



**CA. PRADEEP JAIN**

**YOUR NEED OUR CONCERN...**

**THE  
UNION BUDGET  
2009-10**

# HIGHLIGHTS OF UNION BUDGET 2009-10

## EXCISE

- ▶ No Change in Basic Rate.
- ▶ 4% Excise Duty increased to 8% with few exceptions.
- ▶ SSI exemption clause of Brand Name does not hit Printed Laminated Rolls.
- ▶ Optional Duty on Textile is back.
- ▶ GST will be effective from April 1, 2010.



## SERVICE TAX

- ▶ No Change in Service Tax Rate.
- ▶ Revised Refund procedure for exporters.
- ▶ **NEW Services:**
  - 🚧 Legal Services
  - 🚧 Plastic Surgery
  - 🚧 Transport of goods by Rail, Water & Pipe Line.
- ▶ Rate of Reversal of CENVAT Credit reduced to 6%.

# CHANGE IN RATES

## RATES DECLINED

↴ Special Boiling Point Spirits.



↴ Naphtha



↴ Jewellery having brand name / trade name affixed on itself.



↴ Motor vehicles having engine capacity exceeding 1999cc.



↴ Petrol Driven Motor Vehicles and there chassis.



# CHANGE IN RATES

## RATES UPSURGED

↑ Pure Terephthalic acid & Dimethyl Terephthalate.



↑ Ink used in Writing Instruments.

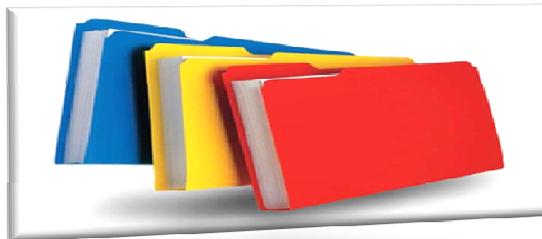


↑ Polyester Chips.



↑ Heat resistant Latex Rubber Thread & Tension tapes.

↑ Particle board /oriented strand board/ Fiber board /Plywood, veneered panels & Flush doors.



↑ Folders, file covers, manifold business forms, Paper & Labels.

# CHANGE IN RATES

## RATES UPSURGED

↑ Textile Goods made of Pure Cotton.



↑ Ceramic Tiles.



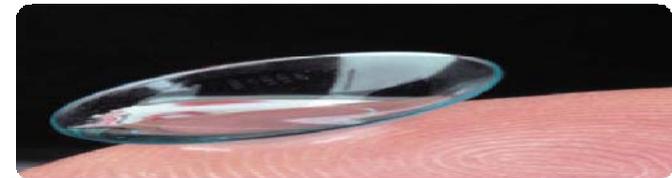
↑ LPG Gas stoves.



↑ MP3/ MP4 or MPEG 4 players.



↑ Contact Lenses.



