

# Budget Analysis 2007

Between the lines\*



\*connectedthinking

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Effective April 1, 2007, the professional practice of RSM (which represents the company RSM Advisory Services Pvt Ltd) will merge with the member firms of PricewaterhouseCoopers in India.

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# Budget 2007-08: Introduction

The Finance Minister was uniquely positioned to present a landmark budget, as the 2007 Budget comes in the backdrop of robust economic growth in GDP of 9.2% in 2006-07. The manufacturing and services sector have for the second years in running grown at a scorching pace. Manufacturing grew by 10% in real terms and services by 11.2%. However, even an above average monsoon and divine benevolence in terms a year largely free from major natural calamities was unable to push agricultural production to a high growth trajectory which remained sluggish at 2.7%. It is therefore not surprising that one of the principle overarching themes of the budget is to raise public investment on Agriculture and allied industries considering that 54% of our population is still dependent on this sector as a primary source of sustenance. The Government also recognizes that India has the potential realize a demographic dividend whereby a larger part of our population will join the workforce in the years to come. Our ability to realize this demographic dividend is however contingent on our ability enhance the skill base of our people and make them more employable by substantially increasing investment in Education. A secondary but equally important theme of the budget is to meet the aspiration of the common man by initiating medium term measures to check inflation by easing supply side constraints through duty reduction, improving basic infrastructure like roads, power, medicare and sanitation.

The Finance Minister has remained committed to fiscal prudence. The budgetary estimates for 2007-08 project that continuing with the current trend past couple of years Revenue deficit will go down in absolute terms from Rs 84,727 crores [\$18.82bn] to Rs 71,478 crores [\$15.9bn] and also in % terms to 1.5% of GDP from 2.1% for 2006-07. Similarly, Gross fiscal deficit is projected to be at 3.3% of GDP from 3.8% in the immediately previous year. The mandarins at North Block are however hoping for sustained revenue buoyancy to meet Fiscal Reforms and Budget Management Act (FRBMA) targets and the same time make

higher allocations to the various flagship schemes of the UPA Government like the Sarva Shiksha Abhiyan, Bharat Nirman, National Rural and Health Mission etc. The Budget Estimate provide for an increase in total tax revenue from the revised estimate of 347,471 crores [US\$77.2 bn] for 2006-07 to 405,671.72 crores [\$90.13bn] and a corresponding increase in total revenue receipts to 486,422 crores [US\$108 bn]. The budget highlights that in the 3 years of the UPA Government, the growth rate in manufacturing has accelerated from 8.7 % to 11.3% and the services sector at the rate of 9.6% to 11.2% respectively, however, agricultural growth, at 2.3%, is still below the desired level of 4%. In this context the Finance Minister quoting the poetic verse from Saint Tiruvalluar states that “ if ploughmen keep their hands folded, even sages claiming renunciation cannot find salvation”. Accordingly, the budget includes a number of proposals for providing a holistic boost to agriculture sector like fixing a target of Rs.2,250 billion [US\$50bn] as farm credit. Also the Budget has proposed reduction of duties on several items which serve as inputs to the farm sector including a reduction of duty on drip irrigation systems, agricultural sprinklers and food processing machinery.

The Budget rightly notes that for achieving UPA Governments objective of inclusive growth it is important to create additional opportunities for skill enhancement and opportunities for pursuing higher education for all sections of the society. It is heartening to note that allocations have been increased for various merit cum means scholarship schemes including certain schemes which are targeted to minorities, members of the Schedule Castes and Schedule tribes etc. A Task Force in the Planning Commission which will work on strategies for promoting vocational education programmes is also proposed.

The Budget acknowledged the importance of health and sanitation towards raising the quality of life of common man. Accordingly, health and family welfare spending has been

increased by 21.9%. Containing HIV/AIDS and eradication of Polio remain healthcare priorities.

On the fiscal front at the macro-economic level the budget has made progress on achieving the overall objective a National Goods and Services tax. As part of this process the phasing out of Central Sales Tax (CST) is on track with a reduction of 1 percentage to 3 per cent from April 1, 2007. Defying expectations, the Budget proposes no change in the general CENVAT rate or in the service tax rate. The budget fully exempts bio-diesel from excise duty to reduce our dependence on fossil fuels.

On service tax front the budget proposes to raise the safe harbour limit for small service providers from Rs.400,000 to Rs.800,000 and at the same time brought, several more services like services outsourced for mining of mineral, oil or gas; renting of immovable property for use in commerce or business; development and supply of content for use in telecom and advertising purposes; asset management services provided by individuals; services involved in the execution of a works contract; and design services under the purview of service tax. However, the clinical trial of new drugs are exempted from service tax.

On the direct tax front the Budget has increased DDT from 12.5% to 15% (25% on dividends paid by money market mutual funds and liquid mutual funds) this proposal has a cascading impact where investment are routed into India through domestic holding companies or venture capital funds. There is no change in general corporate tax rate for large companies except additional education cess of 1% on all taxes to fund certain affirmative action programmes of the Government in the education sector. However, Small and Medium enterprises i.e. companies with a taxable income of Rs.1 crore or less will attract a lower rate of corporate tax whereby they will not be subject to a surcharge of 10%/2.5% on corporate income. The Budget also proposes

concession for expenditure relating to in-house research and development extended for five more years until March 31, 2012. It is also proposed to tax ESOP benefit provided to employees by employers at the corporate level via the Fringe Benefit tax route.

As regard stimulating the investment climate in the country the Finance Minister has committed his Government to introducing the necessary enabling legislation for allowing increase of the FDI cap in the insurance sector in the current session of Parliament . The Honourable Minister has also signaled the opening of the Pension sector through his tax proposals, whereby it is proposed that employer and employee contribution to notified pension schemes even by private sector employees will enjoy a tax exempt status at the time of contribution. Earlier this relief was available only to similar contributions by Government employees.

On the whole the Budget addresses many immediate concerns of the common man and yet continues to tread the path of fiscal prudence along-with inclusive growth. The Finance Minister however belied corporate expectation and held back radical progressive reforms on the fiscal front. All eyes are now focused on the new tax code which is expected to be tabled within 2007.

The following words of our Hon'ble Prime Minister capture the essence of this budget in the context of the multi-pronged inclusive growth priorities of the UPA government

*“But growth alone is not enough if it does not produce a flow of benefits that is sufficiently wide-spread. We, therefore, need a growth process that is much more inclusive, ..... and which also ensures access to essential services such as health and education for all sections of the community”.*

*Dr. Manmohan Singh, Prime Minister*

Chapter 1

# Overview



## Direct Tax

The Proposals in the Finance Bill 2007 reflect the broad policy direction of the Government to pursue moderate tax rates with a stable fiscal regime.

An explanation in section 9 is proposed to be introduced to reaffirm the source rule and to reiterate that it is not necessary to establish the territorial nexus between incomes deemed to accrue or arise to the non-resident and the territory of India. The effect of the amendment is that, where income in the nature of interest, royalties or fees for technical services under section 9(1) of the Income-tax Act, 1961 ("IT Act") is deemed to accrue or arise in India, such income shall be included in the total income of the non-resident, regardless of whether the non-resident has a residence or place of business or business connection in India.

- fees for professional services;
  - fee for technical services;
  - royalty;
  - non compete fee;
  - payments in respect of restrictive covenants;
  - commission and brokerage.
- from 20% to 10% in case of
- use of any machinery or plant or equipment.

The above tax withholding rate is to be further increased by applicable surcharge, if any, and education cess.

## Corporate Tax

The effective corporate tax rates for companies are as follows:

Company	Where taxable income exceeds Rs. 10 Million*	Other cases
Domestic Company	33.99%	30.9%
Foreign Company	42.23%	41.2%

\*The rate is inclusive of surcharge (of 10% in case of domestic company and 2.5% in case of foreign company) and education cess of 3%. The surcharge, however, shall not be more than the income in excess of Rs. 10 Million.

The effective MAT rates for companies are as follows:

Company	Where taxable income exceeds Rs. 10 Million*	Other cases
Domestic Company	11.33%	10.3%
Foreign Company	10.557%	10.3%

It is proposed to withdraw the exemption from MAT presently allowed in respect of exempt income of STPI/ EOU under the provisions of section 10A and 10B of the IT Act.

## Dividend Distribution Tax (DDT)

The rate of DDT payable by a domestic company upon declaration, distribution or payment of dividends is proposed to be increased from 14.025% to 16.995% (including surcharge and education cess). Similarly, the rate of DDT payable by 'Money Market Mutual Fund' or 'Liquid Fund' on distribution of its income is proposed to be increased from 14.025%/ 22.44% to 28.325% (including surcharge and education cess).

## Tax Withholding

- It is proposed to revise the basic tax withholding rate in respect of the following:
  - from 5% to 10% in case of

## Tax Holiday

The 10 year tax holiday available under section 80-IA of the IT Act is proposed to be extended to any undertaking carrying on the business of laying and operating a cross-country natural gas distribution network, including pipelines and storage facilities being an integral part of such network, subject to specified conditions. Similarly, the tax holiday available for the business of development, operation and maintenance of infrastructure facility is proposed to be extended to include navigational channel in the sea as part of the definition of "infrastructure facility".

