

# INDIA UNION BUDGET 2014

Tax Proposals



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# FOREWORD

On July 10, 2014, Mr. Arun Jaitley, Minister of Finance, presented the first Budget of “NaMo” Government, which acknowledges that the people of India have decisively voted for a change and India unhesitatingly desires to grow. Now, India is not in a mood to suffer unemployment, inadequate basic amenities, lack of infrastructure and apathetic governance with double digit rate of inflation.


The Honourable Finance Minister highlighted that the budget is the most comprehensive action plan, which lay down broad policy indicators of the direction in which one wishes to take the country. With this budget, India will begin its journey towards a sustained growth of 7-8 per cent or above within the next 3-4 years, lower levels of inflation, lesser fiscal deficit and a manageable current account deficit. Anti-poverty programs will be well targeted and the growing aspirations of the people will be reflected in the development strategy by following the mandate of “Sab ka Saath Sab ka Vikas.”

An ‘Expenditure Management Commission’ shall be constituted under the principle of “Minimum Government Maximum Governance” to achieve maximum output with review of allocative and operational efficiencies of Government expenditure. Road map for fiscal consolidation will be a fiscal deficit of 3.6 per cent for 2015-16 and 3 per cent for 2016-17. Inflation has remained at elevated levels relative to what is perceived as acceptable from a high of 7.35% in 2012-13 and 5.98% in 2013-14, which will be curtailed. In addition to this, the problem of black money, which is curse of our economy and certain bold steps will be taken by the Government to get it back.

The legislative scheme for introduction of Goods and Services Tax (GST) will be approved in this year to streamline the tax administration, avoid harassment of the business and result in higher revenue collection both for the Centre and the States.

To regain the confidence of investor community, it has been proposed that a ‘High Level Committee’ constituted by the CBDT will decide all fresh cases arising out of the retrospective amendments. As measures to improve the confidence, clarity and certainty to taxpayers in the Indian tax system, it has been proposed that an advance ruling can be obtained by a resident taxpayers also in respect of their income tax liability, enlarge the scope of the Income-tax Settlement Commission, a High Level Committee shall be constituted to interact with trade and industry on a regular basis in addition to strengthening the advance pricing agreement and transfer pricing regime.

To promote Foreign Direct Investment (FDI), FDI in Defence manufacturing and Insurance sector is being raised to 49 per cent with full Indian management and control through the FIPB route.



'One hundred Smart Cities', as satellite towns of larger cities is proposed to be developed by modernizing the existing mid-sized cities. It is also proposed to have facility of Electronic Travel Authorization (e-Visa) at nine Indian airports, Infrastructure Investment Trusts (InvITs) as pass through structure for infrastructure development, reintroduction of Kissan Vikas Patra (KVP) in addition to various other social welfare schemes.

In all, it is a Budget with something for everybody. Analyzing the above budget proposals, on a concluding note, we can look forward for the growing Indian economy which meets the anticipation of new Government of creating a vibrant and strong India.

We are happy to present our brief synopsis of the Indian Union Budget 2014.

Mazars Thought Leadership Team

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# 1. DIRECT TAX PROPOSALS



# 1.1 TAX RATES

## For Individuals / HUF / AOP / BOI / AJP

For individual, Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individuals (BOI) and Artificial Judicial Persons (AJP)

Basic exemption limit is proposed to be increased and the revised slabs are as under:-

Particulars	Old Tax Slabs AY 2014-15	New Tax Slabs AY.2015-16	Tax Rate
For Individual / HUF / AOP / BOI / AJP	Up to Rs. 200,000*	Up to Rs. 250,000*	Nil
	Rs. 200,001 to Rs. 500,000	Rs. 250,001 to Rs. 500,000	10%
	Rs. 500,001 to Rs. 10,00,000	Rs. 500,001 to Rs. 10,00,000	20%
	Above Rs. 1,000,000	Above Rs. 1,000,000	30%

\* For Resident Individual Age 60 years but less than 80 Years – Increased from Rs 2.5 Lacs to Rs. 3 Lacs

\* For Resident Individual Age 80 years and above – Rs 5 Lacs, no change

- No change is proposed in tax rates, surcharge, education cess and secondary & higher education cess.
- Income tax exemption limit under section 80C is proposed to be increased from Rs 1 Lac to Rs 1.50 Lacs
- Investment in Public Provident Fund scheme is proposed to increase from Rs 1 Lac to Rs 1.50 Lacs.
- Limit u/s 24(b) of interest on home loan on self occupied house property is proposed to be Increased from Rs 1.50 Lacs to Rs 2.00 Lacs

## For Corporate and others

- No changes are proposed in the rates of Income Tax, Surcharge, Education Cess and Secondary & Higher Education Cess in case of Companies, Firms, Co-operative Societies and local authorities.
- No changes are proposed in the Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) rates.

# 1.2 PERSONAL TAXATION

## Section 56

### Forfeiture of advance for transfer of capital asset taxable as Income under the head Other Sources

- It is proposed to insert a new clause (ix) in sub-section (2) of section 56 to provide for the taxability of any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset. Such sum shall be chargeable to income-tax under the head 'income from other sources' if such sum is forfeited and the negotiations do not result in transfer of such capital asset.
- The existing provisions of section 51 provide that any advance retained or received shall be reduced from the cost of acquisition of the asset or the written down value or the fair market value of the asset. In order to avoid double taxation of the advance received and retained, section 51 is also proposed to be amended to provide that where any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, has been included in the total income of the assessee for any previous year, in accordance with the provisions of clause (ix) of sub-section (2) of section 56, such amount shall not be deducted from the cost for which the asset was acquired or the written down value or the fair market value, as the case may be, in computing the cost of acquisition.



# 1.3 CORPORATE TAXATION

## Section 32AC

### Deduction of 15% to manufacturing companies on making investment of more than INR 25 crore in plant and machinery on or after April 1, 2014.

Under the existing provisions of section 32AC of the Act, a deduction @ 15% of cost of new assets is available to a company engaged in manufacturing of an article or a thing, who invests INR 100 Crore and more in new assets (plant or machinery) during the period beginning from April 1, 2013 and ending on March 31, 2015.

It is proposed to extend the deduction available under section 32AC of the Act for investment made in plant and machinery up to March 31, 2017.

It is also proposed that deduction under section 32AC of the Act shall be allowed, if the company on or after April 1, 2014 invests more than INR 25 Crore in plant and machinery in a previous year.

