



Union Budget | India
11 July 2014

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Highlights of Union Budget

2014-15

The Union Budget of India for 2014–2015 was presented by Finance Minister, Arun Jaitley on 10 July 2014. This was the first budget of Narendra Modi led NDA government.

DIRECT TAX- INDIVIDUALS

- Rate of tax, education cess and surcharge remains unchanged
- Income tax exemption limit raised by INR 50,000 to INR 2.5 lakh and for senior citizens to INR 3 lakh
- Deduction limit under Section 80C raised to INR 1.5 lakh
- Investment limit in PPF raised to INR 1.5 lakh from INR 1 lakh
- Deduction limit for interest expense in respect of self-occupied property raised to INR 2 lakh from INR 1.5 lakh
- Minimum pension increased to INR 1,000 per month
- Mandatory wage ceiling of subscription to EPS (Employee Pension Scheme) raised from INR 6,500 to INR 15,000
- Long term capital gain tax for mutual funds (other than equity oriented funds) doubled to 20 percent and lock-in period increased to 3 years
- Aggregate payments of INR100,000 or more under life insurance policy not exempt under Section 10 (10D) liable to withholding tax at two per cent

DIRECT TAX- CORPORATE

- Date to claim 10 year tax holiday by power generating, distributing or transmitting companies extended to 31 March 2017
- Effective 1st October 2014, dividends distributed by domestic companies and mutual funds to be grossed up for the purpose of computing DDT
- Manufacturing companies can claim investment allowance at 15 percent of the investment in new plant and machinery (acquired and installed) till 31st March 2017. Also, for investments made on or after 1st April 2014 the threshold of INR 1 billion has been reduced to INR 250 million
- Concessional rate of tax of 5 per cent (plus applicable surcharge and cess) on interest on borrowings in foreign currency in case of infrastructure bonds now extended to all types of bonds. Time limit applicable for availing such borrowings extended from 30 June 2015 to 30 June 2017
- It is proposed that the APA may also cover four years preceding the years covered by the APA, subject to the rules that will be framed in this regard
- Advance received and forfeited in relation to a transfer of capital asset not to be reduced from the cost or written down value or the fair market value, as the case may be, in computing the cost of acquisition of such asset anymore but be taxable immediately under the head 'income from other sources'
- The scope of expenditure disallowable on account of non-withholding of tax expanded to include all payments made to residents liable to withholding of tax (e.g. salary, director's fees)
- Expenditure on CSR cannot be deducted while computing taxable income
- Assessee whose primary business is trading in shares should not be carrying on a speculation business
- Income from transfer of securities by FPIs to be treated as capital assets in nature
- Concessional tax rate of 15 per cent on dividend received by Indian companies from specified foreign companies (shareholding of 26 per cent or more) to continue without any sunset clause.

FDI LIMITS

Sector	FDI- Old	FDI- New	Route
Defense	26%	49%	FIPB approval
Insurance	26%	49%	FIPB approval

INDIRECT TAX

- No timeline announced for the implementation of GST
- Rates for customs, excise & service tax remain unchanged
- Benefit of advance ruling extended to include resident private limited companies
- Service tax will be applicable on sale of space/time on media such as internet, films, billboards, etc
- Amendment in place of provision services rules for determining taxability of certain services such as intermediary, repairs, etc.
- Amendments made in service tax exemptions pertaining to educational institutions
- Applicability of excise duty on packing/repacking/labeling activities on specified goods widened to include various goods including packaged software, smart cards
- Customs duty on certain goods rationalized to give boost to manufacturing, address the issue of inverted duty structure and reduce dependency on imports
- Free baggage allowance for residents increased from INR35,000 to INR45,000

