned or would be commissioned by March 2015.

- An exercise to rationalize coal linkages to optimize transport of coal and reduce cost of power is underway.

### **New & Renewable Energy**

- ` 500 crores provided for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh.
- ` 400 crores provided for a scheme for solar power driven agricultural pump sets and water pumping stations.
- ` 100 crore provided for the development of 1 MW Solar Parks on the banks of canals.
- A Green Energy Corridor Project is being implemented to facilitate evacuation of renewable energy across the country.

### **Petroleum & Natural Gas**

- Production and exploitation of Coal Bed Methane reserves will be accelerated.
- Possibility of using modern technology to revive old or closed wells to be explored.
- Usage of PNG to be rapidly scaled up in a Mission mode.
- Proposal to develop pipelines using appropriate PPP models.

### **Mining**

- Changes, if necessary, in the MMDR Act, 1957 to be introduced to encourage investment in mining sector and promote sustainable mining practices.

### **Science and Technology**

- Government to strengthen at least five institutions as Technical Research Centres.
- Development of Biotech clusters in Faridabad and Bengaluru.
- Nascent agri-biotech cluster in Mohali to be scaled up. In addition, two new clusters, in Pune and Kolkata to be established.
- Global partnerships will be developed under India's leadership to transform the Delhi component of the International Centre for Genetic Engineering and Biotechnology (ICGEB) into a world-leader in life sciences and biotechnology.
- Several major space missions planned for 2014-15.

### **TAX PROPOSALS**

- Ambitious Revenue Collection Targets in Interim Budget. Proposed tax changes factored in the Budget Estimates 2014-15
- Measures to revive the economy, promote investment in manufacturing, rationalize tax provisions to reduce litigation, address the problem of inverted duty structure in certain areas. Tax reliefs to individual tax payers.

### **DIRECT TAXES PROPOSALS**

- Personal Income-tax exemption limit raised by ` 50,000/- that is, from ` 2 lakh to ` 2.5 lakh in the case of individual taxpayers, below the age of 60 years. Exemption limit raised from ` 2.5 lakh to ` 3 lakh in the case of senior citizens.
- No change in the rate of surcharge either for the corporates or the individuals, HUFs, firms etc.
- The education cess to continue at 3 percent.
- Investment limit under section 80C of the Income-tax Act raised from ` 1 lakh to ` 1.5 lakh.
- Deduction limit on account of interest on loan in respect of self occupied house property raised from ` .1.5 lakh to ` .2 lakh.
- Conducive tax regime to Infrastructure Investment Trusts and Real Estate Investment Trusts to be set up in accordance with regulations of the Securities and Exchange Board of India.
- Investment allowance at the rate of 15 percent to a manufacturing company that invests more than ` 25 crore in any year in new plant and machinery. The benefit to be available for three years i.e. for investments upto 31.03.2017.

- Investment linked deduction extended to two new sectors, namely, slurry pipelines for the transportation of iron ore, and semi-conductor wafer fabrication manufacturing units.
- 10 year tax holiday extended to the undertakings which begin generation, distribution and transmission of power by 31.03.2017.
- Income arising to foreign portfolio investors from transaction in securities to be treated as capital gains.
- Concessional rate of 15 percent on foreign dividends without any sunset date to be continued.
- The eligible date of borrowing in foreign currency extended from 30.06.2015 to 30.06.2017 for a concessional tax rate of 5 percent on interest payments. Tax incentive extended to all types of bonds instead of only infrastructure bonds.
- Introduction of a “Roll Back” provision in the Advanced Pricing Agreement (APA) scheme so that an APA entered into for future transactions is also applicable to international transactions undertaken in previous four years in specified circumstances.
- Introduction of range concept for determination of arm’s length price in transfer pricing regulations.
- To allow use of multiple year data for comparability analysis under transfer pricing regulations.
- To remove tax arbitrage, rate of tax on long term capital gains increased from 10 percent to 20 percent on transfer of units of Mutual Funds, other than equity oriented funds.
- Income and dividend distribution tax to be levied on gross amount instead of amount paid net of taxes.
- In case of non deduction of tax on payments, 30% of such payments will be disallowed instead of 100 percent.
- Government to review the DTC in its present shape and take a view in the whole matter.
- 60 more Ayakar Seva Kendras to be opened during the current financial year to promote excellence in service delivery.
- Net Effect of the direct tax proposals to result in revenue loss of ` .22,200 crore.