Further, companies eligible to claim deduction under the existing combined threshold limit of INR 100 Crore for investment made in PY 2013-14 & 2014-15 shall continue to be eligible to claim deduction under the existing provisions, even if, its investment in the PY 2014-15 is below the new limit of INR 25 Crore.

The deduction available under section 32AC after the proposed amendment in different scenarios is represented in the form of a table:

Sl. No.	Particulars	P.Y. 2013-14	P.Y. 2014-15	P.Y. 2015-16	P.Y. 2016-17	Remarks
1.	Amount of investment	20.0	90.0	-	-	Under the existing section 32AC(1)
	Deduction allowable	Nil	16.5	-	-	
2.	Amount of investment	30.0	40.0	-	-	Under the proposed section 32AC(1A)
	Deduction allowable	Nil	6.0	-	-	
3.	Amount of investment	150.0	10.0	-	-	Under the existing section 32AC(1)
	Deduction allowable	22.5	1.5	-	-	
4.	Amount of investment	60.0	20.0	-	-	No deduction either u/s 32AC(1) or 32 AC(1A)
	Deduction allowable	Nil	Nil	-	-	
5.	Amount of investment	30.0	30.0	30.0	40.0	Under the proposed section 32AC(1A)
	Deduction allowable	Nil	4.5	4.5	6.0	
6.	Amount of investment	150.0	20.0	70.0	20.0	Deduction both u/s 32AC(1) & 32AC(1A)
	Deduction allowable	22.5	3.0	10.5	Nil	

## Section 35AD

### Deduction in respect of capital expenditure under section 35AD of the Act on specified business

- Two new businesses as mentioned below has been proposed to be included in the existing list of “specified business” for the purposes of claiming deduction of capital expenditure under section 35AD of the Act –
  - a) laying and operating a slurry pipeline for the transportation of iron ore;
  - b) setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.
- Sub section (7A) has been proposed to be inserted to provide that any asset in respect of which a deduction is claimed and allowed under section 35AD, shall be used only for the specified business for a period of eight years beginning with the previous year in which such asset is acquired or constructed.
- If any asset on which a deduction under section 35AD has been allowed, is demolished, destroyed, discarded or transferred, the sum received or receivable for the same is chargeable to tax under clause (vii) of section 28.

### Deduction in respect of capital expenditure under section 35AD of the Act on specified business

- Sub section (7B) has been proposed to be inserted to provide that if such asset is used for any purpose other than the specified business, the total amount of deduction so claimed and allowed in any previous year in respect of such asset, as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction had been allowed under section 35AD, shall be deemed to be income of the assessee chargeable under the head “Profits and gains of business or profession” of the previous year in which the asset is so used.
- However, the provisions of proposed sub section (7B) would not apply to a company which has become a sick industrial company under sub-section (1) of section 17 of the Sick Industrial Companies (Special Provisions) Act, 1985 within the time period specified in proposed sub-section (7A).
- Where a company has claimed deduction under section 35AD, no deduction shall be allowed under the provisions of Chapter VIA or under section 10AA for the same or any other assessment year.

## Alternate Minimum Tax

### Inclusion of section 35AD in Alternate Minimum Tax (AMT) scheme

- With a view to include the investment linked deduction claimed under section 35AD in computing adjusted total income for the purpose of calculating alternate minimum tax, it is proposed to amend the section so as to provide that total income shall be increased by the deduction claimed under section 35AD for purpose of computation of adjusted total income.

- However, depreciation allowable u/s 32 on the assets on which deduction u/s 35AD have been claimed shall be reduced while computing the adjusted total income.

## Credit of Alternate Minimum Tax

- An assessee who has paid alternate minimum tax in any earlier previous year, to claim credit of the same, in any subsequent year it is proposed to amend so as to provide that credit of the tax shall be allowable irrespective of adjusted total income of twenty lacs rupees.

## Section 80-IA

### 'Sunset Date' for projects in the Power Sector to avail benefit under Section 80IA is extended from March 31, 2014 to March 31, 2017

- Under the existing provisions of section 80IA, a deduction of profits and gains is allowed to an undertaking in power sector for the eligible activities up till the terminal date of March 31, 2014.
- With a view to provide further time to commence the eligible activity to avail the tax incentive, it is proposed to amend the above provisions so as to extend the terminal / sunset date by a further period of three years i.e. up to March 31, 2017

## Dividend and Income Distribution Tax

### Dividend and Income Distribution Tax will be applied on the gross amount instead of net amount for calculation of tax

- Dividend Distribution Tax under section 115-O of the Act provides for payment of additional tax at the rate of 15% on any amount declared, distributed or paid by way of dividends to its shareholders.
- Similarly, Section 115-R of the Act provides for levy of additional tax in respect of income distributed by the mutual funds to its investors.
- Under both of these sections 115-O and 115-R, the tax rate is being applied on the amount paid as dividend after reduction of distribution tax by the company .i.e. with reference to the net amount.
- It is proposed to amend section 115-O in order to provide that for the purposes of determining the tax on distributed profits payable in accordance with the section 115-O, any amount by way of dividends referred to in sub-section (1) of the said section, as reduced by the amount referred to in sub-section (1A) [referred to as net distributed profits], shall be increased to such amount as would, after reduction of the tax on such increased amount at the rate specified in sub-section (1), be equal to the net distributed profits.
- Similarly, it is proposed to amend Section 115-R also on the same lines.

Example: Where the amount of dividend paid or distributed by a company is Rs. 85, then DDT under the amended provision would be:

- ▶ Dividend amount distributed = Rs. 85
- ▶ Increase by Rs. 15 [i.e.  $(85 \times 0.15) / (1 - 0.15)$ ]
- ▶ Increased amount = Rs. 100
- ▶ DDT @ 15% of Rs. 100 = Rs. 15
- ▶ Tax payable u/s 115-0 is Rs. 15
- ▶ Dividend distributed to shareholders = Rs. 85

These amendments will take effect from 1st October, 2014.

## Income Computation and Disclosure Standards

**Notified Accounting Standard u/s 145(2) are not meant for maintenance of books of account but are to be followed for computation of income**

- It is clarified that the standards notified under section 145(2) of the Act are to be followed for computation of income and disclosure of information by any class of assessee or for any class of income.
- Further, it is proposed to provide that the Central Government may notify in the Official Gazette from time to time income computation and disclosure standards to be followed by any class of or in respect of any class of income.
- It is also provided that the Assessing Officer may make an assessment in the manner provided in section 144 of the Act, if the income has not been computed in accordance with the standards notified under section 145(2) of the Act.