PRICE MOVEMENT OF PRODUCTS

What got CHEAPER

Mobile Phones

Computers & Tablets

Soaps & Oil

Small LCD/LCD TVs

Pre-form of Precious & Semi-Precious Stones

Footwear

CRT Television

E-book Readers

RO Water Purifier

LED Lights, Fixtures & Lamps

Sports Gloves

Branded Petrol

Matchbox

Life Micro Insurance Policies

HIV/AIDS drugs & diagnostic kits

DDT Insecticides

What got COSTLIER

Cigarettes

Radio Taxis

Aerated Drinks with sugar

Imported Electronic Products

Non-IT Telecom Instruments

Imported Garments

Pan Masala

Gutka & Chewing Tobacco

Jarda scented Tobacco

Half-cut/Broken Diamonds

Portable X-Ray Machines

NEW PROJECTS

- Government proposes to launch 'Digital India' programme to ensure broad band connectivity at village level
- National Rural Internet and Technology Mission for services in villages and schools, training in IT skills proposed
- Government proposes Ultra Modern Super Critical Coal Based Thermal Power Technology
- 5 new IIMs to be opened in HP, Punjab, Bihar, Odisha and Rajasthan
- 5 more IITs in Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala
- 4 more AIIMS like institutions to come up in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in Uttar Pradesh
- A project on the river Ganga called 'Jal Marg Vikas' for inland waterways between Allahabad and Haldia
- Free Drug Service and Free Diagnosis Service to achieve "Health For All"

ECONOMIC INITIATIVES

- An Expenditure Management Commission to be set up to look into various aspects of expenditure reforms undertaken by the government. Government to be committed to the principle of ‘minimum government, maximum governance’
- The government announces intention to make the subsidy regime, including food and petroleum subsidies, more targeted while providing full protection to the marginalized, poor and SCs/STs
- Several administrative and legislative measures proposed to reduce direct tax litigation
- Cases of indirect transfer coming to the notice of AO will be scrutinized by a High Level Committee, to be constituted by CBDT before initiating any action for improving income-tax administration
- DTC to be reviewed and a view to be taken in the whole matter
- Boost given to the FDI policy in the larger interest of the Indian Economy
- Requirement of the built up area and capital conditions for FDI reduced to 20,000 square metres and USD 5 million respectively for development of smart cities
- Manufacturing companies can sell its products through retail including Ecommerce platforms
- Requirement to infuse INR. 2,40,000 crores as equity by 2018 in our banks to be in line with Basel-III norms; PSUs will invest through capital investment a total sum of INR. 2,47,941 crores
- INR 4,000 cr set aside to increase flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment
- Government considering giving greater autonomy to PSU banks while making them accountable
- Reservation of INR 7060 crore to develop 100 smart cities by modernizing the existing mid-size cities
- The facility of Electronic Travel Authorization (e-Visa) to identified countries to be introduced in a phased manner at nine airports within the next six months
- Skill India, a national multi-skill programme to be launched
- A high level committee to examine the financial architecture for the MSME sector, and set the backdrop for changes that will help promote entrepreneurship and innovation
- SEZ scheme to be revised, and new SEZs to be developed in Kandla and JNPT
- To create a business and investor friendly eco system in India, an eBiz platform of all Central Government Department and Ministries is announced, where all business and investment related clearances and compliances will be available 24x7 on a single portal, with an integrated payment gateway
- Development of new airports in Tier I and Tier II cities and 16 new port projects are proposed
- Consultation to be completed on the enactment of the Indian Financial Code, and on the reports of the Financial Sector Legislative Reforms Commission
- New Indian Accounting Standards in line with IFRS to be adopted by Indian companies voluntarily from FY 2015-16 and mandatorily from FY 2016-17
- Government in consultation with the RBI develop a modern monetary policy framework for licensing small banks and other differentiated banks
- Introduction of a more liberal Bharat Depository Receipt and proposal to revamp ADR/GDR and IDR regimes
- Implementation of ‘Indian Customs Single Window Project’ to facilitate trade
- GST introduction to be given thrust including approval of the Legislative Scheme
- Several other focus areas and sectors emphasized e.g. slum development as part of CSR activities, emphasis on ship building industry, mining sector, insurance amendment bill, bank finance to infrastructure sector, women and child focused programmes, SCs/STs targeted programmes, etc

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