

Union Budget Analysis 2011-2012

INDIA BUDGET

₹011- ₹01₹



Analysis By

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1. ECONOMIC SURVEY 2010-2011 : HIGHLIGHTS

Key Economic Indicators

Particulars	2007-08	2008-09	2009-10	2010-11
<u>Growth in %</u>				
- GDP / Economy Growth	9.3	6.8	8.0	8.6
- Agricultural Growth	5.8	-0.1	0.4	5.4
- Manufacturing Growth	10.3	4.2	8.8	8.8
- Savings Rate	36.9	32.2	33.7	NA
Exports (in USD billion)	163.132	185.295	178.751	164.707 ¹
Imports (in USD billion)	251.654	303.696	288.373	246.724 ¹
Export Growth (%)	29.0	13.6	-3.5	29.5 ¹
Import Growth (%)	35.5	20.7	-5.0	19.0 ¹
Forex reserves (in USD billion)	309.7	252	279.1	297.3 ²
Average Exchange rate (USD 1 = ₹)	40.26	45.99	47.42	45.68 ¹
Inflation (in terms of WPI) in %	4.8	8.0	3.6	9.4 ¹
Inflation (in terms of CPI) in %	6.2	9.1	12.4	11.0 ¹
Population (Billion)	1.138	1.154	1.170	1.186
Per Capita Income (₹)	35,820	40,605	46,492	54,527
Gold price (₹ per Gram)	1,201.11	1,492.17	1,609.94	2,043.54 ³
Silver price (₹ per Gram)	23.15	21.34	25.26	47.41 ³
Crude Oil Price (Brent Europe) (USD per Barrel)	102.33	46.13	80.37	109.77 ⁴

- ¹ April – December
² As at 31st December, 2010
³ As at 25th February, 2011
⁴ As at 23rd February, 2011

Stock Market Indicators

(₹ Crore)

Year →	2007-08	2008-09	2009-10	2010-11
Number of IPOs	85	21	39	40
NSE Spot	35,51,038	27,52,023	41,38,024	27,87,862
BSE Spot	15,78,670	11,00,074	13,78,809	8,93,839
NSE Derivatives	1,30,90,478	1,10,10,482	1,76,63,665	2,05,99,192
BSE Derivatives	2,42,308	12,268	234	35
FII Net Investment	--	(45,811)	1,42,658	1,37,461
Number of FIIs (at the year end)	--	1,635	1,713	1,718

Foreign Exchange Reserves of some major countries

Sr. No.	Country	USD Billion (2009)	USD Billion (2010)
1	China	2,399.2	2,454.3
2	Japan	1,049.4	1,118.8
3	Russia	439.0	479.4
4	India	283.5	297.3
5	Korea	270.0	293.5
6	Brazil	238.5	285.5
7	China P R Hong Kong	256.3	268.8
8	Singapore	188.9	225.8
9	Germany	189.5	216.6
10	France	139.1	188.3
11	Italy	140.5	157.4

Tax Collections : Comparative Figures

(₹ Crore)

Particulars	Actual	Actual	Actual	Expected	Budgeted
	2007-2008	2008-2009	2009-2010	2010 – 2011	2011-2012
Corporate Income Tax	1,92,911	2,13,395	2,44,725	2,96,377	3,59,990
Excise	1,23,611	1,08,613	1,02,991	1,37,263	1,63,550
Income Tax (Others)	1,02,644	1,06,043	1,22,370	1,41,566	1,64,526
Customs	1,04,119	99,879	83,324	1,31,800	1,51,700
Service Tax	51,301	60,941	58,422	69,400	82,000
Security Transaction Tax	8,576	7,977	7,394	7,500	7,500
Wealth Tax	340	389	505	557	635

Statewise Exports of Top 15 States

(US \$ MILLION)

Sr. No.	State	2008-09	2009-10	April - September		Share (%)
				2009-10	2010-11	2009-10
1	Maharashtra	44,661	43,351	20,275	23,405	24.30
2	Gujarat	40,268	38,771	16,341	24,593	21.70
3	Tamil Nadu	18,538	16,083	7,899	8,404	9.00
4	Karnataka	12,295	9,092	4,206	5,011	5.10
5	Andhra Pradesh	9,896	8,558	4,594	6,620	4.80
6	Kerala	4,752	5,842	2,783	2,647	3.30
7	Haryana	4,791	5,678	2,653	3,575	3.20
8	Uttar Pradesh	7,570	5,523	2,762	3,848	3.10
9	Delhi	8,466	5,187	2,575	2,933	2.90
10	West Bengal	5,582	4,197	1,826	2,821	2.30
11	Rajasthan	3,313	3,338	1,434	1,853	1.90
12	Orissa	3,351	3,230	1,233	2,736	1.80
13	Punjab	3,015	2,732	1,260	1,904	1.50
14	Goa	1,781	2,481	557	1,074	1.40
15	Madhya Pradesh	2,945	2,357	916	1,147	1.30
Total Exports		1,85,295	1,78,751	80,950	1,05,352	100.00