# 1.4 CAPITAL GAINS

## Section 2(42A)– Unlisted securities and units of mutual funds

Unlisted security and a unit a mutual fund (other than an equity oriented mutual fund) will be taxed as short term if held for not more than thirty-six months

- Unlisted security and a unit a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset under section 2(42A), if it is held for not more than thirty-six months.

## Section 112 – Capital Gain on units

Long term capital gain on units (other than equity oriented units) will be taxed @ 20%

- It is proposed to amend the provisions of section 112, to tax long term capital gain on units (other than equity oriented units) @ 20% plus other applicable surcharge and cess.

## Section 45(5) - Capital Gains arising from transfer of an asset by way of compulsory acquisition

Enhanced compensation received under compulsory acquisition in pursuance of an interim order deemed to be taxed as Capital Gains in the previous year in which the final order gets passed

- Section 45(5) is proposed to provide that the amount of enhanced compensation received in pursuance of an interim order of the court, Tribunal or other authority shall be deemed to be income chargeable under the head 'Capital Gains' in the previous year in which the final order of such court, Tribunal or other authority is made.

## Section 47 - Transfer of government security by one non-resident to another non-resident outside India

No Capital Gain on transfer of government security carrying a periodic payment of interest by a non-resident to another non-resident outside India

- Section 47 is proposed to insert in the Act, which provides that any transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through

an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be considered as transfer for the purpose of charging capital gains.

## Section 54EC - Capital gains exemption on investment in specified bonds

### Tax Exemption if investment in the long-term specified assets does not exceed fifty lacs rupees during the financial year and in the subsequent financial year

- The existing provisions contained in section 54EC(1) of the Act provides that where capital gain arises from the transfer of a long-term capital asset and the assessee has, within a period of six months, invested the whole or part of capital gains in the long-term specified asset, the proportionate capital gains so invested in the long-term specified asset, out of the whole of the capital gain, shall not be charged to tax. The proviso to the said sub-section provides that the investment made in the long-term specified asset during any financial year shall not exceed fifty lakh rupees.
- It is proposed to insert a proviso in sub-section (1) of section 54EC of the Act to provide that the investment made by an assessee in the long term specified asset, out of capital gains arising from transfer of one or more original asset, **during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.**

## Section 54(1) / 54F(1) - Investment in a residential house property

### Capital Gain exemption in case of investment in a residential house property is eligible for one residential house situated in India

- The existing provisions contained in section 54F(1), inter alia, provide that where capital gains arises from transfer of a long-term capital asset, not being a residential house, and the assessee within a period of one year before or two years after the date of transfer, purchases, or within a period of three years after the date of transfer constructs, a residential house then the portion of capital gains in the ratio of cost of new asset to the net consideration received on transfer is not chargeable to tax. It is proposed to amend the section so as to provide that the exemption is available in the investment is made in one residential house situated in India.
- Similarly it is also proposed to amend the section 54(1) to provide that the relief is available, if the investment is made in one residential house situated in India in respect of capital gain arisen from transfer of a long term capital asset being buildings or land appurtenant there to, and being a residential house.

# 1.5 TAX DEDUCTED AT SOURCE

## Tax Deducted at Source

Time limit for payment up to date of filing of return of income is extended to non-residents

Section	Nature of Payment	Nature of Default	Existing Provisions	Proposed Provisions
40(a)(i) (Payment to Non-Resident)	Interest, Royalty, Fees for Technical Services or other sum	i) Tax not Deducted ii) Tax deducted but not deposited	Allowable, if deposited within prescribed time limits	Allowable, if deposited on or before due date of filing return of income

Disallowance of expenditure for non deduction of tax at source restricted to 30% of the amount of expenditure

Section	Existing Nature of Payment	Proposed Nature of Payment	Existing Disallowance	Proposed Disallowance
40(a)(ia) (Payment to Resident)	Interest, Commission, Brokerage, Fees for Technical Services, Professional Services, Payment to Contractors/Sub-Contractors, Rent, Royalty	Extended to all expenditure including Salary, Director Fees, etc.	100% of amount of expenditure incurred	30% of amount of expenditure incurred

## Tax Deducted at Source

Provisions in the Income Tax Act proposed to be inserted for the correction of TDS statements and processing which was earlier there via. notification

- Currently under Income Tax Act, a deductor is allowed to file correction statement for rectification/ updation of the information furnished in the original TDS statement as per the Centralised Processing of Statements of Tax Deducted at Source Scheme, 2013 notified vide Notification No.03/2013 dated January 15, 2013. No express provision is there in the Act for enabling a deductor to file correction statement.
- Now, Section 200 of the Act is proposed to amend to allow the deductor to file correction statements. Consequently, it is also proposed to amend provisions of section 200A of the Act for enabling processing of correction statement filed. This amendment will take effect from October 1, 2014.

### Time limit of two years for passing order for deeming a payer as assessee in default has been proposed to omit

- The existing provisions of section 201(1) of the Act provide for passing of an order deeming a payer as assessee in default, if he does not deduct or does not pay or after deduction fails to pay the whole or part of the tax as per the provisions of Chapter XVII-B of the Act. Section 201(3) of the Act provides for time limit for passing of order under section 201(1) of the Act for deeming a payer as assessee in default for failure to deduct tax from payments made to a resident. Clause (i) of section 201(3) of the Act provides that no order under section 201(1) of the Act shall be passed after expiry of two years from the end of the financial year in which the TDS statement has been filed.
- **Now, it has been proposed to omit Section 201(3)(i) of the Act, which provides time limit of two years for passing the order. This amendment will take effect from October 1, 2014.**

### Time limit of passing the order in which, TDS statement has not been filed proposed to enhanced from six years to seven years from end of the financial year

- Section 201(3)(ii) of the Act provides a time limit of six years from the end of the financial year in which payment/credit is made for passing of order under section 201(1) of the Act, for cases in which TDS statement has not been filed.
- **Now, the time limit provided under section 201(3)(ii) of the Act for passing order under section 201(1) of the Act has been proposed to be revised to seven years from end of the relevant financial year. This amendment will take effect from October 1, 2014.**

### Authority to levy penalty for failure to furnish TDS/TCS statements has been specified as "Assessing Officer"

- Section 271H of the Act provides for levy of penalty for failure to furnish TDS/TCS statements in certain cases or furnishing of incorrect information in TDS/TCS statements. The existing provisions of section 271H of the Act do not specify the authority, which would be competent to levy the penalty under the said section.
- **Now, Power to levy penalty has been proposed to be assigned to the Assessing officer under this section. This amendment will take effect from October 1, 2014.**

### Tax to be deducted @ 2% from non exempt payments made under life insurance policy

- Under the current provisions, sum received under a life insurance policy including sum allocated by way of bonus, which does not fulfil the conditions specified under section 10(10D) of the Act are taxable under the provisions of the Act.
- In order to have a mechanism for reporting of transactions and collection of tax in respect of sum paid under life insurance policies' which are not exempted under section 10(10D) of the Act, it is proposed to insert a new section in the Act to provide for deduction of tax at the rate of 2% on sum paid under a life insurance policy, including the sum allocated by way of bonus, which are not exempt under section 10(10D) of the Act.