Time limit for generation or transmission or distribution of power by an undertaking of an Indian company set up for reconstruction or revival of a power generating plant is proposed to be extended to March 31, 2008 for availing the tax holiday under section 80-IA of the IT Act.

It is proposed to provide tax holiday (subject to certain conditions) in respect of profits derived from the business of hotels or convention centres located in and around the National Capital territory of Delhi for five consecutive assessment years [Section 80-ID of the IT Act].

The tax exemption for SEZ units is proposed to be restricted to newly established units by requiring that, with retrospective effect from February 10, 2006, the unit in SEZ not to qualify for tax holiday under section 10AA of the IT Act if it is formed by splitting up or reconstruction of a business already in existence or if it is formed by the transfer to a new business of machinery or plant previously used for any purpose.

## Individual Taxation

The tax rates for individuals are proposed as follows:

Income (INR)	Tax Rate
Upto 110,000	Nil
110,001 -150,000	10%
150,001 – 250,000	20%
Above 250,000	30%

[Basic exemption for women is proposed at INR 145,000 and in case of senior citizens is INR 195,000]

In addition, surcharge to be levied @ 10% on income above INR 1000,000. Education cess of 2%, and additional cess called Secondary and higher education cess @ 1% is also proposed to be levied.

## Business Income

The weighted deduction of 150% of the expenditure on in-house R&D facility available to companies engaged in certain specified business is proposed to be extended for a further period of 5 years i.e. upto March 31, 2012.

The disallowance for payment otherwise than by an account payee cheque drawn on a bank or account payee bank draft is proposed to be increased from 20% of the expenditure to 100% of the expenditure. Further where the expenditure has been allowed on accrual basis and the payment is made in any following year(s), the above disallowance is proposed to be made in the year of such payment.

The benefits of carry forward and set-off of accumulated business losses and unabsorbed depreciation is proposed to be extended to cases of amalgamation of one or more Public Sector Company engaged in the business of operation of aircraft with one or more Public Sector Undertakings engaged in similar business.

The definition of 'Venture Capital Undertaking' to restrict such 'pass through' status and income-tax exemption to only such VCF/VCC which invest in domestic companies whose shares are not listed in a recognised stock exchange in India and which are engaged in certain specified business.

## Fringe Benefits Tax (FBT)

With a view to bring ESOPs/ Sweat Equity within the purview of FBT, it is proposed that the benefits to employees arising out of direct or indirect allotment or transfer of specified securities or sweat equity shares by the employer (including former employees) to be subjected to FBT. The said benefit is proposed to be valued at the fair market value of such securities or sweat equity shares on the date of exercise of option by the employee as reduced by any amount recovered from the employees, for levy of FBT.

## Tax Assessment

To ensure meaningful transfer pricing audit by the Transfer Pricing Officers (TPOs), the time limit for completion of assessment / reassessment is proposed to be increased by twelve months wherever reference is made to the TPO for determination of arm's length price. It is further proposed that the Assessing Officer would proceed to compute the total income of the assessee in conformity with the arm's length price so determined by the TPO.

## Settlement Scheme

In order to avoid delay in determining the tax liability of an assessee due to duplication of proceedings and absence of statutory time frame for settling the case, and to streamline the proceedings before the Settlement Commission, the Scheme is proposed to be revamped.

# Indirect Tax

## General

The Empowered Committee of State Finance Ministers has been entrusted to work with the Central Government to prepare a road map for introducing a national level GST with effect from April 1, 2010. As a first step, the CST is proposed to be reduced to 3% with effect from April 1, 2007.

A secondary and higher education cess @1% has been imposed on the aggregate of duties of customs, excise and service tax.

## Customs

In line with the Government's policy of reducing customs duties to ASEAN levels, the peak rate of duty for all non-agricultural goods has been reduced from 12.5% to 10% with the following exceptions:

- motor vehicles in any form other than completely knocked down kits
- textile fabrics chargeable to specific duties

Several end use exemptions have been reduced with a view to pruning the list of exemptions available under the customs regime.

Section 14 of the Customs Act, 1962 is proposed to be amended to provide for adoption of the transaction value for valuation of imported and exported goods.

## CENVAT

The Government has left the CENVAT rate untouched at 16%. The exemption limit for the purposes for the small scale sector has been raised from Rs.1 crore to Rs.1.5 crore.

Significant changes have been made with regard to valuation of goods manufactured by the job worker on behalf of a principal.

Several IT products now covered under the Maximum Retail Price (MRP) based system of excise payments.

## Service Tax

The rate of service tax would continue at 12%. However, the Government has broadened the service tax base by introducing seven new services and at the same time expanding the scope of certain existing services. Further, the Government also proposes to increase the threshold limit for small service providers from Rs.4 lakhs to Rs.8 lakhs.

The Export of Services Rules, 2005 have been modified with effect from March 1, 2007 to replace the condition of delivery of service outside India with the condition of provision of service from India. The other conditions pertaining to usage of services outside India and receipt of consideration in India in convertible foreign exchange remain as before.

Chapter 2

Economic Performance 2006-07



## Key Indicators

Particulars	2003-04	2004-05	2005-06	2006-07
Growth in %				
- GDP (at 1999-2000 prices)	8.5	7.5	9.0Q	9.2A
- Agricultural & allied sectors (at 1999-2000 prices)	10.0	0.0	6.0Q	2.7A
- Index of industrial production	7.0	8.4	8.2	10.8 (Apr – Dec)
Imports (at current prices, in USD billion)	78.1	111.5	149.2	131.2 (Apr – Dec P)
Exports (at current prices, in USD billion)	63.8	83.5	103.1	89.5 (Apr – Dec P)
Inflation (in terms of WPI) in %	4.6	5.1	4.1	6.7 (Feb. 3, 2007)
Forex reserves (in USD billion)	107.4	135.6	145.1	173.1 (end Jan 2007)
Exchange rate (USD1 = INR)	45.95	44.93	44.27	45.48 (Average rate Apr 06 – Jan 07)

Q-Quick estimates, P-Provisional estimates, A- Advance estimates

- The Economic Survey 2006-07 (Survey) released by the Ministry of Finance, Government of India, has projected the Indian economy to grow at a 'vigorous' 9.2% during 2006-07. However, the Survey has expressed concerns on the inflation front.
- During the last 5 years, between 2002-03 and 2006-07, Services contributed as much as 68.6% of the overall average growth in GDP. In 2006-07, the share of industry and services in GDP improved to 26.4% and 55.1% respectively, while the share of agriculture declined to 18.5%.
- Services sector has seen broad-based growth. The three sub-sectors of services, viz. 'trade, hotels, transport and communication services' registered double-digit growth for the fourth successive year. Impressive growth in IT & ITeS and fast addition to existing stock of telephone connections played a key role in such growth. Growth in financial services (comprising banking, insurance, real estate and business services) after dipping to 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07.
- The industrial sector grew 10.6% during Apr – Dec 2006, the highest recorded since 1995-96. In the period Apr – Nov. 2006, the Index of Industrial Production (IIP) was higher than that in the corresponding period of previous FY. Manufacturing sector contributed 91.1% to this improved performance, while mining and electricity sectors lagged behind.
- With more than half the country's population dependent on agriculture, growth at only 2.7% in 2006-07, on a base of 6.0% growth in the previous year, is a cause for concern. The low growth in agriculture can fuel inflation – one of the government's key concerns - with supply side problems in essential commodities.
- A notable feature of the current growth phase is the sharp rise in the rate of investment in the economy. The rate of gross domestic capital formation (GDCF) for 2005-06 has been estimated at 33.8%. This sharp increase in the investment rate has sustained the industrial performance and reinforces the outlook for growth.
- The fiscal deficit of the Centre as a proportion of GDP has come down from 6.2% in 2001-02 to 3.8% in 2006-07(BE)
- Inflation has followed the trend of the recent past. The international annual average price of the Indian basket of crude increased by over 40% annually in the period 2004-2006 to reach USD 75.2 per barrel on August 8, 2006. In order to check inflation, liquidity tightening measures such as a hike in the CRR, repo and reverse repo rates were effected.
- During 2006-07, exports gained momentum to grow by an estimated 36.3% during April - December to reach USD 89.5 billion.
- Capital flows into India remained strong. External assistance and ECBs - two major debt creating flows - accounted for 25% of the total capital flows in 2004-05 and 18% in 2005-06. FDI inflows registered strong growth, with three quarters of such flows in the form of equity. The growth rate was 27.4% in 2005-06 followed by 98.4% during April-September 2006.

- BSE Sensex rallied from a low of 8,929 on June 14, 2006 to an all time intra-day high of 14,724 on Feb 9, 2007. On January 12, 2007, India with market capitalization of 91.5% of GDP, compared favorably both with emerging economies as well as developed economies like Japan and South Korea.
  - Aggregate mobilization grew by 30.5% in calendar year 2006
  - Net mobilization by mutual funds increased by more than four-fold
- Buoyancy in tax receipts will improve the tax-GDP ratio of the center - estimated to rise to 11.2% in 2006-07 (from 8.8% in 2002-03)
  - Corporate and personal income tax have grown by 55.2% and 30.3% respectively during April-Dec 2006 over the corresponding period in FY 2005-06 (as against 20.3% and 22.7% respectively during FY 2005-06)
  - Share of direct tax revenue in the total tax revenue is budgeted at 47.6% for 2006-07
- With a burgeoning trade deficit, primarily on account of rising oil prices, the reversal from current account surpluses witnessed between 2001-02 and 2003-04 to a current account deficit in 2005-06 appears to be continuing in the current year.
- Foreign exchange reserves rose from USD 151.6 billion at end-March 2006 to USD 180 billion on Feb. 2, 2007 providing an import cover of about 11 months.

