

OFFSHORE ACCOUNTING AND TAXATION SERVICES PVT. LTD. (OATS)

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OATS Newsletter

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Union Budget: Highlights: Direct Taxes

Finance Minister of India presented the Central Government's Budget in Parliament today.

Highlights of direct tax proposals:

- Reduction in surcharge for domestic companies from 7.5% to 5%; and for foreign companies from 2.5% to 2%
- Minimum Alternate Tax (MAT) increased from 18% to 18.5%
- Developers of SEZ and Units in SEZ brought under MAT regime.
- Weighted deduction on payment to specified institutions for scientific research increased from 175% to 200%
- Transfer pricing: Time limit for filing tax return and TP audit report extended to 30th Nov in case of companies having international transactions.
- Personal Taxation: Basic exemption limit increased slightly to Rs. 180,000.
- Qualifying age for senior citizens lowered from 65 to 60.
- New exemption limit for “very” senior citizens above 80 years introduced Rs. 500,000.
- Anti-money laundering measures to be introduced pertaining to jurisdictions where there is lack of effective exchange of information.

Union Budget: Highlights: Indirect Taxes

- Goods and Services Tax rollout is stated to be on track. Constitution amendment bill to be introduced in current session of Parliament.

Service tax:

- Two new taxable services introduced: Services by air-conditioned restaurants having license to serve liquor; and Short-term accommodation in hotels/ inns/ clubs/ guest houses etc.
- Expansion in scope of some existing services such as legal services, health care, business support services, life insurance services.

Central Excise

- General excise rate retained at 10% (which was introduced as part of economic stimulus package)
- Excise duty (& also CVD) on packaged software to be levied on media value, where not governed by MRP provisions
- Full exemption from duty withdrawn on IT products such as micro processors for computers etc. The products will now be subject to 5% excise duty.

Customs

- Introduction of self-assessment concept for import and export.

Company Law: General Exemption u/s 212(8)

Ministry of Corporate Affairs has granted a general exemption to companies under Section 212(8) of the Companies Act, 1956.

Accordingly, companies will not be required to attach financial statements of subsidiaries in their annual report, if the following conditions are fulfilled-

- Board of Directors of the company resolves not to publish subsidiary companies' financial statements in the company's annual report
- Company presents audited consolidated financial statements.

- Highlights of the subsidiary companies' financials are given – including capital, reserves, total assets, total liabilities, investment, turnover, Profit before taxes, taxes, profit after taxes, dividends.
- This exemption is available from the financial year ending 31st March, 2011.

[Source: General circular no. 2/2011 dated 8 Feb. 2011 and circular no. 3/2011 dated 21 Feb. 2011]

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