- Further, it has also been proposed that no deduction under this provision shall be made if the aggregate sum paid in a financial year to an assessee is less than INR 1 lakh.
- These amendments will take effect from October 1, 2014.

#### **Concessional rate of 5% withholding tax on interest on overseas borrowings extended to all types of bonds**

- The existing provisions of section 194LC of the Act, provide for lower withholding tax rate of 5% on interest paid by an Indian company to non-residents on monies borrowed by it in foreign currency from a source outside India under a loan agreement or through issue of long-term infrastructure bonds at any time on or after the July 1, 2012 but before July 1, 2015 subject to certain conditions.
- In order to further incentivise low cost long-term foreign borrowings by Indian companies, it is proposed to amend section 194LC to extend the benefit of this concessional rate of withholding tax to borrowings by way of issue of any long-term bond, and not limited to a long term infrastructure bond.
- It is further proposed to extend by two years the period of borrowing for which the said benefit shall be available hence the concessional rate of withholding tax will now be available in respect of borrowings made before July 1, 2017.
- These amendments will take effect from October 1, 2014.

# 1.6 TAX ASSESSMENTS

## Tax Assessments

### Power of Survey has been increased

- Power as conferred under sub-section (1) of section 131 to an income-tax authority acting under section 133A, to retain in its custody any such books of account or other documents is proposed to change from 10 days to 15 days.
- Approval required retaining beyond 15 days from Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General or Principal Commissioner or principal Director or Commissioner or Director thereof, as the case may be.
- It is also proposed that an income-tax authority may place marks of identification on the books of account or other documents inspected by him and take extracts and copies thereof.
- He may also record the statement of any person, which may be useful for, or relevant to, any proceeding under the Act.
- However, while acting under sub-section (2A), he shall not impound and retain in his custody any books of account or documents inspected by him or make an inventory of any cash, stock or other valuables.
- These amendments will take effect from October 1, 2014.

**Section 142A does not envisage rejection of books of account as a pre-condition for reference to the Valuation Officer for estimation of the value of any investment or property. Further, section 142A does not provide for any time limit for furnishing of the report by the Valuation Officer.**

### It is proposed to substitute the said section 142A w.e.f October 1, 2014 as follows:

- AO for the purposes of assessment or reassessment can make a reference, whether or not he is satisfied about the correctness or completeness of the accounts of the assessee.
- The Valuation Officer, shall, for the purpose of estimating the value of the asset, property or investment, have all the powers of section 38A of the Wealth-tax Act, 1957.
- The Valuation Officer is required to estimate the value of the asset, property or investment after taking into account the evidence produced by the assessee and any other evidence in his possession gathered, after giving an opportunity of being heard to the assessee. In case of none cooperation or compliance by the assessee, valuation can be the best of his judgment. He will send a copy of his estimate to the AO and the assessee within a period of six months from the end of the month in which the reference is made.

- The AO after giving the assessee an opportunity of being heard, take into account such report in making the assessment or reassessment.
- Also proposed to amend sections 153 and 153B of the Act so as to provide that the time period beginning with the date on which the reference is made to the Valuation Officer and ending with the date on which his report is received by the AO shall be excluded from the time limit provided under the aforesaid section for completion of assessment or reassessment.
- These amendments will take effect from October 1, 2014.

#### Assessment of income of a person other than the person who has been searched

- It is proposed to amend section 153C of the Act to provide that notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that any money, bullion, jewellery or other valuable article or thing or books of account or documents seized or requisitioned belongs or belong to any person, other than the person referred to in section 153A, then books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A, **if he is satisfied that the books of account or documents or assets seized or requisitioned have a bearing on the determination of the total income of such other person for the relevant assessment year or years referred to in sub-section (1) of section 153A.**
- The amendment will take effect from October 1, 2014.

#### Failure to produce accounts and documents shall be punishable

- The existing provisions of section 276D of the Act provide that if a person willfully fails to produce accounts and documents as required in any notice issued under sub-section (1) of section 142 or willfully fails to comply with a direction issued to him under sub-section (2A) of section 142, he shall be punishable with rigorous imprisonment for a term which may extend to one year or with fine equal to a sum calculated at a rate which shall not be less than four rupees or more than ten rupees for every day during which the default continues, or with both.
- It is proposed to amend the provisions of the said section as "he shall be punishable with rigorous imprisonment for a term which may extend to one year and with fine."
- This amendment will take effect from October 1, 2014.

# 1.7 TRANSFER PRICING

## Transfer Pricing Proposals

### Roll back provision in Advance Pricing Agreement (APA) Scheme

- It has been proposed to introduce “Roll back” provision in the APA scheme so that an APA entered into for future transactions for determining the arms length price is also applicable to international transactions undertaken by the company in previous 4 years in specified circumstances.

### Clarification in the definition of international transaction

- The existing provisions of section 92B of the Act define ‘International transaction’ as a transaction in the nature of purchase, sale, lease, provision of services, etc. between two or more associated enterprises, either or both of whom are non-residents.
- Sub-section (2) of the said section extends the scope of the definition of international transaction by providing that a transaction entered into with an unrelated person shall be deemed to be a transaction with an associated enterprise, if there exists a prior agreement in relation to the transaction between such other person and the associated enterprise, or the terms of the relevant transaction are determined in substance between the other person and the associated enterprise. The sub-section as presently worded has led to a doubt whether or not, for the transaction to be treated as an international transaction, the unrelated person should also be a non-resident.
- Thus it has been proposed to amend section 92B of the Act so as to clarify that the such transaction shall be deemed to be an international transaction whether or not such unrelated person is a non-resident.