## Pointers to the future

- Inflation remains a key concern for the government. The Survey states that with appropriate policies, it should be possible to maintain and manage high growth while containing inflation.
- There is an urgent need for taking agriculture to a higher trajectory of 4% annual growth. Financing of rural infrastructure such as water, roads and power, along with measures for sustainable development like conservation of soil, water and ecology, to be stressed by various states and agencies at various levels.
- Distribution reforms identified as key area to infuse efficiency and viability into the power sector. Rural Electrification Policy aims at provision of electricity to all households by 2009, quality and reliable power supply at reasonable rates and minimum lifeline consumption of 1 unit per household per day by 2012.
- It is imperative to improve the effectiveness of Government intervention in critical social sector areas such as education, health and support for the needy.
- Tax reforms including improvements in tax administration, and building up a comprehensive database of tax payers, taxes paid, income and transactions in the asset markets and linking it up effectively with scrutiny and assessment process, is critical.



## Chapter 3

# Recent Policy Measures



## Inbound Investment

- 49% FDI allowed in Infrastructure companies in Securities Markets viz., stock exchanges, depositories and clearing corporations
  - Separate FDI cap of 26% and FII cap of 23%
  - FIPB approval required
  - FII investment only through purchases in secondary market
- Unlisted Indian companies are allowed to sponsor an issue of ADRs/GDRs, subject to conditions, such as:
  - Facility to be available to all categories of shareholders;
  - Non-profit making unlisted companies which had issued FCCBs, ADRs/GDRs prior to August 31, 2005 to comply with listing conditions on the domestic stock exchanges within 3 years of becoming profitable;
  - Unlisted companies which have not issued FCCBs/ADRs/GDRs prior to August 31, 2005 to require prior or simultaneous listing in the domestic stock exchanges.

- Trading in Commodities Exchange overseas and setting up JV/WOS for such trading will be reckoned as 'financial services activity' requiring clearance from Forward Markets Commission.

## ECB

- Eligible borrowers can now avail of an additional USD 250 million with average maturity of more than 10 years under the approval route, (over and above the current USD 500 million ceiling) during a FY. Prepayment and call/put options facility, however, would not be permissible for such ECBs upto a period of 10 years.
- Prepayment of ECB upto USD 300 million (as against USD 200 million earlier) has been permitted without prior RBI approval, subject to compliance with the condition of minimum average maturity period.
- It has been reiterated that OCBs, not being recognized as investors cannot be recognized lenders.

## Outbound Investment

- More flexibility given to Indian entities in offering guarantees on behalf of overseas JV/WOS
  - corporate or personal / primary or collateral / guarantee by the promoter company / guarantee by group company, sister concern or associate company in India, subject to prescribed conditions, which includes specifying the guarantee amount upfront.
- Disinvestment involving write-off covered under the automatic route for the following cases:
  - JV/WOS is listed in the overseas stock exchange.
  - Indian promoter is listed in India and has a net worth of at least Rs. 1 billion.
  - Where the Indian promoter is not listed; the overseas investment does not exceed USD 10 million.
- Proprietary / unregistered partnership firms satisfying the prescribed eligibility criteria can float JV/ WOS overseas with prior approval of RBI.

## Telecom

- The time limit for compliance with conditions of Press Note 5 (2005 series) relating to enhancement of FDI in Telecom Sector from 49% to 74% extended upto April 2, 2007.
- SACFA procedures simplified and made online. Siting clearance no more required for antenna towers/masts located beyond 7 kms for the nearest airport and having up to 40 metres above the Above Mean Sea Level of the Airport Reference Point.
  - ISPs providing VPN services shall be required to comply with following conditions:
  - NLD/ILD licenses would need to be obtained depending on the area of service
  - Financial Bank Guarantee (FBG)
    - Category A & B ISP licensee – Rs 10 million upto December 31, 2006
    - Subsequently, the amount of FBG shall be equivalent to the estimated sum payable for two quarters towards license fee and other dues not otherwise securitized



#### - Entry fee

- VPN with NLD license - Rs. 25 million entry fee
- VPN with NLD and ILD licenses – Rs 50 million

Amount of entry fee earlier paid by ISPs for VPN permission shall be provisionally adjusted against the entry fee for NLD / ILD license

- License fee @ 6% of AGR for VPN service only shall be paid for the intervening period from 16<sup>th</sup> Dec, 2004 till they obtain NLD / ILD license(s).
- Guidelines to telecom/ broadcast service providers for satellite communications prescribed for both new Commercial/ Captive CUG VSAT licensees and other licensees using satellite media and existing service providers. Both new and existing services providers for starting a new service on satellite or carrying out reconfiguration/ addition/ modification in existing network on satellite would need to approach Satellite Cell of DoT.

#### - Content regulation & monitoring

##### - Adherence to Programme and Advertising Code

- Bringing an end to the controversy over sharing of broadcasting feed, the Government has passed an Ordinance making it compulsory for content providers, television and radio broadcasters of major sporting events, cricket and non-cricket, to share live feed with the national broadcaster. The Sports Broadcasting Signals (Mandatory Sharing with Prasar Bharati) Ordinance 2007 mandates that live television and radio feed, minus advertisements, be shared with Doordarshan and All India Radio for events adjudged as being of national importance by the Union Government.
- The Ministry of Information & Broadcasting has issued a Notification providing for certification of content through cable services.
- Films, film songs, promos, trailers, music videos, music albums or their promos, whether produced in India or abroad, to be certified by the Central Board of Film Certification (CBFC).
- Prohibition on advertisements, which violate the code for self-regulation in advertising, as adopted by the Advertising Standard Council of India (ASCI).
- An Electronic Media Monitoring Centre (EMMC) has been set up for content monitoring of private television channels and to check violations of Programme and Advertisement Codes.

## Information & Broadcasting

- Government has decided to broad base the policy for setting up community radio stations by bringing 'Non-profit' organisations like civil society and voluntary organisations etc under its ambit in order to allow greater participation by the civil society on issues relating to development & social change.
- Key features of policy are
  - Applicant must be constituted as a 'non-profit' organisation with a proven record of at least three years of service to the local community.
  - Only Educational, developmental, social and cultural programmes permitted.
  - Permission shall be for five years.
  - Limitation of only one approval per applicant

## Oil & Gas

- The Petroleum & Natural Gas Regulatory Board Act 2006 has been notified. The Act provides for The Petroleum and Natural Gas Regulatory Board to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products to protect the interest of consumers and entities engaged in the activities of petroleum, petroleum products to ensure uninterrupted supply of petroleum and petroleum products in all parts of the country.

- The Ministry of Petroleum & Natural Gas has notified the policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks. The policy aims to facilitate open access for all players, from public as well as private sector, to the pipeline network on a non-discriminatory and common carrier basis.
  - Policy applies to natural gas pipelines and city or natural gas distribution networks (except for dedicated pipelines for supply to specific consumers originating from regulated pipelines provided the same are for captive).
  - Prior authorization by the Petroleum & Natural Gas Regulatory Board necessary for laying/ operation/ expansion of such infrastructure.
  - Pipeline capacity to be at least 33% more than the capacity requirements.
- As many as 267 items, earlier exclusively reserved for SSIs have been de-reserved, which include mechanical engineering goods, wood and wood products, glass and ceramics, etc. Consequently, only 239 items are reserved for the exclusive manufacture by the Small Scale Industries as compared to 506 in March 2006.

## Pharma

- With a view to provide upgradation of national drugs regulator, uniformity of licensing and enforcement and improvement in quality & safety of drugs, the Union Cabinet gave its approval for setting up of Central Drugs Authority of India as an autonomous organization under the Ministry of Health & Family Welfare

## Civil Aviation

- Ministry of Civil Aviation has issued guidelines for use of Airport Infrastructure in case of merger / take over of airlines and sale / transfer of aircraft. As per the guidelines, user rights cannot transfer from one airline to another airline.
- On February 1, 2007, Ministry of Civil Aviation has issued "Civil Aviation Requirements" containing detailed information, guidance and compliance by the aircraft operators who are importing / acquiring aircraft manufactured in India and also providing requirements for the issue/ validation and renewal of Certificate of Airworthiness
- During 2006-07 Government of India has signed MoUs with Singapore, Denmark, Norway, Sweden, Qatar and Spain countries to increase bilateral air traffic movements.

## Food Processing

- The Food Safety and Standards Act, 2006 has been legislated providing for a single window system and uniform legislation to govern the food processing industry including establishment of the Food Safety and Standards Authority of India. The Act has provisions of stringent punishment for offenders who adulterate food, causing serious health hazards to the consumers.
- Prevention of Food Adulteration Rules have been amended to exempt condensed milk sweetened, condensed skimmed milk sweetened, milk powder, skimmed milk powder, partly skimmed powder and partly skimmed sweetened condensed milk from Bureau of Indian Standard Certification.