SEZs Exports and India's Total Exports

Year	Exports From SEZs		Exports From India		Share Of SEZs Exports In Total Exports
	Value (₹ Crore)	Growth (%)	Value (₹ Crore)	Growth (%)	
2003-04	13,854	39.0	2,93,367	-	4.7
2004-05	18,314	32.2	3,75,340	27.9	4.9
2005-06	22,840	24.7	4,56,418	21.6	5.0
2006-07	34,615	51.6	5,71,779	25.3	6.1
2007-08	66,638	92.5	6,55,863	14.7	10.2
2008-09	99,689	49.6	8,40,755	28.2	11.9
2009-10	2,20,711	121.4	8,45,534	0.6	26.1
2010-11 (Apr-Dec)	2,23,132	-	7,51,633	23.4	29.7

2. BUDGET 2011-2012 : STATISTICAL INFORMATION

(₹ IN CRORES)

Sr. No.	Particulars	Actual (2009-10)	Budget Estimates (2010-11)	Revised Estimates (2010-11)	Budget Estimates (2011-12)
1	Revenue Receipts (2+3)	5,72,811	6,82,212	7,83,833	7,89,892
2	Tax Revenue (net to centre)	4,56,536	5,34,094	5,63,685	6,64,457
3	Non-Tax Revenue	1,16,275	1,48,118	2,20,148	1,25,435
4	Capital Receipts(5+6+7)	4,51,676	4,26,537	4,32,743	4,49,836
5	Recoveries of Loan & advances	8,613	5,129	9,001	15,020
6	Other Receipts	24,581	40,000	22,744	40,000
7	Borrowings & Other Liabilities	4,18,482	3,81,408	4,00,998	4,12,816
8	Total Receipts(1+4)	10,24,487	11,08,749	12,16,576	12,57,728
9	Non-Plan Expenditure(10+12)	7,21,096	7,35,657	8,21,552	8,16,182
10	On Revenue Account of which,	6,57,925	6,43,599	7,26,749	7,33,558
11	Interest Payments	2,13,093	2,48,664	2,40,757	2,67,986
12	On Capital Account	63,171	92,058	94,803	82,624
13	Plan Expenditure (14+15)	3,03,391	3,73,092	3,95,024	4,41,547
14	On Revenue Account	2,53,884	3,15,125	3,26,928	3,63,604
15	On Capital Account	49,507	57,967	68,096	77,943
16	Total Expenditure (9+13)	10,24,487	11,08,749	12,16,576	12,57,729
17	Revenue Expenditure (10+14)	9,11,809	9,58,724	10,53,677	10,97,162
18	Of which, Grants for creation of capital asset	--	31,317	90,792	1,46,853
19	Capital Expenditure (12+15)	1,12,678	1,50,025	1,62,899	1,60,567
20	Revenue Deficit (17-1)	3,38,998	2,76,512	2,69,844	3,07,270
		(5.20%)	(4.00%)	(3.40%)	(3.40%)
21	Effective Revenue Deficit (17-18)	--	2,45,195	1,79,052	1,60,417
		--	(3.50)	(2.3)	(1.8)
20	Fiscal Deficit { 16-(1+5+6) }	4,18,482	3,81,408	4,00,998	4,12,817
		(6.40%)	(5.50%)	(5.10%)	(4.60%)
21	Primary Deficit (20-11)	2,05,389	1,32,744	1,60,241	1,44,831
		(3.10%)	(1.90%)	(2.00%)	(1.60%)