### Range concept is proposed to be introduced in Transfer Pricing

- Range concept is proposed to be introduced for determination of arm’s length price for which relevant data is under analysis and appropriate rules will be prescribed, in addition to existing arithmetic mean concept.

### Proposal to allow use of multiple year data instead of one year data

- Further, as per existing provisions, only one year data is allowed to be used for comparable analysis with some exception, which is proposed to be amended to allow use of multiple year data.

### Transfer Pricing Officers also competent to levy penalty under section 271G

- Currently Act empowers the AO or Commissioner (Appeals) to impose penalty on a taxpayer for failure to furnish any document or information as may be required under the TP provisions. The Bill also proposes to empower the Transfer Pricing Officer (TPO) to levy such penalty.
- This amendment is proposed to be effective from October 1, 2014.

# 1.8 CHARITABLE TRUSTS AND INSTITUTIONS

## Charitable Trusts and Institutions

### Rationalization of taxation regime in the case of charitable trusts and institutions

- It has been proposed to amend the Act to provide that, where a trust or an institution has been granted registration for purposes of availing exemption under section 11, and the registration is in force for a previous year, then such trust or institution cannot claim any exemption under any provision of section -10 [other than that relating to exemption of agricultural income and income exempt under section 10(23C)].
- Similarly, entities' which have been approved or notified for claiming benefit of exemption under section 10(23C) would not be entitled to claim any benefit of exemption under other provisions of section 10 (except the exemption in respect of agricultural income).
- It is also proposed that under section-11 and section 10(23C), income for the purposes of application shall be determined without any deduction or allowance by way of depreciation or otherwise in respect of any asset, acquisition of which has been claimed as an application of income under these sections in the same or any other previous year.

### Cancellation of registration of the trust or institution in certain cases

- In order to rationalise the provisions relating to cancellation of registration of a trust, it is proposed to amend section 12AA of the Act to provide that where a trust or an institution has been granted registration, and subsequently it is noticed that its activities are being carried out in such a manner that,-
  - (i) its income does not enure for the benefit of general public;
  - (ii) it is for benefit of any particular religious community or caste (in case it is established after commencement of the Act);
  - (iii) any income or property of the trust is applied for benefit of specified persons like author of trust, trustees etc.; or
  - (iv) its funds are invested in prohibited modes,

Then the Principal Commissioner or the Commissioner may cancel the registration, if such trust or institution does not prove that there was a reasonable cause for the activities to be carried out in the above manner.

- These amendments will take effect from October 1, 2014.

### Applicability to earlier years of the registration granted to a trust or institution

- In order to provide relief to trusts and remove hardship in genuine cases, it is proposed to amend section 12A of the Act to provide that in case, where a trust or institution has been granted registration under section 12AA of the Act, the benefit of sections 11 and 12 shall be available in respect of any income derived from property held under trust in any assessment proceeding for an earlier assessment year which is pending before the Assessing Officer as on the date of such registration, if the objects and activities of such trust or institution in the relevant earlier assessment year are the same as those on the basis of which such registration has been granted.
- Further, it is proposed that no action for reopening of an assessment under section 147 shall be taken by the Assessing Officer in the case of such trust or institution for any assessment year preceding the first assessment year for which the registration applies, merely for the reason that such trust or institution has not obtained the registration under section 12AA for the said assessment year.
- However, the above benefits would not be available in case of any trust or institution, which at any time had applied for registration and the same was refused under section 12AA or a registration once granted was cancelled.
- These amendments will take effect from October 1, 2014.

### Anonymous donation under section 115BBC to be taxed @ 30%

It has been proposed to amend section 115BBC whereby the aggregate of anonymous donations received in excess of five per cent of the total donations received by the assessee or one lakh rupees, whichever is higher, will be taxed @ 30%.

# 1.9 CORPORATE SOCIAL RESPONSIBILITY

## CSR

### Expenditure on Corporate Social Responsibility (CSR) as per section 135 of the Companies Act, 2013 not an allowable expenditure for income tax purposes

- Under the Companies Act, 2013 certain companies (which have net worth of Rs.500 crore or more, or turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more during any financial year) are required to spend certain percentage of their profit on activities relating to CSR.
- As the CSR expenditure (being an application of income) is not incurred for the purposes of carrying on business, such expenditures cannot be allowed under the existing provisions of section 37 of the Income-tax Act.
- Thus, in order to provide certainty on this issue, it is proposed to clarify that for the purposes of section 37(1) any expenditure incurred by an assessee on the activities relating to CSR referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence shall not be allowed as deduction under section 37. However, the CSR expenditure, which is of the nature described in section 30 to section 36 of the Act shall be allowed deduction under those sections subject to fulfilment of conditions, if any, specified therein.

# 2. INDIRECT TAX PROPOSALS





## 2.1 OVERVIEW

- The overall tenor of the budget proposals emerges to be:
- To give impetus to the domestic manufacturing sector;
- To bring clarity and certainty and remove anomalies on certain issues;
- To broaden tax base and rationalize duties on specified goods and services;
- To expedite tax recovery and reduce litigation;
- To reduce inverted duty structures in specified cases.
- No clarity on roadmap to GST and change in mean rates of service tax, customs duty and excise duty.
- New posts of Principal Chief Commissioner and Principal Commissioner of Customs and Excise introduced.
- Application for Advance Ruling under customs, excise and service tax can now be filed by a Resident Private Limited Company as well - effective from 11 July 2014.
- Electronic payment of excise duty and service tax made mandatory for all assesses, except when specifically permitted by the Assistant / Deputy Commissioner of Central Excise – effective from 1 October 2014.
- Provision introduced under excise and service tax for issuing explanation within one year from issuance of notification / order – the explanation to have retrospective effect from date of applicability of such notification / order.

\* Except where specified, above changes effective from date of enactment of Finance Bill (No. 2), 2014

- Provision introduced empowering excise and service tax authorities to obtain specified documents / information from the specified persons including VAT authority, income tax authority, banking company, registrar of Companies, etc. within prescribed timelines; non furnishing of information to tax authorities would be liable to prescribed penalty.
- Condition of pre-deposit for filing appeal and requirement of obtaining stay under customs, excise and service tax matters dispensed with – pre-deposit made mandatory at first and second appeal levels subject to a cap of INR 10 crores in the manner specified below:
  - ▶ 7.5% of duty demanded or penalty imposed or both in case of first appeal;
  - ▶ 10% of duty demanded or penalty imposed or both in case of second appeal when filed before the Tribunal.