## Power

- The Ministry of Power announced the Rural Electrification Policy in August 2006 to achieve the following objectives:
  - Provision of access to electricity to all households by year 2009.
  - Quality and reliable power supply at reasonable rates.
  - Minimum lifeline consumption of 1 unit per household per day by 2012.

## Small & Medium Enterprises

- The Micro, Small and Medium Enterprises Development Act, 2006, has been enacted to facilitate the promotion and development of SMEs in a competitive manner through measures such as:
  - Empowering the Central and State governments to notify preferential policies for procurement of goods, services produced and provided by SMEs;
  - Empowering the State Governments to specify that labour laws will not apply to SMEs employing upto 50 people;
  - Provisions for timely and smooth flow of credit to SMEs;
  - Creation of a Central Government fund to facilitate the promotion, development and competitiveness of SMEs.

## Financial Sector

- ***The Reserve Bank of India (Amendment) Act, 2006***

The Reserve Bank of India (Amendment) Act, 2006 has come into force empowering the RBI to lay down

policy directives to any agency dealing in various kinds of contracts in respect of Government securities, money-market instruments and derivatives and inspect such agencies;

- **The Actuaries Bill, 2006**

The Actuaries Bill, 2006 has been enacted enabling setting up of the Institute of Actuaries to conduct examinations for the profession of actuaries to regulate the profession. The Actuarial Society of India would be dissolved and its assets and liabilities transferred to the proposed Institute of Actuaries of India.

- **Prudential Guidelines on Banks' investment in Venture Capital Funds**

RBI has issued guidelines concerning investment by Banks in VCFs. These guidelines prescribe norms relating to:

- Prudential exposure limits
- Valuation and classification of banks' investment in VCFs
- Exemption under guidelines relating to non-SLR securities
- RBI approval for strategic investments in VCFs

- **Changes in Risk Weight on Exposures to Commercial Real Estate and Venture Capital Funds**

Risk Weight on banks' exposure to the commercial real estate has been increased from 125% to 150%. Further, bank's total exposure to VCFs will form part of its capital market exposure and, henceforth, a higher risk weight of 150% will be assigned to these exposures.

- **Financial Regulation of Systemically Important NBFCs and Banks' Relationship with NBFCs**

The key features of Notification dated December

12, 2006 issued by the RBI prescribing regulatory framework for systemically important non-deposit taking NBFCs, are listed below:

- **Non-deposit accepting Systemically Important NBFCs**  
Non-deposit accepting NBFCs with an asset size of Rs. 1 billion and more would be considered to be Non-deposit accepting Systemically Important NBFC ('NDSI-NBFC') and will be governed by a separate set of prescribed norms.
- **Banks Exposure to NBFCs**  
Bank's exposure to a single NBFC and aggregate exposure to all NBFCs should not exceed 10% and 40%, respectively, of the bank's capital funds per its last audited balance sheet. This may be increased to 15% / 50% provided the additional exposure is on account of funds on-lent by the NBFC(s) to infrastructure sectors.

- **Re-classification of NBFCs**

Companies financing real / physical assets for productive / economic activity will now be classified as Asset Finance Company. Other companies will continue to be classified as Loan Company and Investment Company.

## Special Economic Zones

- Central Government has notified the list of authorized operations in Special Economic Zones, which would qualify for exemptions, concessions and drawback. The authorized operations include housing, water treatment plants, sewage and garbage disposal plants, electricity, gas and PNG distribution network and recreational facilities, etc.
- Central Government has notified the SEZ (Amendment) Rules, 2006. The salient features of the Rules are as under:
  - **Processing Area and built-up area requirements**

Requirements	Earlier provision	Amended provision
Minimum land area to be earmarked for Processing area in Multi-Product/ Multi-Services SEZ	25%	Enhanced to 35% - can be relaxed upto 25% by the Central Government on specific recommendation of the BoA
Minimum land area to be earmarked for Processing area in a stand alone FTWZ	None	50%
Minimum Built-up area requirement (in addition to minimum land area and processing area requirement of 50%) in the processing area of	None	
<ul style="list-style-type: none"> <li>• Gems &amp; Jewellery</li> <li>• Bio-technology and non conventional energy</li> </ul>		50,000 sq. mtrs 40,000 sq. mtrs



- *Infrastructure requirements for Information Technology SEZ*

In the case of an SEZ relating to Information Technology, the following need to be ensured:

- 24 hour uninterrupted power supply at stable frequency
- Reliable connectivity for uninterrupted and secure data transmission
- Central air-conditioning system
- Ready to use, furnished plug and pay facility for end-users

- *Use of old plant or machinery*

No proposal shall be considered for use of any plant or machinery previously used for any purpose in the Domestic Tariff Area

- *Trading in an SEZ*

It is explained that "trading" for the purpose of availing benefit under section 10AA of the Act shall include only import for the purpose of re-export. Export of locally procured products shall not be entitled to claim benefit of section 10AA.

- *Lease of land / infrastructure in the Non-Processing Area*

- Vacant land in the Non-Processing Area for business and social purposes can be leased by Developer only to an approved Co-Developer.

- Completed infrastructure with vacant land appurtenant thereto in the Non Processing Area can be leased by Developer / Co-Developer to anyone.

- *Infrastructure in the non-processing area of SEZ*

- The infrastructure for business and social purposes in the Non-Processing Area will be eligible for exemptions, concession and drawback only to the extent such infrastructure is approved by the BoA. Building of any non-approved infrastructure will not be entitled to exemptions/concessions.

- *SEZ Developer Eligibility*

The BoA has agreed on net worth/minimum investment criteria for granting approval to SEZ Developers

- Sector specific SEZs : minimum investment of Rs. 2.5 billion OR net worth of Rs. 500 million
- Multi-product SEZs : minimum investment of Rs. 10 billion OR net worth of Rs. 2.5 billion

Proposals not meeting the above criteria shall be considered by BoA on merits.

Chapter 4

# Key Legislative Developments





## Exchange Control - FEMA

- **Repurchase of shares issued under ESOPs by foreign companies**

ADs now permitted to allow remittance for acquiring shares under ESOP Schemes, including where the shares are offered directly by the issuing company or indirectly through a trust / a SPV / step down subsidiary, subject to prescribed conditions.

Foreign companies allowed to re-purchase shares issued to Indian residents under any ESOP scheme subject to conditions and provided shares are repurchased in terms of the initial offer document.

- **Export of Goods and Services**

ADs permitted to grant extension of time for realization of export proceeds up to invoice value of USD 1 million subject to existing terms and conditions.

- **Remittance to overseas Branch offices**

Limits for incurring initial expenses for normal business operations of overseas offices has been enhanced from 2% to 15% of the average annual sales/income or turnover during the last two FY or up to 25% of the net worth, whichever is higher, and for recurring expenses from 1% to 10% of the average annual sales/income or turnover during the last two FY, subject to the existing terms and conditions.

Remittances for acquisition of immovable property for the overseas office now permitted within the above limits.

- **Maintenance of collateral by FIIs for transactions in derivative segment**

FIIs permitted to offer foreign sovereign securities with AAA rating as collateral to Indian Stock Exchanges for their transactions in derivatives segment. Operational guidelines to be issued by SEBI.

- **Remittance of sale proceeds of immovable properties**

The 10 years lock-in-period for remitting sales proceeds upto USD 1 million in any financial year (hitherto calendar year) of immovable property by Non-Resident Indian or Person of Indian Origin has been removed.

- **Issue of Bank Guarantee on behalf of service importers**

ADs permitted to issue guarantees up to USD 100,000 on behalf of importers of services in India to secure direct contractual liability arising out of a contract between a resident and a non resident, subject to conditions.

- **EEFC accounts**

All eligible categories of foreign exchange earners can credit up to 100 per cent of their foreign exchange earnings to their EEFC Accounts

- **Liberalised Remittance Scheme for resident individuals**

Monetary limit under the liberalised Remittance Scheme of USD 25,000 enhanced to USD 50,000 per FY for any capital or current account transaction or a combination of both. This limit shall include remittances towards gift and donation by a resident individual as also investment by resident individual in overseas companies. The requirement of 10% reciprocal shareholding in the listed Indian companies by such overseas companies dispensed with.

- **Booking Forward Contracts**

Importers/ Exporters allowed to book forward contracts in excess of 50% of the eligible limit (earlier 25% was allowed) on a deliverable basis. Importers have also been permitted to book forward contracts for customs duty component of the import.

- **Remittance for Trademark or Franchise**

Prior RBI approval no longer required in case of remittance of foreign exchange for purchase of trademark or franchise in India.

- **Liberalisations in Project and Service Exports**

To simplify and provide greater flexibility to project / service exporters in conducting their overseas transactions, RBI has permitted inter-project transfer of machinery & funds and deployment of temporary cash surpluses overseas in specified investments.

- **Forward cover for FIIs**

AD Category – I banks to allow FIIs to cancel and rebook forward contracts up to a limit of 2% of the market value of their entire investment in India.

- Companies which, at the time of initial listing, had offered at least 10% of the total number of issued shares; and

- Companies which have outstanding shares of 20 million or more and Rs. 10 billion or more in terms of market capitalization.