↑ Playing Cards



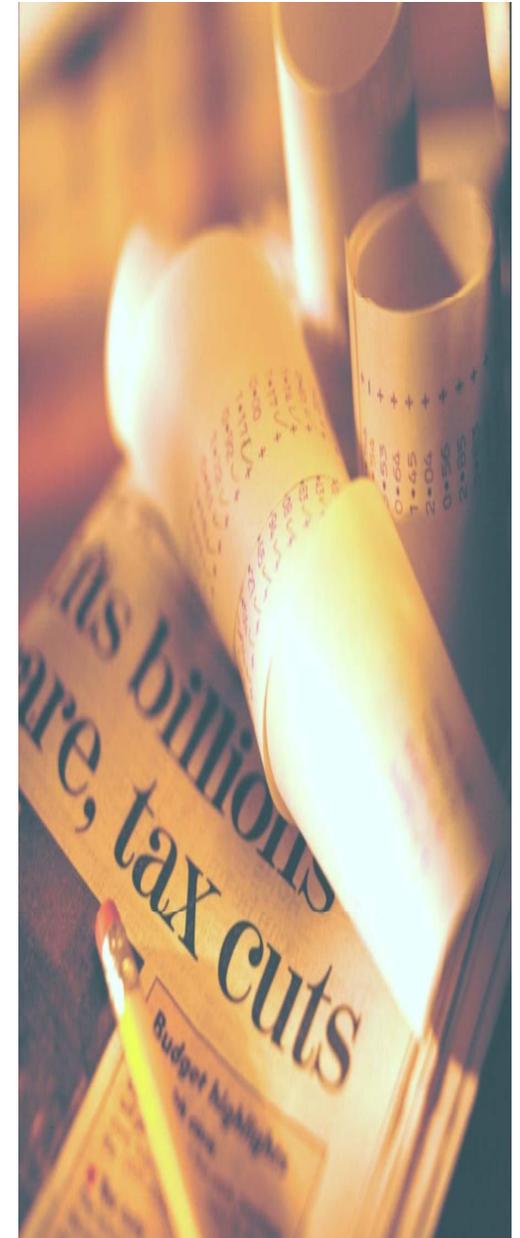
## KEY ISSUES IN EXCISE



- ↪ **Full exemption** from excise duty to Goods under Chapter 68 manufactured at site for use in **construction work at such sites**.
- ↪ **'Printed Laminated Rolls'** added to SSI Exemption list.
- ↪ **Cement, angles, channels, CTD or TMT bar & other items** used for construction of shed, building or structure excluded from definition of "Inputs".
- ↪ **Reversal under Rule 6(3)** of the Cenvat Credit Rules, 2004 **reduced** from **10% to 5%**.
- ↪ **Betel nuts reclassified**.

## KEY ISSUES IN EXCISE

- ↪ ***Power to condone the delay*** in filing of appeals ***vested to High Courts.***
- ↪ Amendments in ***Rule 9A(2), Rule 14A & Rule 23A.***
- ↪ ***Compounded levy*** for ***induction furnace*** units amended ***retrospectively.***
- ↪ ***Documents Seized*** by the Department to be ***returned within a month.***



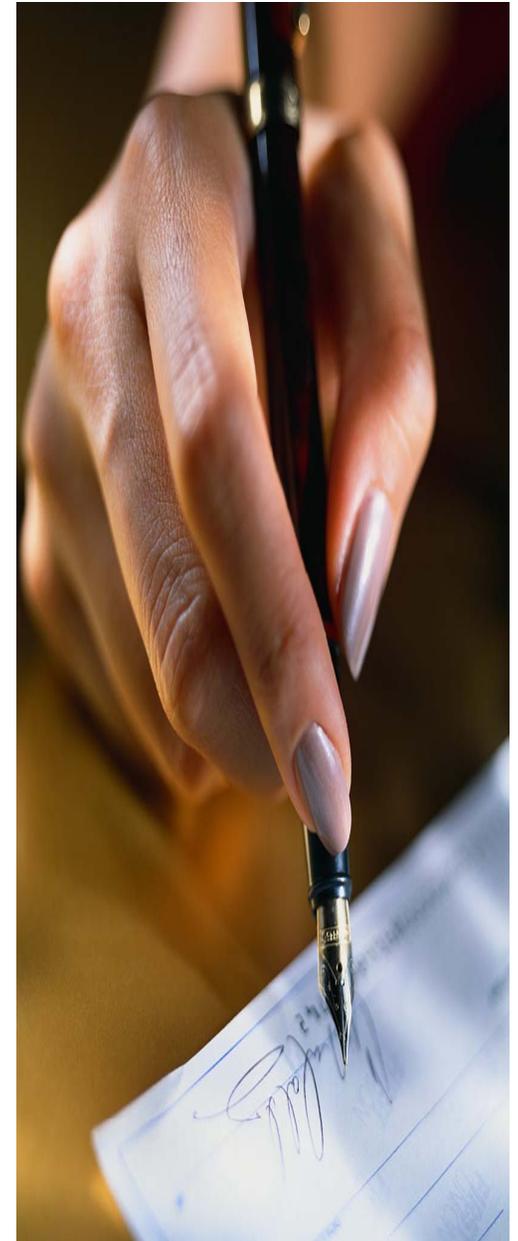
## KEY ISSUES IN SERVICE TAX



- ↪ **New Services Added:**
  - 1) *Transport of Goods through Rail*
  - 2) **Transport of Coastal Goods & Goods transported through Inland water**
  - 3) *Legal Consultancy Service*
  - 4) *Cosmetic and Plastic Surgery service*
- ↪ Changes in **Business Auxiliary Service (BAS)**.
- ↪ **Stock-broker Service** to **exclude** services provided by **Sub-Brokers**.
- ↪ **Information Technology Software Service** amended.
- ↪ Revision of orders under **Section 84** amended.

## KEY ISSUES IN SERVICE TAX

- ↪ Services received by **Goods Transport Agents (GTAs)** exempted with **retrospective effect**.
- ↪ **Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007** clarified.
- ↪ **Reversal rate** under **Rule 6(3)** reduced from 8% to 6%.
- ↪ **New Exemptions** to:
  - 1) **Private bus operators**
  - 2) **Inter-Bank transactions of purchase or sale of foreign currency.**
  - 3) **FIEO & 21 specified EPC's.**
- ↪ **Refund Scheme of ST to exporters** revised.



# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## INFORMATION TECHNOLOGY INDUSTRY



- Partial exemption from excise duty on packaged/canned software assure well for the industry.
- Recorded smart card and tags are exempt from excise duty subject to certain conditions.
- The extension of Tax holidays by a year, upto March 31, 2011, However, on the other side the positive impact of the extension is expected to be nullified by an increase in MAT from 10 % to 15%.
- A correction has been carried out in the definition of the taxable service to clarify that the providing of 'right to use' is taxable service and the acquiring of 'right to use' is not taxable service. This amendment would have retrospective effect from 16.05.2008.



# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## TRANSPORT INDUSTRY



- ✓ Now the service tax will also be leviable on goods transported by Government railways, whether in containers or otherwise.
- ✓ Coastal goods and transport of goods through National Waterways, and inland waters are proposed to be brought under tax net.
- ✓ In respect of credit of service tax paid by GTAs, Government has promised to drop all past demands/litigation, latest by the end of August, 2009. By giving retrospective effect to notification no. 1/2009-ST (w.e.f. 01-01-2005)



# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## TEXTILE INDUSTRY



- The excise duty applicable to the textiles, Position prior to the reductions made on the 7th of December, 2008 is being restored.
- In respect of cotton textiles, the rate of duty has been enhanced from Nil to 4% on optional basis.
- A manufacturer does not avail the Cenvat credit of the duty paid on inputs can take the Full exemption.
- In respect of manmade fibre and yarn the rate of duty has been enhanced from 4% to 8% on mandatory basis.
- The items manufactured from natural fibres other than cotton such as silk, wool, flax etc. would now bear an optional levy of 8% ad valorem instead of 4%.
- Corresponding changes have also been applicable to EOU that use only indigenous raw materials and make clearances of textile items into the DTA.
- Excise duty on some important textile intermediates has also been enhanced from 4% to 8% ad valorem. These are:
  - a) Polyester chips
  - b) Di-methyl terephthalate (DMT)
  - c) Pure Terephthalic Acid (PTA); and
  - d) Acrylonitrile

# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## AUTOMOBILE INDUSTRY



- ❖ The budget announcements are not likely to have any major impact on the automobile sector.
- ❖ Excise duty on motor vehicles having engine capacity exceeding 1999cc, has been reduced.
- ❖ Excise duty on petrol motor vehicles for transport of goods except dumpers has been reduced from 20% to 8%.

## CONSTRUCTION INDUSTRY



- ❖ Full exemption from excise duty has been provided to goods manufactured at the site for use in construction work at such site.
- ❖ Basic customs duty on “concrete batching plants of capacity 50 cum per hour or more” used for construction of roads will now attract basic duty of 7.5%.
- ❖ Free supply of material under works contract will also attract to service tax.

# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## PRECIOUS METALS AND JEWELLERY INDUSTRY



- ❑ Branded jewellery have been fully exempted from excise duty.
- ❑ Rates of basic customs duty on gold and silver have been increased and it includes gold/silver ornaments imported as baggage.

## STEEL INDUSTRY



- ❖ The budget impact for the steel industry is expected to be neutral with no effect on industry profitability.
- ❖ However, with the provision of higher investment in infrastructure segments such as roads, railways and urban infrastructure under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the demand for steel is likely to improve marginally.

# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## EXPORT INDUSTRY



- ❖ Changes in the scheme for refund of service tax to the exporters of goods, in state of old/tidies scheme, the new scheme would consist of two parts.
- ❖ The following two services have been exempted for the exporters of the goods-
  - a) Transport of goods by road, from the place of removal to any ICD, CFS, port or airport; or from any CFS or ICD to the port or airport; and
  - b) Services provided by a foreign commission agent for procuring orders.
- ❖ Notification No. 41/2007-ST (refund of service tax) is being superseded by Notification No. 7/2009-STdated 07.07.2009 prescribing new refund scheme in respect of 16 taxable services.
- ❖ Service of 'terminal handling' has been added in the existing list of taxable services.

# IMPACT OF BUDGET ON VARIOUS INDUSTRIES

## PLASTIC INDUSTRY



- There is no change either in the exemption limit or the eligibility limit for the small scale exemption.
- Specified items that are in the nature of packaging material are excluded from the purview of the brand name restriction. i.e. 'printed laminated rolls'
- Excise duty on Polyester chips has also been enhanced from 4% to 8% ad valorem.

## LEGAL CONSULTANCY SERVICE



- Like management or engineering consultancy service, any consultancy, advice or technical assistance provided is proposed to be subjected to service tax.
- However, the tax would be limited to services provided by a business entity to another business entity. Where business entity excludes individual.
- Thus, services provided by an individual advocate either to an individual or even to a business entity would not be liable to service tax.
- Similarly, the services provided by a corporate legal firm to an individual would also be outside the purview of taxable service.