For excise and service tax matters, 'duty demanded' to include:

- ▶ Amount determined under Section 11D of the Excise Act;
- ▶ Amount of CENVAT credit taken erroneously;
- ▶ Amount payable under Rule 6 of the CENVAT Credit Rules .
- Service tax authorities empowered to recover dues from transferee of the business.
- 'Customs and Central Excise Settlement Commission' renamed as 'Customs, Central Excise and Service Tax Settlement Commission'.

\* Except where specified, above changes effective from date of enactment of Finance Bill (No. 2), 2014

## 2.2 SERVICE TAX

### Amendments to mega exemption notification (Notification 25/ 2012 – ST dated June 20, 2012) applicable w.e.f July 11, 2014

- Following services have been included in the list of exempt services:
  - ▶ Services provided by Common Bio-Medical Waste Treatment Facility to a clinical establishment by way of treatment / disposal of bio-medical waste or processes incidental thereto;
  - ▶ Life micro-insurance products, approved by IRDA, having maximum insurance cover of INR 50,000/-;
  - ▶ Services by way of loading, unloading, packing, storage or warehousing of rice and cotton, ginned or baled;
  - ▶ Services received by RBI from outside India in relation to management of forex reserves.
  - ▶ Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.
- Exemption on following services has been withdrawn:
  - ▶ technical testing / analysis of newly developed drugs including vaccines and herbal remedies on human participants;
  - ▶ contract carriage (air conditioned) and radio taxi (whether air conditioned or not) for transportation of passengers;
  - ▶ renting of immovable property to educational institutions and other auxiliary services provided to educational institutions other than those specified;
- Exemption on GTA services extended to transportation of ginned or baled cotton and organic manure;
- Exemption to services provided to Government, local authority or governmental authority available in cases where such services are provided by way of water supply, public health, sanitation conservancy, solid waste management and slum improvements and upgradation;
- Exemption to services provided by a hotel, inn, guest house, club or campsite, etc. for residential or lodging purposes available in cases where the declared tariff of a unit of accommodation is below INR 1,000/- per day.

### Amendments to Negative List of Services (Section 66D) effective from date of enactment of Finance Bill (No. 2), 2014

- Entry in relation to 'selling of space or time slots for advertisements other than advertisements broadcast by radio or television' proposed to be narrowed to 'selling of space for advertisements in print media'. 'Print media' defined to mean newspapers and books excluding business directories, yellow pages and trade catalogues meant for commercial purposes.

- Service of transportation of passengers, with or without accompanied belongings, provided by radio taxis proposed to be excluded.

#### Amendments to abatement notification (Notification 26/ 2012 – ST dated June 20, 2012)

- It has been clarified that in order to avail abatement in case of GTA services, CENVAT credit should not have been taken by the service provider.
- Credit of tax paid on input service of renting a motorcab may be availed by a service recipient in the same line of business, subject to a cap of 40% - effective from October 1, 2014.
- Abatement of 60% available in case of service of transport of passengers, with or without accompanied belongings, by an air conditioned contract carriage other than a motor cab subject to the condition that CENVAT credit on inputs, capital goods and input services has not been taken by the service provider - effective from July 11, 2014.
- Abatement of 60% available in case of service of transport of passengers, with or without accompanied belongings, by an air conditioned contract carriage and a motor cab subject to the condition that CENVAT credit on inputs, capital goods and input services has not been taken by the service provider - effective from date to be notified after enactment of Finance Bill (no. 2), 2014.
- Tour operator availing benefit of abatement eligible to avail credit of tax paid on input service provided to it by another tour operator - effective from October 1, 2014.
- Abatement in case of transport of goods in a vessel increased from 50% to 60% - effective from October 1, 2014.

#### Amendments to reverse charge notification (Notification 30/ 2012 – ST dated June 20, 2012)

- 100% tax liability to be discharged by banking company or financial institution or a NBFC on services received from a recovery agent - effective from July 11, 2014.
- 100% tax liability to be discharged by a body corporate on services received from the director thereof - effective from July 11, 2014.
- In case of rent-a-cab services where liability is discharged on non abated value to any person who is not engaged in the similar line of business, tax to be deposited by service provider and service recipient in equal ratio - effective from October 1, 2014.

#### Amendments to Service Tax Rules, 1994

- Insertion of services provided or agreed to be provided by a recovery agent to a banking company or financial institution or a NBFC in Rule 2(1)(d)(i); such services would be taxable on a reverse charge basis by the service recipient - effective from July 11, 2014.
- Scope of Rule 2(1)(d)(i)(EE) expanded to include services provided by a director to a body corporate; such services would be taxable on a reverse charge basis by the service recipient - effective from July 11, 2014.

### Amendments in valuation rules

- Taxable value of works contract services provided in case of maintenance or repair or completion and finishing services such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an immovable property increased from 60% to 70% - effective from October 1, 2014.

### Change in rate of interest

- Rate of interest on delayed payment of service tax to be increased as under:
  - ▶ Up to 6 months – 18%;
  - ▶ 6 months to 1 year – 18% for first 6 months and 24% thereafter;
  - ▶ More than 1 year - 18% for first 6 months, 24% for delay beyond 6 months upto 1 year and 30% thereafter.

Effective from October 1, 2014

### Amendment in point of taxation rules

- Service tax on reverse charge basis payable on the date of making payment if the payment is made within 3 months; else, on expiry of 3 months from the date of invoice. The proposed amendment is not applicable to invoices issued by service providers before October 1, 2014, where payment is not made within 6 months of date of invoice – effective from October 1, 2014.

### Amendment to place of provision of services rules

- Definition of 'intermediary' expanded to include a broker, an agent or any other person, by whatever name called, who arranges or facilitates supply of goods between two persons but who does not supply goods on his own account – effective from October 1, 2014.
- Rule relating to place of provision of performance based services amended to omit the provision relating to temporary import of goods into India for repairs. As per the proposed amendment, place of provision to be outside India where the goods come to India for repairs and are exported after repairs without being put to use in India – effective from October 1, 2014.
- Rule providing that place of provision of services consisting of hiring of means of transport, upto a period of one month would be location of service provider amended to exclude hiring of aircrafts and vessels (except yachts) – effective from October 1, 2014.

### Proposed time limit for adjudication proceedings

- Cases where the extended period of limitation is not invoked by the Department, the Central Excise Office should endeavor to conclude the adjudication proceedings within 6 months from the date of show cause notice.