- **Substantial Acquisition of Shares and takeovers Regulations ('Takeover Code')**

- **Amendment**

The regulations of the Takeover Code pertaining to the consolidation of holdings have been realigned to de-link the delisting guidelines from the Takeover Code. Any event triggering delisting and the consequential measures to be taken would now be covered only in the Delisting Guidelines and not in the Takeover Code.

- **Exemption under the Takeover Code**

SEBI has clarified that transfer of shares from a VCF / FVCI in favour of the promoter of the VCU is exempt from the provisions of the Takeover Code where the VCF / FVCI acquired the shares while the VCU was unlisted.

Transfer of shares by a VCU/ FVCI of any other listed company would not be exempt.

- **Public Shareholding in Recognised Stock Exchanges**

SEBI has issued a notification stating the manner for increasing and maintaining the public stake in Recognised Stock Exchanges ('RSE'). Key features are -

- 51% of the share capital of the RSEs to be held by the public;
- No person allowed to acquire more than 5% of the paid up capital of the RSE;
- Acquisition of 1% of the shares to require prior SEBI approval.

## SEBI

- **Minimum public shareholding in case of Listed Companies**

Key amendments made to the Listing Agreement -

- Public shareholding to be maintained at a minimum 25% of the total number of issued shares of a class or kind.
- Public shareholding at a minimum 10% permitted only in the following companies -

- **Amendment to the Disclosure and Investor Protection ('DIP') Guidelines**

Prior to the amendment, shares held by VCFs / FVCIs registered with SEBI in an unlisted company proposing an IPO were not subjected to any lock in period.

Post amendment, benefit of 'no lock-in' on the pre-issue shares of an unlisted company making IPO held by VCFs / FVCIs registered with SEBI shall be limited to:

- Shares held by VCFs or FVCIs registered with SEBI, for a period of at least one year as on the date of filing draft prospectus with SEBI; and

- Shares issued to SEBI registered VCFs / FVCIs upon conversion of convertible instruments during the period of one year prior to the date of filing draft prospectus with SEBI subject to conditions.

- **Guidelines for Qualified Institutional Placements (QIP)**

SEBI has permitted listed companies to raise funds from domestic markets by making placements of securities with Qualified Institutional Buyers ('QIBs') -

- Companies, whose equity shares are listed on a stock exchange having nation wide trading terminals and which complies with the prescribed requirements of minimum public shareholding of the listing agreement are eligible for Institutional Placement.
- Only those QIBs who are neither promoters, nor related to promoters are eligible to invest.
- Aggregate funds raised through QIP route in a single financial year cannot exceed five times the net worth of the issuing company.

- **Repealing of the Central Listing Authority Regulations**

SEBI has dissolved the Central Listing Authority and consequently the Central Listing Authority Regulations have also been repealed with immediate effect.

- **Introduction of Gold Exchange Traded Funds in India**

SEBI has permitted Mutual Funds to issue Gold Exchange Traded Fund scheme. These funds can primarily invest in gold and gold related instruments.

- **Real Estate Mutual Funds**

SEBI has issued guidelines for Real Estate Mutual Funds ('REMFs') -

- Scheme to be close ended
- Custodian to be appointed
- Compulsory listing of units on stock exchanges
- NAV to be declared on a daily basis
- Schemes can only invest in specified securities / investments

- **Amendments to Mutual Fund Regulations**

- Mutual Funds can now make investments in certain specified foreign securities including

ADRs/GDRs, within an aggregate investment limit of USD 3 billion with an individual sub-ceiling of 10% of the net assets managed by the investing Mutual Fund (upto to a maximum of USD 150 million)

- Subject to prescribed eligibility conditions, Mutual Funds can invest in overseas ETFs within overall limit of USD 1 billion with an individual sub-ceiling of 10% of the net assets managed by the investing Mutual Fund (upto a maximum of USD 50 million).
- SEBI has introduced "Capital protection oriented schemes" to protect the capital invested therein through suitable orientation of the Mutual Fund portfolio structure. Conditions include:
  - Schemes to be close-ended;
  - AMC cannot re-purchase units of a capital protection oriented scheme before end of maturity period;
  - Units to be rated by a registered credit rating agency.

- **Amendments to FII Regulations**

Eligibility for registration as FII/sub-account, extended to-

- Insurance company;
- Reinsurance company;
- International or Multilateral Organisation or an agency thereof;
- A Foreign Governmental Agency;
- A Foreign Central Bank; and
- Investment manager and advisor.

- **Common Key Personnel between Mutual Funds and VCFs**

In order to avoid conflict of interest between the activities of Mutual Funds and VCFs, SEBI has decided that no key personnel of a Mutual Fund shall be on the board of Asset Management Company / Investment Manager / Investment Advisor / Investment Committee of a VCF.

## Company Law

- The Companies Amendment Act, 2006 has been enacted containing the following key provisions:
  - Introduction of "MCA-21", a comprehensive e-Governance system and programme to provide the public, corporate entities and

- others with an easy and secure online access to corporate information.
- Electronic filing system and payment of fees through electronic form.
- Allotment of a unique Director Identification Number ('DIN') to any existing or proposed director.
- The Central Government has notified "The Companies (Accounting Standards) Rules, 2006" The standards specified in these Rules are largely on the lines of the Accounting Standards and Interpretations thereof issued by the ICAI.

## Guidance Notes on Accounting

- The ICAI has issued the following Guidance Notes
  - Accounting for Credit Available in respect of Minimum Alternative Tax
  - Recognition of Revenue by Real Estate Developers - revenue to be recognized only when the seller has transferred all risks and rewards of ownership accompanied by reasonable certainty of the consideration and its collection.
  - Measurement of Income-tax expense for Interim Financial Reporting in the context of AS 25

## Income Tax Law

- Form 3CD was modified by Notification no. 208/2006 issued by the CBDT, dated August 10, 2006 incorporating various key clauses to bring it in line with the various tax amendments.
- India has signed a new DTAA with Kuwait on June 15, 2006.
- The tax rate on royalties and fees for technical services under the DTAA between India and Norway has been reduced from 20% to 10%.
- India and Japan have signed a Protocol whereby the following amendments have been made in their existing DTAA:
  - Tax rates for interest and dividend have been reduced from 15% to 10%.
  - Tax rates for royalties and fees for technical services have been reduced from 20% to 10%.

- Tax sparing provision as contained in Article 23(3)(c) of the DTAA has been deleted. (Under the tax sparing provision, the country of residence will grant a credit for the tax that would have normally been imposed by the source country but which is not so done because of the tax incentives provided by that country).
- DTAA between India and Saudi Arabia notified to come into effect from FY 2007-2008 (AY 2008-2009) onwards.
- The Finance Act, 2006 had retrospectively amended the provisions of section 43B of the Act to provide that interest payable by an assessee on any loan or borrowing or advance shall be allowed if such interest has been 'actually paid' and any interest which has been converted into a loan or borrowing or advance, shall not be deemed to have been actually paid.

The CBDT has issued a Circular clarifying that the unpaid interest (which has been converted into loan, etc) will be eligible for deduction in the computation of income in the year in which such converted interest is actually paid. It is also clarified that nomenclature of the sum of converted interest will make no difference as the sum of converted interest whenever is actually paid will represent payment of interest (and not repayment of principal of converted loan).

- The Finance Minister had announced last year the proposal to set up Large Tax Payer Units (LTUs), which would act as a single window facilitation center for all large entities paying Central Excise duty, Corporate Tax, Income Tax and Service Tax. The objective behind setting up LTUs are reducing tax compliance cost, reducing delays in compliance matters and bringing out uniformity in the matters of tax/duty determination. The Government has notified guidelines for setting up LTUs and the salient features of the same are as under:

### **Eligible Taxpayers**

Tax payers fulfilling the following criteria would be eligible to opt for LTU:

- Presently assessed to income tax / corporation tax in any of the five cities (Mumbai, Bangalore, Delhi, Chennai and Kolkata); and
- During FY 2004-2005, made payment of -
  - excise duty or service tax of Rs.5 crore or more; or
  - advance income tax / corporation tax of Rs.10 crore or more.

### **Benefits and procedures – Direct tax related**

- A large taxpayer can file all its direct tax, excise and service tax related returns at a single place, irrespective of the geographical location of its business units. Gradually this facility would be extended for filing other documents.
- Cases for scrutiny under the Income Tax Act will be picked up on the basis of scientific risk management procedure.
- All future appeals would lie with the CIT(A) in the LTUs.
- Facility for direct credit of refunds to the bank account of taxpayers.
- Jurisdiction over the TDS returns would shift from the local Commissionerates to the LTUs.

The Government has set-up the first LTU at Bangalore.

- The CBDT has issued a notification effective April 1, 2006 on Zero Coupon Bonds and for the computation of pro-rata discounts on such bonds for the purpose of Section 36(1)(iiiia) of the Act.
- CBDT has issued a Circular clarifying that provisions of section 194C of the Act would be applicable only where it is “contract for work” and not a “contract for sale”.
- The Taxation Laws (Amendment) Act, 2006 has been enacted w.e.f. July 13, 2006. The salient features are as under:
  - Deduction under Section 10A/ 10B/ 10BA shall be allowed even if the convertible foreign exchange is received / brought into India subsequently. The Assessing Officer shall amend the assessment order (within 4 years from receipt of income in India) so as to allow the deduction upon subsequent receipt of income in India in the specified manner.
  - Section 194-I is amended to provide for TDS on renting of land, buildings, plant and machinery, equipment, furniture, etc.