3. BUDGET 2011-2012 : HIGHLIGHTS

General	
➤	Direct Tax Code (DTC) to implement w.e.f. 1 st April, 2012.
➤	No target date for implementation of GST. As a step towards the roll-out of GST, it is proposed to introduce the Constitution Amendment Bill in the budget session of Parliament. The National Securities Depository Limited (NSDL) has been selected as technology partner for incubating the National Information Utility that will establish and operate the IT backbone for GST. By June 2011, NSDL will set up a Pilot portal in collaboration with eleven States prior to its roll out across the country.
➤	To move beyond the formal R&D paradigm, a National Innovation Council under Shri Sam Pitroda has been set up to prepare a roadmap for innovations in India. The process of setting up State innovation Councils in each State and Sectoral Innovation Councils aligned to Central Ministries is underway.
➤	Unique Identification (UID) Number mission has so far given 20 lakh Aadhaar numbers and from 1 st October 2011, ten lakh numbers will be generated per day.
➤	A bill to introduce shortly to amend Indian Stamp Act, 1899.
➤	For reducing litigation and focusing attention on high revenue cases. Instructions have been issued raising limit of tax effects below which, tax disputes will not be pursued by Government in higher Courts of Appeal.
➤	The Standards of Weights and Measures Act, 1976 is being repealed with effect from 01.03.2011 and replaced by the Legal Metrology Act, 2009.



Direct Taxes

➤	Introduction of Powerful Weapon through a new Sec. 94A to track, trail and unearth money laundering and black money.
➤	The basic exemption limit in the case of all individual, HUF, AOI and BOI is increased from 1,60,000 to 1,80,000. However, Income Tax slab rates will be continued to be the same as those specified in assessment 2011-12.
➤	Qualifying age for senior citizen proposed to be reduced from 65 years to 60 years. Basic Exemption limit for senior citizen increased from 2,40,000 to 2,50,000.
➤	New category of Very Senior Citizen is proposed to be created. Basic exemption limit for this category will be 5,00,000.
➤	A new simplified return form 'Sugam' to be introduced to reduce the compliance burden of small taxpayers who fall within the scope of presumptive taxation.
➤	The CBDT shall soon notify a category of salaried taxpayers who will not be required to file a return of income as their tax liability has been discharged by their employer through TDS.
➤	No changes in Corporate Tax or Firm basic Tax Rates. However, MAT for companies increased from 18% to 18.5%.
➤	Company Surcharge decreased from 7.5% to 5%. No change in Education Cess.
➤	MAT is proposed to be made applicable to SEZ developers and SEZ units.
➤	New Chapter XII-BA is proposed to be introduced and MAT to be made applicable to Limited Liability Partnerships (LLPs) @ 18.5%.
➤	Additional deduction of 20,000 u/s. 80CCF introduced in the last year for investment in long term infrastructure bond is proposed to be extended for one more year.
➤	Lower Tax Rate of 15% is proposed, on dividends received by an Indian company from its foreign subsidiary, for the year 2011-12.
➤	Weighted deduction limit for scientific research under section 35(2AA)(a) increased from 175% to 200%.

Indirect Taxes

Customs Duty

- There is no change in the peak rate of basic customs duty of 10%.
- The introduction of self-assessment in the Customs Act, 1962 both for imported goods and export goods. This would replace the existing legal requirement of assessment of every bill of entry or shipping bill by the Customs Officer.
- Time limit for claiming refund of duty and interest enhanced from six months to one year for all categories of importers.

Excise Duty

- The standard rate of excise duty of 10% on non-petroleum products is maintained as it is. The Merit Rate of Excise Duty (CENVAT) for non-petroleum goods has been increased from 4% to 5% across the board.
- Rates of duty applicable to cement manufactured by mini-cement plants have been reduced.
- Excise duty on serially numbered gold bars, other than tola bars, when manufactured from the ore/ concentrate stage is being reduced from ₹280 per 10 grams to ₹ 200 per 10 grams.
- There are 370 items that enjoy exemption from Central Excise duty but are chargeable to VAT. It is proposed to withdraw the exemption on 130 of these items (by imposing nominal 1% Excise) that are mainly in the nature of consumer goods. The remaining 240 items would be brought into the tax net when GST is introduced.

Service tax

- Service Tax liability earlier of (i) service provided or (ii) invoice issued or (iii) payment is realised. Earlier it was later of these three.
- Two new services brought under the service tax net.
- Scope of seven existing services expanded or altered.
- No change in threshold limit of exemption.
- No change in Service Tax Rate.