In cases where the extended period of limitation has been invoked in the show cause notice, the Central Excise Officer should endeavor to conclude the adjudication proceedings within a period of 1 year from the date of the notice – effective from date of enactment of Finance Bill (No. 2), 2014.

### Benefit of Section 80 curtailed

- Benefit of Section 80 would no longer be available with respect to penalty imposed under the proviso to Section 78(1) – effective from date of enactment of Finance Bill (No. 2), 2014.

### Rules to be notified for determination of rate of exchange

- Section 67A of the Finance Act amended to empower the Government to prescribe Rules for calculation of taxable value in respect of forex transactions - effective from date of enactment of Finance Bill (No. 2), 2014.
- Rules in this regard to be notified later.

### Search and seizure

- Joint / Additional Commissioners of Central Excise or other officers notified by the Board would also be empowered to order search and seizure of premises where he has reasons to believe that documents / books / things useful for or relevant to any proceedings under the Finance Act have been secreted – effective from date of enactment of Finance Bill (No. 2), 2014.

### Amendment of notification with respect to exemption to services received by a SEZ unit or Developer of SEZ - effective from July 11, 2014

- The jurisdictional Assistant / Deputy Commissioner of Central Excise is required to issue an authorization within 15 working days from the date of receipt of declaration in Form A-1 from the Unit / Developer.
- Such authorization shall be valid from the date of verification of Form A-1 by the Specified Officer of the SEZ, or if Form A-1 is not submitted within 15 days from the date of verification, the authorization will be valid from the date on which Form A-1 is submitted to the jurisdictional Assistant / Deputy Commissioner of Central Excise.
- Service provider may provide services to SEZ unit or Developer without payment of service tax against the receipt of authorization issued by the jurisdictional officer in Form A-2.
- Pending issue of authorization, service provider may provide services without payment of service tax provided the Unit or Developer provides Form A-2 immediately on receipt thereof.
- Where Form A-2 is not provided within 3 months from the date on which the services were deemed to have been provided, the service provider would be required to discharge service tax liability on such services.
- A service shall be treated to have been used exclusively for the authorized operations if such service is received under an invoice in the name of SEZ Unit or Developer and the service is used only for furtherance of authorized operations in the SEZ.
- The notification has further amended the contents and requirements of relevant Forms prescribed under original Notification.

## 2.3 CUSTOMS DUTY

### Retrospective amendment to mineral oils extracted and produced in continent shelf and EEZ

- Mineral oils extracted and produced in the continental shelf or EEZ and imported into India prior to 7 February 2002, shall be deemed to have always been exempt from whole of the duty of customs and all pending disputes in this regard to be disposed in these terms.
- Customs duty already paid on import of such mineral oils not refundable.

### Import of goods by road

- An importer of goods by vehicle allowed to file bill of entry upto 30 days in advance – effective from date of enactment of Finance Bill (No. 2), 2014.
- Rate of duty and tariff valuation would be determined basis the date on which the bill of entry was filed in terms of Section 15 of the Customs Act.

### Settlement Commission

- An application before Settlement Commission permitted to be filed by a person who had received a show cause notice in relation to:
  - ▶ a bill of export;
  - ▶ baggage declaration;
  - ▶ label or declaration accompanying goods imported or exported through post or courier.

Effective from date of enactment of Finance Bill (No. 2), 2014

- Provision requiring lapse of 180 days for filing an application for settlement in case of seizure of dutiable goods, books of accounts, other documents or any sale proceeds of the goods to be deleted – effective from date of enactment of Finance Bill (No. 2), 2014.

### Clearance of goods from EOU into DTA

- Safeguard duty to be levied on imported goods cleared as such or cleared after manufacturing from EOU to DTA – effective July 11, 2014.

### Baggage allowance

- Duty free baggage allowance increased from INR 35,000/- to INR 45,000/- – effective July 11, 2014.
- Duty free allowance reduced for cigarettes (200 to 100), cigars (50 to 25) and tobacco (250 gms to 125 gms) – effective July 11, 2014.

### Goods imported for execution of projects financed by the UN or specified international organization

- Notification No. 84/97 – Cus amended to prescribe for transfer of goods to new projects or re-export of goods or payment of customs duty on depreciated value in a prescribed manner and subject to prescribed conditions for goods which were imported prior to March 1, 2008 and which are no longer required for the project – effective July 11, 2014.

### Goods imported for road construction projects

- Clarified that road construction machinery imported duty free can be sold within 5 years of importation subject to payment of customs duty on depreciated value and individual constituents of the consortium whose names appear in the contract can import goods without payment of duty.

### Rationalization of BCD and CVD on coal

- BCD and CVD on non-agglomerated coal of various types has been rationalized at 2.5% and 2% respectively – effective July 11, 2014.

### Increase in export duty on bauxite

- Export duty on bauxite has been increased from 10% to 20% – effective July 11, 2014.

### Cess on import of electronic products

- Education cess and Secondary and Higher Education cess levied on import of certain electronic products – effective July 11, 2014.

### Exemption from SAD extended to certain goods

- Subject to fulfilment of prescribed conditions, SAD has been exempted on import of:
  - ▶ inputs / components used in the manufacture of personal and tablet computers, subject to actual user condition;
  - ▶ PVC sheet & Ribbon used in manufacture of smart cards;
  - ▶ parts and components required for manufacture of wind operated electricity generators.

Effective July 11, 2014



## Changes in rate of basic customs duty effective July 11, 2014

Product	Old rate	New rate
Specified goods for manufacture of LCD and LED TV panels of below 19 inches	10%	Nil
Colour picture tubes for manufacture of cathode ray TVs	10%	Nil
Specified telecommunication products not covered under the Information Technology Agreement	Nil	10%
E-Book readers	7.5%	Nil
Forged steel rings used in the manufacture of bearings of wind operated electricity generators	10%	5%
Reformate (used in hydrocarbons)	10%	2.5%
Propane, ethane, ethylene, propylene, butadiene	5%	2.5%

## Changes in rate of basic customs duty effective July 11, 2014

Product	Old rate	New rate
Ortho-xylene	5%	2.5%
Denatured ethyl alcohol and methyl alcohol	7.5%	5%
Crude naphthalene	10%	5%
Fatty acids, crude palm stearin, RBD and other palm stearin and specified industrial grade crude oils for manufacture of soaps and oleochemicals subject to actual user condition	7.5%	Nil
Crude glycerine	12.5%	7.5%
Crude glycerine for manufacture of soap, subject to actual user condition	12.5%	Nil

## Changes in rate of basic customs duty effective July 11, 2014

Product	Old rate	New rate
Raw materials for manufacture of spandex yarn	5%	Nil
Stainless steel flat products	5%	7.5%
Ships imported for breaking up	5%	2.5%
Coal tar pitch	10%	5%
Battery waste and battery scrap	10%	5%
Steel grade limestone and dolomite	5%	2.5%

## 2.4 EXCISE DUTY

### Amendment to Valuation Rules - Transaction value of goods where price is not the sole consideration

- It is clarified that where price is not the sole consideration for sale and no additional consideration is flowing directly or indirectly from the buyer to the seller, value of goods shall be deemed to be the transaction value (this is to overcome the decision of Supreme Court in the case of Fiat India) – effective from July 11, 2014.