- Section 194J is amended to provide for TDS on payment of royalty and non-compete fee to residents.
- The disallowance under section 40(a)(ia) for non-deduction of taxes has been extended to rent and royalty paid/ payable.
- The limit for non-taxability of any sum of money received without any consideration by Individual/ HUF has been increased from Rs. 25,000 to Rs. 50,000.
- The provisions of section 275 have been amended to provide revision of penalty orders passed prior to passing of Appellate Orders.
- Contributions made by an assessee to various specified associations, institutions, projects, etc. shall not be disallowed on the ground that subsequent to the contribution, the exemption approval granted to the concerned association, institution, project etc. has been withdrawn.

- CBDT has issued directions permitting deduction under Section 10A of the Act to STP units approved / registered by the Directors of STP (instead of approval by Inter-Ministerial Standing Committee of the Department of Electronics).
- CBDT has issued draft instructions prescribing certain tests to distinguish between shares held as stock-in-trade and shares held as investments.
- Government has introduced the Income Tax Ombudsman Guidelines, 2006 with the objective of enabling the resolution of complaints relating to public grievances against the Income Tax department and to facilitate the satisfaction or settlement of such complaints.
- There is active consideration to replace the current Income Tax Act, 1961 with a new Act effective from April 1, 2008.

# Chapter 5

## Budget Financials

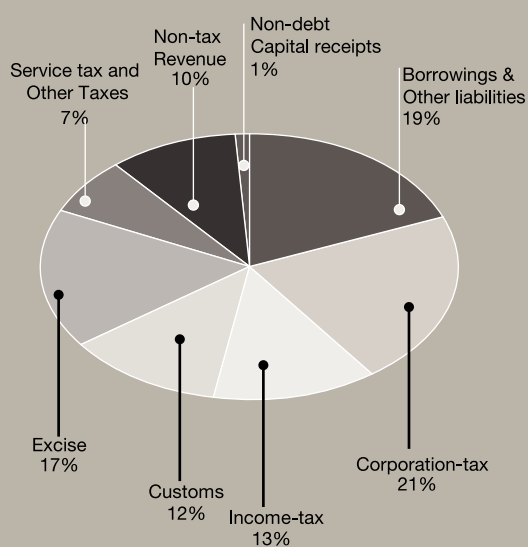
The following table sets out the Key Budget Financials:

	(INR in crores)			
	2005-2006 Actuals	2006-2007 Budget Estimates	2006-2007 Revised Estimates	2007-2008 Budget Estimates
<b>1. Revenue Receipts</b>	<b>347,462</b>	<b>403,465</b>	<b>423,331</b>	<b>486,422</b>
2. Tax Revenue (net to centre)	270,264	327,205	345,971	403,872
3. Non-tax revenue	77,198	76,260	77,360	82,550
<b>4. Capital Receipts <sup>§</sup></b>	<b>158,661</b>	<b>160,526</b>	<b>158,306</b>	<b>194,099</b>
5. Recoveries of Loans	10,645	8,000	5,450	1,500
6. Other Receipts	1,581	3,840	528	41651*
7. Borrowings and other liabilities	146,435	148,686	152,328	150,948
<b>8. Total Receipts (1+4) <sup>§</sup></b>	<b>506,123</b>	<b>563,991</b>	<b>581,637</b>	<b>680,521</b>
<b>9. Non-Plan Expenditure</b>	<b>365,485</b>	<b>391,263</b>	<b>408,907</b>	<b>475,421</b>
10. On Revenue Account of which	327,903	344,430	362,183	383,546
11. Interest Payments	132,630	139,823	146,192	158,995
12. On Capital Account	37,582	46,833	46,724	91875*
<b>13. Plan Expenditure</b>	<b>140,638</b>	<b>172,728</b>	<b>172,730</b>	<b>205,100</b>
14. On revenue account	111,858	143,762	144,584	174,354
15. On capital account	28,780	28,966	28,146	30,746
<b>16. Total Expenditure (9+13)</b>	<b>506,123</b>	<b>563,991</b>	<b>581,637</b>	<b>680,521</b>
17. Revenue Expenditure (10+14)	439,761	488,192	506,767	557,900
18. Capital Expenditure (12+15)	66,362	75,799	74,870	122621*
<b>19. Revenue Deficit (17-1) As a percentage of GDP</b>	<b>92,299 2.6%</b>	<b>84,727 2.1%</b>	<b>83,436 2.0%</b>	<b>71,478 1.5%</b>
<b>20. Fiscal Deficit [16-(1+5+6)] As a percentage of GDP</b>	<b>146,435 4.1%</b>	<b>148,686 3.8%</b>	<b>152,328 3.7%</b>	<b>150,948 3.3%</b>
<b>21. Primary Deficit (20-11) As a percentage of GDP</b>	<b>13,805 0.4%</b>	<b>8,863 0.2%</b>	<b>6,136 0.1%</b>	<b>(8,047) -0.2%</b>

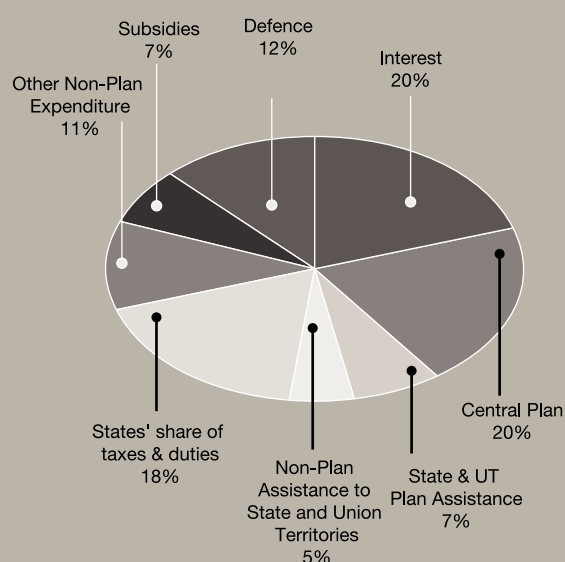
\*Includes an amount of Rs. 40,000 crore on account of transactions relating to transfer of RBI's stake in SBI to the Government

§ Does not include receipts in respect of Market Stabilization Scheme, which will remain in the cash balance of the Central Government and will not be used for expenditure

### Where the Rupee comes from



### Where the Rupee goes to



Chapter 6

# Direct Taxes



## Definition of India

It is proposed to provide a comprehensive definition of India in the IT Act and the WT Act with effect from August 25, 1976. As per proposed amendment to the definition of the term "India" would mean the territory of India as provided in Article 1 of the Constitution of India, its territorial waters, sea bed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone and the air space above its territory as well as the territorial waters.

## Scope of income

It is proposed to introduce an explanation in section 9 of the IT Act to reaffirm the source rule and to reiterate that it is not necessary to establish the territorial nexus between incomes deemed to accrue or arise to the non-resident and the territory of India. The effect of the proposed amendment would be that where income in the nature of interest, royalties or fees for technical services under section 9(1) of the IT Act is deemed to accrue or arise in India, such income shall be included in the total income of the non-resident, regardless of whether the non-resident has a residence or place of business or business connection in India.

## Individual Taxation

The tax rates for individuals are proposed as follows:

Income (INR)	Tax Rate
Upto 110,000	Nil
110,001 -150,000	10%
150,001 – 250,000	20%
Above 250,000	30%

[Basic exemption for women is proposed at INR 145,000 and in case of senior citizens is proposed at INR 195,000]

In addition, surcharge to be levied @ 10% on income above INR 1000,000. Education cess of 2%, and additional cess called Secondary and higher education cess @ 1% is proposed to be levied.

- Under section 17(2)(ii) of the IT Act, perquisite being the value of concession in rent in respect of residential accommodation provided by an employer is taxable as 'salary'. The said perquisite is valued in accordance with rules made under the Income-tax Rules, 1962. As per recent judicial opinion, the said rules would not apply unless there is in fact a perquisite (concession in rent). It is proposed to provide in section 17(2)(ii) of the IT Act that the concession in rent shall be deemed to have been provided to the employee in specified circumstances.

- It is proposed to amend the definition of 'capital asset' to provide that personal effects, the transfer of which does not presently result in taxable capital gains, will not include archeological collections, drawings, paintings, sculptures or any work of art. In effect, the transfer of such assets could, subject to the other provisions of the IT Act, be subjected to capital gains tax.
- Presently, deduction under section 80CCD of the IT Act in respect of contribution to notified pension scheme is available only to employees of Central Government. It is proposed to extend the deduction to employees of other employers also. This amendment will take effect retrospectively from the 1st April, 2004.
- Deduction in respect of medical insurance premium under section 80D is proposed to be increased to Rs. 15,000. It has been proposed to increase such deduction to Rs. 20,000 in case of senior citizens. Payment of premium through electronic mode, credit cards etc. is also proposed to be included.
- The benefit of deduction for payment of fees for higher education under section 80E of the IT Act is proposed to be extended to spouse and children.

## Corporate Taxation

The effective rates of tax proposed for companies are as follows: -

Company	Where taxable income exceeds Rs. 10 Million*	Other cases
Domestic Company	33.99%	30.9%
Foreign Company	42.23%	41.2%

\*The rate is inclusive of surcharge (of 10% in case of domestic company and 2.5% in case of foreign company) and education cess of 3%. The surcharge, however, shall not be more than the income in excess of Rs. 10 Million.