4. DIRECT TAXES

Income Tax : Slab and Rates

Individual, HUF, AOP and BOI

Assessment Year	Rate	General (Age upto 60 years)	Women (Age upto 60 years)	Senior Citizen (Age 60 years or more but less than 80 years)	Senior Citizen (Age 80 years or more)
2012-13	NIL	Upto 1,80,000	Upto 1,90,000	Upto 2,50,000	Upto 5,00,000
	10 %	1,80,001 to 5,00,000	1,90,001 to 5,00,000	2,50,001 to 5,00,000	--
	20 %	5,00,001 to 8,00,000	5,00,001 to 8,00,000	5,00,001 to 8,00,000	5,00,001 to 8,00,000
	30 %	Above 8,00,000	Above 8,00,000	Above 8,00,000	Above 8,00,000
	Cess @ 3%				
2011-12	NIL	Upto 1,60,000	Upto 1,90,000	Upto 2,40,000	NA
	10 %	1,60,001 to 5,00,000	1,90,001 to 5,00,000	2,40,001 to 5,00,000	NA
	20 %	5,00,001 to 8,00,000	5,00,001 to 8,00,000	5,00,001 to 8,00,000	NA
	30 %	Above 8,00,000	Above 8,00,000	Above 8,00,000	NA
	Cess @ 3%				

Domestic Companies

Assessment Year	Total Income	Rate of Income Tax (%)	Rate of MAT (%)	Rate of Dividend Distribution Tax (%)
2012-13	Tax Rates for Domestic Companies			
	Upto ₹ 1 Crore	30.90	19.05	16.23
	Exceeding ₹ 1 Crore	32.45	20.00	16.23
2011-12	Tax Rates for Domestic Companies			
	Upto ₹ 1 Crore	30.90	18.54	16.61
	Exceeding ₹ 1 Crore	33.22	19.93	16.61

Firms, LLPs and Local Authorities

Assessment Year	Total Income	Rate of Income Tax (%)	Rate of MAT (%)
2012-13	Tax Rates		
	Firms (No Change)	30.90	NA
	LLP	30.90	19.055
	Local authorities (No Change)	30.90	NA
2011-12	Tax Rates		
	Firms (No Change)	30.90	NA
	LLP	30.90	NA
	Local authorities (No Change)	30.90	NA

Foreign Companies

Assessment Year	Total Income	Rate of Income Tax (%)	Rate of MAT (%)
2012-13	Tax Rates for Foreign Companies		
	Upto ₹ 1 Crore	41.20	19.055
	Exceeding ₹ 1 Crore	42.02	19.436
2011-12	Tax Rates for Foreign Companies		
	Upto ₹ 1 Crore	41.20	18.540
	Exceeding ₹ 1 Crore	42.23	19.000

Co-operative Society (No change)

Assessment Year	Rate	Slab
2011-12 & 2012-13	10 %	Upto ₹ 10,000
	20 %	10,001 to 20,000
	30 %	Above 20,000
		Cess @ 3%

TDS Rates Chart as Applicable for the Financial Year 2011-2012

Nature of Payments made to resident	Assessment Year 2012-13	Company Firm Co-op Society Local Authority	Individual HUF
Section - Description	Threshold Limit in ₹	Rate	Rate
194A – Bank Interest	10,000	10	10
194A – Other Interest	5,000	10	10
194B – Winning from Lotteries	10,000	30	30
194C – Payment to Contractors	¹ 30,000	2	1
194C - Payment to Advt/Sub Contr	¹ 30,000	2	1
194D – Insurance Commission	20,000	10	10
194H – Commission/Brokerage	5,000	10	10
194I – Rent	1,80,000	10	10
194I – Rent-Plant / Machinery	1,80,000	2	2
194J – Professional Fees	30,000	10	10
194 – Dividends	-	10	10
194BB – Winning from Horse race	5,000	30	30
194F – Repurchase Units by MFs	1,000	20	20
194G – Commission – Lottery	1,00,000	10	10
194LA – Immovable Property	-	10	10

¹ 30,000 ₹ for single payment & 75,000 ₹ for aggregate Payment during a Financial Year.

CHARITABLE TRUST – INCREASE IN MONETARY LIMITS FOR COMMERCIAL INCOME

As per proviso 1 to Section 2(15), if a charitable organisation carries on any activity in the nature of trade, commerce or business for a cess or fee or any other consideration, income from such activity was out of purview of Charitable Purpose. The absolute restriction on any receipt of commercial nature has been creating hardship to the organizations which receive sundry considerations from such activities. Last year proviso 2 was introduced with retrospective effect from (w.r.e.f.) Assessment Year 2009-2010 to effect that if Income from such activity is Rs. 10 Lakh or less, such activity would not be out of purview of Charitable Purpose hence it would be considered as Charitable Purpose.

It is now proposed to increase this income amount from Rs. 10 Lakh to Rs. 25 Lakh.

Unlike last year, it is proposed to make this amendment effective with prospective effect from Assessment Year 2012-2013 and onwards.