### Clarification in Notification 12/ 2012 - Exemption to sub-contractor for goods supplied against International competitive bidding

- Clarified that exemption to "all goods supplied against ICB" also available to sub-contractors for manufacture and supply of goods to the main contractor.

### Settlement Commission

- Settlement Commission may allow an application to be filed even if returns were not filed by the assessee after recording reasons in relation thereto.

### Penalty on failure to deposit duty

- Suo moto payment of penalty @ 1% per month or part thereof in case of non – payment of duty disclosed in the return within 1 month of due date of duty liability– effective from July 11, 2014.

### Cascading effect of Education cess and Secondary and Higher Education cess on clearances from an EOU to DTA removed

- EOU exempt from payment of Education cess levied under Section 94 of the Finance Act 2004 and Secondary and Higher education cess levied under section 139 of the Finance Act 2007 on its clearances made in DTA levied – effective 11 July 2014.

### Goods meant for supply to projects financed by the UN or specified international organization

- Notification No. 108/95 – CE amended to prescribe for transfer of goods to new projects or payment of excise duty on depreciated value in a prescribed manner and subject to prescribed conditions for goods which were imported prior to March 1, 2008 and which are no longer required for the project – effective 11 July 2014.

### Concessional rate of payment of excise duty extended

- Option to pay excise duty at 2% (without CENVAT) and 6% (with CENVAT) extended to:
  - ▶ Polyester Staple Fiber and Polyester Filament Yarn manufactured from plastic waste or scrap or plastic waste including waste polyethylene terephthalate (PET) bottles;

- ▶ gloves specially designed for use in sports.

Effective from July 11, 2014

### Additional duty imposed on aerated waters containing sugar

- Additional duty of excise is levied at the rate of 5% ad valorem on aerated waters containing added sugar - effective from July 11, 2014.

### Exemption from excise duty extended to specified goods

- Excise duty exempt on following goods:
  - ▶ RO membrane used in water filtration or purification equipment (other than household type filter);
  - ▶ solar tempered glass used in the manufacture of solar photovoltaic cells / modules, solar power generating equipment / system, and flat plate solar collectors;
  - ▶ machinery, equipments, etc. required for setting up of solar energy production projects;
  - ▶ plastic materials reprocessed out of the scrap or waste and cleared into the DTA by an EOU fully exempted from excise duty;
  - ▶ intermediate goods manufactured and consumed captively for manufacture of matches.

Effective from July 11, 2014

### Changes in rate of excise duty effective July 11, 2014

Product	Old rate	New rate
Winding wires of copper	10%	12%
Specified LED parts for use in the manufacture of LED lights and fixtures and LED lamps	12% / 10%	6%
Forged steel rings used in the manufacture of bearings of wind operated electricity generators	12%	Nil
Footwear of retail price exceeding Rs.500 per pair but not exceeding Rs.1,000 per pair	12%	6%
Recorded smart cards	2% / 6%	12%
RO membrane used in household type filters	10% / 12%	6%

### Changes in rate of excise duty effective July 11, 2014

Product	Old rate	New rate
Branded Petrol	INR 7.50 per litre	INR 2.35 per litre

- Excise duty increased on sinned goods such as cigarettes, tobacco, pan masala and gutka.
- Certain concessions extended to defence supplies such as supplies to NTRO by Indian Offset Partner of the contractor.

## Cenvat credit

### Place of removal defined

- Definition of 'place of removal' borrowed from Central Excise Act which includes:
  - ▶ Factory or other place of production / manufacture;
  - ▶ Warehouse / other place where excisable goods are stored without payment of duty;
  - ▶ Depot / premise of consignment agent / other any place from where excisable goods are sold after their clearance from the factory.

### Eligibility to avail Cenvat credit of tax paid under reverse charge mechanism

- Where 100% tax liability is to be deposited by service recipient, credit available on deposit of tax – effective from July 11, 2014.
- Where partial service tax liability to be deposited by service recipient, credit available on payment of service fee and deposit of tax – effective from July 11, 2014.

### Time limit prescribed for availment of Cenvat credit

- Credit of duty paid on inputs / input services to be availed within six months from date of eligible document – effective from September 1, 2014.

### Treatment of CENVAT credit on realization of export proceeds after expiry of specified period

- Service provider eligible to reclaim CENVAT credit reversed on account of non – realization of export proceeds within the time period specified / extended by RBI where export proceeds are received within a period of 1 year from the expiry of such specified / extended period by RBI – effective from July 11, 2014.

### Restriction on transfer of credit by LTU

- An LTU would not be eligible to transfer credit taken after 10 July 2014, from one unit to another unit – effective from July 11, 2014.



# ABOUT MAZARS

Mazars is an international, integrated and independent organisation specializing in audit, consulting, accounting, tax and legal services. Directly present in 72 countries, Mazars unites the skills of 13,800 professionals. Through correspondence and the offices of representation agreements, Mazars also serves clients in 21 additional countries, with teams of professionals who are at the forefront of technical and ethical standards.

In India, Mazars has an ambitious growth plan. We have a national presence with offices located in Bangalore, Gurgaon, Mumbai, New Delhi and Pune, as well as arrangements to serve our clients in all major cities in India. We serve an impressive portfolio of clients in various sectors like Automotive, BFSI, Energy, Manufacturing, Real Estate, Retail, Technology and Telecom.

Mazars in India, with over 600 highly skilled professionals, ensures quality for its clients in each engagement. Working in close-cooperation as a globally integrated and flexible team, our global partnership allows our clients to receive and maintain continuing support and benefit from our connection with our offices around the world.

Our approach consists of using international best practices whilst taking into consideration the applicable national standards and operational realities, as well as the requirements described by the client.

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