## Minimum Alternate Tax (MAT)

The effective rates of tax for MAT are as follows:

Company	Where taxable income exceeds Rs. 10 Million*	Other cases
Domestic Company	11.33%	10.3%
Foreign Company	10.557%	10.3%

It is proposed to withdraw the exemption from MAT presently allowed, inter alia, in respect of exempt income of STPI/ EOU under the provisions of section 10A and 10B of the IT Act.

## Dividend Distribution Tax (DDT)

The rate of DDT payable by a domestic company upon declaration, distribution or payment of dividends under section 115-O of the IT Act is proposed to be increased from 14.025% to 16.995% (including surcharge and education cess).

The rate of DDT payable under section 115R of the IT Act by 'Money Market Mutual Fund' or 'Liquid Fund' on distribution of its income is proposed to be increased from 14.025%/ 22.44% to 28.325% (including surcharge and education cess). For this purpose, "Money Market Mutual Fund" is defined to mean a money market mutual fund as defined in sub-clause (p) of clause 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and "Liquid Fund" has been defined to mean a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a 'Liquid fund' in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder.

These amendments are proposed to be effective April 1, 2007.

## Tax Withholding

It is proposed to revise the basic tax withholding rates in respect of the following:

- from 5% to 10% in case of
  - fees for professional services;
  - fee for technical services;
  - royalty;
  - non compete fee;
  - payments in respect of restrictive covenants;
  - commission and brokerage.
- from 20%/15% to 10% in case of
  - use of any machinery or plant or equipment.

The above tax withholding rates are to be further increased by applicable surcharge, if any, and education cess.

Presently, individuals and HUF are not required to withhold tax on payments made to contractors under section 194C of the IT Act. It is proposed to amend section 194C of IT Act requiring individuals and HUF to deduct tax at source under the section (unless the payments are exclusively for their personal use) provided they are required under the IT Act to furnish tax audit report under section 44AB of the IT Act in the immediately preceding financial year in which the amount is credited or paid to a contractor.

Presently, tax is not required to be deducted on

interest payable on any security of the Central or State Government. It is proposed that with effect from June 1, 2007, the person responsible for paying to a resident any interest on 8% Saving (Taxable) Bonds, 2003 (which are Central Government Securities) shall deduct tax at source if the interest payable on such bonds exceeds Rs.10,000 during the financial year.

Presently, tax is not required to be deducted when interest other than interest on securities does not exceed Rs. 5,000. It is proposed to raise this limit to Rs. 10,000 with effect from June 1, 2007, in case the payer is a bank, co-operative society carrying on banking business or post office.

In the provisions relating to collection of tax at source, the term 'mining and quarrying' is proposed to be clarified as not including mining and quarrying of mineral oil. Mineral oil would include petroleum and natural gas.

The above amendment is proposed to be effective June 1, 2007.

## Tax Holiday

It is proposed to extend the 10 year tax holiday available under section 80-IA of the IT Act to any undertaking carrying on the business of laying and operating a cross-country natural gas distribution network, including pipelines and storage facilities being an integral part of such network, subject to specified conditions. Similarly, the tax holiday is proposed for the business of navigational channel in the sea as part of the definition of "infrastructure facility".

It is also proposed to insert an explanation in section 80-IA of the IT Act with effect from April 1, 2000 to clarify that the provisions of section 80-IA of the IT Act shall not apply to a person who executes a works contract entered into with the undertaking or enterprise referred to in the section 80-IA of the IT Act. Thus, in a case where a person makes the investment and himself executes the development work i.e., carries out the civil construction work, he will be eligible for tax benefit under section 80-IA. In contrast to this, a contractor who enters into a contract with the undertaking for executing works contract, will not be eligible for the tax benefit under section 80-IA of the IT Act.

Time limit for generation or transmission or distribution of power by an undertaking of an Indian company, set up for reconstruction or revival of a power generating plant, is proposed to be extended to March 31, 2008 for availing the tax holiday under section 80-IA of the IT Act.

It is proposed to provide tax holiday (subject to certain conditions) in respect of profits derived from the business of hotels or convention centres located in specified (National Capital territory of Delhi and districts of Faridabad, Gurgaon, Gautam Budh Nagar and Ghaziabad) for five consecutive assessment years. The tax holiday shall begin from the year in which hotel starts functioning or convention centres starts operating on commercial basis provided the construction is completed

and operations are started during April 1, 2007 to March 31, 2010.

It is proposed to amend section 10AA of the IT Act relating to tax holiday for units in Special Economic Zones (SEZ) with retrospective effect from February 10, 2006 to provide that a unit in SEZ shall not be eligible for tax holiday under this section if it is formed by splitting up or reconstruction of a business already in existence or if it is formed by transfer to a new business of machinery or plant previously used for any purpose.

The capital gains exemption on reinvestment of gains arising from transfer of long term capital assets in specified bonds available under section 54EC is proposed to be restricted to Rs. 50 lacs per investor per year.

## Business Income

Under section 35(2AB) of the IT Act, companies engaged in certain specified business (viz. the business of bio-technology or in the business of manufacture or production of any drugs, pharmaceuticals, electronic equipments, computers, telecommunication equipments, chemicals or other notified articles) are presently entitled till the financial year ending March 31, 2007 to weighted deduction of 150% of the expenditure on in-house R&D facility subject to certain conditions. It is proposed to extend this allowance for a further period of 5 years i.e. upto March 31, 2012.

It is proposed to amend section 40A(3) of the IT Act to provide that the entire payments made otherwise than by an account payee cheque drawn on a bank or account payee bank draft, shall be disallowed in computing business profits if the payment involves payment in excess of twenty thousand rupees. Further, where an expenditure has been allowed in any financial year in respect of any liability (involving payment in excess of twenty thousand rupees) incurred by the assessee and subsequently, the assessee makes payment in respect of such liability otherwise than by an account payee cheque drawn on a bank or account payee bank draft, the payment shall be regarded as business income of such subsequent year and taxed accordingly.

Section 36(1)(vii) of the IT Act provides for deduction in respect of provision for bad and doubtful debts subject to certain limits and conditions. It is proposed to extend the benefits of this deduction to a co-operative bank not being a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

Section 36(1)(viii) of the IT Act provides deduction, in respect of any special reserve created and maintained by specified entities, for an amount not exceeding 40% of profits derived from eligible business activities, carried to such reserve. It is proposed to reduce the deduction from 40% to 20% of the profits derived from the business of providing long-term finance. It is further proposed to extend tax benefits of this deduction to a banking company, a co-operative bank (not being a primary agricultural credit society or a primary co-operative agricultural and rural development bank) and a housing finance company.

## Carry forward of accumulated tax loss/ unabsorbed tax depreciation for PSUs engaged in business of operation of aircraft

It is proposed that, in case of an amalgamation of one or more Public Sector Company engaged in the business of operation of aircraft with one or more Public Sector Undertakings engaged in similar business, the accumulated loss and unabsorbed depreciation of the amalgamating company shall be deemed as loss or allowance for depreciation of the amalgamated company, to be carried forward and set-off against future profits of the amalgamated company under the IT Act.

## Taxation of Venture Capital Funds (VCF) / Venture Capital Companies (VCC)

Presently, VCF/VCC set up to raise funds for investment in any Venture Capital Undertaking is treated as a "pass through entity" and its income is exempt from taxation. It is proposed to amend the definition of 'Venture Capital Undertaking' to restrict such 'pass through' status and income-tax exemption to only such VCF/VCC which invest in domestic companies whose shares are not listed in a recognised stock exchange in India and which are engaged in

- either dairy or poultry industry or
- in the business of
  - nanotechnology;
  - information technology relating to hardware and software development;
  - seed research and development;
  - bio-technology;
  - research and development of new chemical entities in the pharmaceutical sector;
  - production of bio-fuels; or
  - building and operating composite hotel-cum-convention centre with seating capacity of more than three thousand.

## Tax exemption for Not for Profit Trusts/ Institutions

A trust or institution set up for charitable purposes must be registered with the Commissioner of Income-tax to qualify for the tax exemptions otherwise available to such trusts/ institution under the IT Act. It would no longer be required to make an application for the said registration within one year of its creation or establishment. However, the exemption shall be available only from the financial year in which the application has been made.

Where the Commissioner of Income-tax has denied approval of a trust or institution under section 80G(5) of the IT Act (entitling the donors deduction from taxable income to the extent of 50% of the amounts donated to such trust/ institution), an appeal against such order can be preferred before the Income-tax Appellate Tribunal.

The above amendments are proposed to be effective June 1, 2007.

## Fringe Benefits Tax (FBT)

With a view to bring ESOPs/ Sweat Equity within the purview of FBT, it is proposed that the benefit to the employees arising out of direct or indirect allotment or transfer of specified securities or sweat equity shares by the employer (including former employees) shall be subjected to FBT. The said benefit is proposed to be valued at the fair market value of such securities or sweat equity shares on the date of exercise of option by the employee as reduced by any amount recovered from the employees. The fair market value is proposed to be determined in accordance with the methods to be prescribed.