#### **INDIRECT TAXES PROPOSALS**

- To boost domestic manufacture and to address the issue of inverted duties, basic customs duty (BCD) reduced on certain items.
- To encourage new investment and capacity addition in the chemicals and petrochemicals sector, basic customs duty reduced on certain items.
- Steps taken to boost domestic production of electronic items and reduce our dependence on imports. These include imposition of basic customs duty on certain items falling outside the purview of IT Agreement, exemption from SAD on inputs/components for PC manufacturing, imposition of education cess on imported electronic products for parity etc.
- Colour picture tubes exempted from basic customs duty to make cathode ray TVs cheaper and more affordable to weaker sections.
- To encourage production of LCD and LED TVs below 19 inches in India, basic customs duty on LCD and LED TV panels of below 19 inches reduced from 10 percent to Nil.
- To give an impetus to the stainless steel industry, increase in basic customs duty on imported flat-rolled products of stainless steel from 5 percent to 7.5 percent.
- Concessional basic customs duty of 5 percent extended to machinery and equipment required for setting up of a project for solar energy production.
- Specified inputs for use in the manufacture of EVA sheets and back sheets and flat copper wire for the manufacture of PV ribbons exempted from basic customs duty.

- Reduction in basic customs duty from 10 percent to 5 percent on forged steel rings used in the manufacture of bearings of wind operated electricity generators. Exemption from SAD of 4 percent on parts and raw materials required for the manufacture of wind operated generators.
- Concessional basic customs duty of 5 percent on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).
- Anthracite coal, bituminous coal, coking coal, steam coal and other coal to attract 2.5 per cent basic customs duty and 2 per cent CVD to eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.
- Basic customs duty on metallurgical coke increased from Nil to 2.5 percent in line with the duty on coking coal.
- Duty on ship breaking scrap and melting scrap of iron or steel rationalized by reducing the basic customs duty on ships imported for breaking up from 5 percent to 2.5 percent.
- To prevent mis-use and avoid assessment disputes, basic customs duty on semiprocessed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones rationalized at 2.5 percent.
- To encourage exports, pre-forms of precious and semi-precious stones exempted from basic customs duty.
- Duty free entitlement for import of trimmings, embellishments and other specified items increased from 3 percent to 5 percent of the value of their export, for readymade garments.
- Export duty on bauxite increased from 10 percent to 20 percent.
- For passenger facilitation, free baggage allowance increased from ` .35,000 to ` .45,000.
- To incentivize expansion of processing capacity, reduction in excise duty on specified food processing and packaging machinery from 10 percent to 6 percent.
- Reduction in the excise duty from 12 percent to 6 percent on footwear of retail price exceeding ` 500 per pair but not exceeding ` 1,000 per pair.
- Withdraw concessional excise duty (2 percent without Cenvat benefit and 6 percent with Cenvat benefit) on smart cards and a uniform excise duty at 12 percent.
- To develop renewable energy, various items exempted from excise duty.
- Exemption to PSF and PFY manufactured from plastic waste and scrap including PET bottles from excise duty with effect from 29th June, 2010 to 7th May, 2012.
- Prospective levy of a nominal duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on such PSF and PFY.
- Concessional excise duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on sports gloves.
- Specific rates of excise duty increased on cigarettes in the range of 11 per cent to 72 per cent.
- Excise duty increased from 12 percent to 16 percent on pan masala, from 50 percent to 55 percent on unmanufactured tobacco and from 60 percent to 70 percent on gutkha and chewing tobacco.
- Levy of an additional duty of excise at 5 percent on aerated waters containing added sugar.
- To finance Clean Environment initiatives, Clean Energy Cess increased from ` .50 per tonne to ` .100 per tonne.

#### **Service tax.**

- To broaden the tax base in Service Tax, sale of space or time for advertisements in broadcast media, extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media however would remain excluded from service tax. Service provided by radio-taxis brought under service tax.

- Services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants brought under service tax.
- Provision of services rules to be amended and tax incidence to be reduced on transport of goods through coastal vessels to promote Indian Shipping industry.
- Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India to be taken out of the tax net and Cenvat credit for services of rent-a-cab and tour operators to be allowed to promote tourism.
- Service tax exempted on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled.
- Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 exempted, from service tax.
- Exemption available for specified micro insurance schemes expanded to cover all life micro-insurance schemes where the sum assured does not exceed ` .50, 000 per life insured.
- For safe disposal of medical and clinical wastes, services provided by common biomedical waste treatment facilities exempted.
- Tax proposals on the indirect taxes side are estimated to yield ` .7525 crore.
- 24X7 customs clearance facility extended to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods to facilitate cargo clearance.
- 'Indian Customs Single Window Project' to facilitate trade, to be implemented.
- The scheme of Advance Ruling in indirect taxes to be expanded to cover resident private limited companies. The scope of Settlement Commission to be enlarged to facilitate quick dispute resolution.
- Customs and Central Excise Acts to be amended to expedite the process of disposal of appeals.