TRANSFER PRICING – ALLOWABLE FIXED VARIATION RATE MADE UNFIXED

As per second proviso to Sec. 92C(2), in case of variation between the Arm's Length Price as determined and the price at which international transaction between associated enterprise actually undertaken does not exceed 5%, price actually undertaken deemed to be Arm's Length Price.

It is now proposed to amend this provision to have such % as may be notified instead of fixed 5%.

It is proposed to make this amendment effective with effect from Assessment Year 2012-2013.

TRANSFER PRICING OFFICER'S POWERS WIDENED

Under the existing provisions of section 92CA(2), Transfer Pricing Officer (TPO) could compute Arm's Length Price of such transactions which were referred to him by the Assessing Officer (AO) – Sec. 92CA(1). Further, TPO has powers to enquire as per sec. 131(1) and 133(6). – Sec. 92CA(7).

It is proposed to widen the powers of TPO to determine the Arm's Length Price of such transaction which was even not referred to him by the AO. Further it is also proposed to give power of survey to the TPO also u/s. 133A.

This amendment is proposed to take effect from 1st June, 2011.

DIVIDENDS RECEIVED FROM FOREIGN SUBSIDIARY – CONCESSIONAL TAX RATE

Dividends received by an Indian company from foreign companies are taxable in India at 30% plus applicable surcharge and cess.

It is now proposed, by inserting a new sec. 115BBD, that in case of an Indian company which holds more than 50% capital of foreign (subsidiary) company, receives any dividends, then it would be taxed at 15%.

It is proposed to make the above amendment effective from the Assessment Year 2012-13.

SEZ UNITS – DIVIDEND DISTRIBUTION TAX INTRODUCED

As per Sec. 115-O(6) SEZ units were not required to pay Dividend Distribution Tax.

It is proposed that provision of this sub-section shall cease to have effect from 1st June, 2011.

Accordingly, Dividend Distribution Tax is chargeable on dividends declared by SEZ units w.e.f. 1st June, 2011.



INTRODUCTION OF A POWERFUL WEAPON THRU NEW SECTION 94A

It is proposed to insert new sec. 94A to enable the government to notify any country or territory outside India, having regard to the lack of effective exchange of information by it with India.

Any assessee enters into a transaction where one of the parties to the transaction is a person located in such notified jurisdictional area, then all the parties to the transaction shall be deemed to be associated enterprise and such transaction shall be deemed to be an international transaction within the meaning of Transfer Pricing Legislation.

No deduction in respect of any payment made to any financial institution located in such notified jurisdictional area shall be allowed unless the assessee maintains prescribed documents and furnishes prescribed information.

In case of any sum received from a person located in notified jurisdictional area, the onus shall be on the assessee to satisfactorily explain source of such money in the hands of such person, else such sum deemed to be income of an assessee.

Any payment made to a person located in the notified jurisdictional area would attract the highest rate of TDS.

These amendments are proposed to take effect from 1st Day of June, 2011.

SCOPE OF SEC. 131 AND 133 WIDENED TO COVER DTAA PARTIES

As per sec. 131 and 133 certain Income Tax authorities have same powers as available to a Civil Court regarding discovery, production of evidence, powers to call for information etc.

It is proposed to widen such powers to cover parties to Double Taxation Avoidance Agreements (DTAA) irrespective of no proceedings are pending before income tax authorities.

Sec. 153 and 153B related to time limits to complete assessment / re-assessment, are also proposed to be amended to exclude maximum 6 months while calculating the time limits prescribed under these provisions in case of such inquiries to DTAA parties.

It is proposed to make these amendments effective with effect from 1st Day of June, 2011.

SUBMISSION OF ANNUAL STATEMENT BY A NR HAVING LIAISON OFFICE

The proposed new Sec. 285 provides that every non-resident, having liaison office shall file annual statement, as may be prescribed, within 60 days of end of the financial year. It is proposed to make this amendment effective with effect from 1st Day of June, 2011.

DELETION OF DOCUMENT IDENTIFICATION NUMBER (DIN) RELATED PROVISION

Sec. 282B was introduced 2 years ago to introduce computer generated DIN to be allotted for every correspondence issued. The introduction of the system was postponed once and now proposed to be deleted w.e.f. 1st April, 2011.

Disclaimer

This budget 2011-12 handout provides general information on budget 2011-12 and does not express our views. This hand out is meant for general guidance and no responsibility for loss arising to any person acting or refraining from acting as a result of any material contained in this handout will be accepted by us. It is recommended that professional advice be taken based on the specific facts and circumstances. This handout does not substitute the need to refer to the original pronouncement.

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