It is proposed to exempt expenditure on display of products and on distribution of samples (in all cases) from levy of FBT.

Effective June 1, 2007, it is proposed to align the 'due date' for payment of advance tax on fringe benefits with that of advance tax on income. Accordingly, the advance tax on fringe benefits shall be payable as follows: -

### (a) In case of corporate assesseees liable to FBT

Due Date	Amount Payable (% of Advance tax on fringe benefits payable)
On or before 15th June	Not less than 15%
On or before 15th September	Not less than 45%
On or before 15th December	Not less than 75%
On or before 15th March	Not less than 100%

### (b) In case of other non corporate assesseees who are liable to FBT

Due Date	Amount Payable (% of Advance tax on fringe benefits payable)
On or before 15th September	Not less than 30%
On or before 15th December	Not less than 60%
On or before 15th March	Not less than 100%

In case the assessee defaults in making payment on the due date or the amount paid is less than the amount payable on the due date he would be liable to pay simple interest @1% on the amount of the shortfall, for every month or part of month for which default continues.

## Tax Assessment

It is proposed that Assessing Officer shall provide a reasonable opportunity of being heard to the assessee before directing him to get his account audited [special audit under section 142(2A) of the IT Act]. Further, it is proposed that the cost of audit shall be borne by the Central Government.

To ensure meaningful transfer pricing audit by the Transfer Pricing Officers (TPOs), the time limit for completion of assessment / reassessment is proposed to be increased by twelve months wherever reference is made to the TPO for determination of arm's length price. It is also proposed that the order of TPO determining the arm's length price shall be made at least 60 days before the expiry of new statutory time limit for making the assessment / reassessment. It is further proposed that the Assessing Officer would proceed to compute the total income of the assessee in conformity with the arm's length price so determined by the TPO.

## Penalty

To rationalize the penalty provisions, it is proposed that the amount of tax sought to be evaded in the cases for failure to furnish returns shall mean the tax on total income assessed as reduced by the amount of advance tax, tax deducted at source, tax collected at source and self assessment tax paid.

Where assessee is found to be the owner of any bullion, jewellery, or other valuable article or thing in the course of search and the assessee claims that such assets have been acquired by utilizing his income of any previous year, it is proposed to treat such income as concealed income in case due date of filing the tax return for such year has expired and the assessee has not filed the tax return for the relevant year.

Further, it is proposed to levy penalty in cases of undisclosed income revealed during search but not recorded in the books of account at the rate of 10% of the undisclosed income. The penalty is, however, not leviable subject to fulfillment of certain conditions. Further, the assessee shall have a right of appeal against such levy.

## Tax Appeals

It is proposed that appeal remedy before Commissioner (Appeals) would be available to the payer denying its liability to withhold tax on income payable only under "net of tax" arrangements. It is also proposed that limitation period for filing the appeal would commence from date of payment of tax.

It is proposed to provide for a right to appeal against an order treating any person responsible for collecting tax at source as "assessee in default".

Under the existing provisions the Appellate Tribunal may pass an order granting stay for collection of tax demands in any proceeding relating to an appeal filed before it for a period of one hundred and eighty days from the date of such order. It is proposed to amend section 254 of the IT



Act, so as to provide that the Appellate Tribunal may, in appropriate cases, extend the period of stay. However, the aggregate period of such stay shall not exceed 365 days and in the event the appeals remains not disposed the stay would stand vacated.

- No powers to re-open the completed proceedings;
- Once in a lifetime option;
- The above amendment is proposed to be effective June 1, 2007.

## Settlement Scheme

In order to avoid delay in determining the tax liability of an assessee due to duplication of proceedings and absence of statutory time frame for settling the case, and to streamline the proceedings before the Settlement Commission, the Scheme has been revamped. The salient features of the new Scheme are as under:

- Any case can only be referred if pending before the Assessing Officer; pendency under section 147 not covered;
- Tax payable alongwith interest to be paid before the date of making application;
- Order admitting or rejecting the application to be passed within 14 days, in absence of which petition shall be deemed to be admitted. Further, complexity of investigation shall not be the criteria for admitting or rejecting the application;
- Final disposal of the petition to be within 9 months;
- Powers to grant immunity from prosecution restricted under the IT Act and WT Act.

## Tax Administration

It is proposed that the CBDT would have powers to make rules providing for

- furnishing of the tax return of income in electronic form; and
- non-filing of documents, statements etc along with the tax return, which otherwise were required.

## Banking Cash Transaction Tax (BCTT)

In case of Individuals and HUFs, the existing taxable limit of taxable banking transactions is proposed to be increased from INR 25,000 to INR 50,000, with effect from June 1, 2007.

Chapter 7

Indirect Taxes



## General

- The Empowered Committee of State Finance Ministers has been entrusted the task of preparing a roadmap for the introduction of a national level Goods and Services Tax (GST) with effect from April 1, 2010.
- The rate of Central Sales Tax (CST) to be reduced from 4% to 3% w.e.f. April 1, 2007. Thus, the process of phasing out of CST has been initiated and this is a first step towards introduction of a national level GST by April 1, 2010.
- A Secondary and Higher Education Cess @1% has been imposed on each of the central taxes. The cess on Customs Duty and CENVAT will come into effect from March 1, 2007 whereas the cess on Service Tax would be effective upon the enactment of the Finance Bill, 2007.

## I. CUSTOMS DUTIES

### Direction

- In line with the Government's policy of reducing customs duties to ASEAN levels, the peak rate of duty for all non-agricultural goods has been reduced from 12.5% to 10% with the following exceptions:
  - motor vehicles in any form other than completely knocked down kits
  - textile fabrics chargeable to specific duties
- Several end use exemptions have been reduced with a view to pruning the list of exemptions available under the customs regime.

### Details of proposals

#### Tariff

- Exemption from the 4% Additional Duty of Customs levied in lieu of sales tax/VAT (ADC) for parts, components and accessories used in the manufacture of cellular phones has been extended from 30/4/2007 to 30/6/2009.
- Extension of the concessional rate of BCD of 5% on importation of specified items by research

institutions registered with the Department of Scientific and Industrial Research, subject to specified conditions.

- Extension of concessional rate of BCD of 5% on importation of specified items by the pharmaceutical and biotechnology sector for research and development.
- Digital Cinema Development Projects notified under the Project Imports Scheme and their imports would be chargeable to BCD @7.5%.
- Several specified end use exemptions abolished. These inter alia include:-
  - chemicals for use in manufacture of Centchroman
  - codeine phosphate or Narcotine imported by Government alkaloid factories
  - recorded magnetic tapes for producing TV serials
  - specified goods such as television cameras of professional grade, audio recording equipments etc
  - specified goods for manufacture of fly ash based goods
- Basic Customs Duty (BCD) has been reduced from 12.5% to 7.5% on the following products:-
  - medical equipment
  - glycerol waters and glycerol lyes
  - specified organic and inorganic chemicals
  - specified tanning or dyeing extracts and their derivatives
  - specified chemicals
- BCD has been reduced from 12.5% to 5% on the following products
  - presses and other machinery for manufacturing particle board and fibre board or for treating wood or cork
  - rough synthetic gemstones
  - parts of umbrellas including umbrella panels
  - watch dials and watch movements
  - ceramic colours

- BCD has been reduced from 10% to 7.5% on the following products
  - equipment under the Project Import Scheme imported for Power Transmission Projects
  - fertilisers under Chapter 31 except Urea
  - denatured ethyl alcohol
  - polyester fibres and yarns
  - DMT, PTA and MEG
  - polyester chips
- BCD has been exempted on the following items
  - coking coal having an ash content of 12% or more.
  - dredgers
- BCD at 3% has been imposed on imports of the following items
  - aircraft and parts thereof, other than by scheduled airlines operators, Government and PSUs.
- Export duty levied on exports of iron ore at Rs. 300/metric tonne and on chromite ore and specified concentrates at Rs.2000/metric tonne.

## Non Tariff

- Section 14 of the Customs Act, 1962 is proposed to be amended to provide that the value of imported goods and exported goods shall be the transaction value of such goods. It is further proposed to provide that the transaction value in case of imported goods shall include any amount that the buyer is liable to pay for cost and services, including commissions and brokerage, assists, engineering, design work, royalties and license fees, costs of transportation to the place of importation, insurance and handling charges.
- The Budget proposes to amend the refund provisions to provide that the relevant date for the purpose of filing a refund claim in consequence of any judgment of an adjudicating authority would be the date of such a judgment.
- The Budget proposes to amend the Advance Ruling provisions to explain that a joint venture in India means a venture in which at least one of the participants, partners or equity holders is a non resident having substantial interest in the joint venture and exercising joint control over it.
- The Budget proposes to amend the provisions

relating to proceedings before the Settlement Commission.

## II. CENVAT

### Direction

- General CENVAT rate to continue at 16%
- SSI exemption limit raised from Rs.1 crore to Rs.1.5 crore
- E-payment made mandatory for assesseees paying excise duty in excess of Rs.50 lakhs per annum in cash
- Major changes in valuation of goods manufactured by job work on behalf of a principal.
- IT products proposed to be brought under Maximum Retail Price (MRP) based system of excise payments.

### Details of proposals

#### Tariff

- Excise duty exempted on the following categories of products:-
  - packed biscuits of MRP not exceeding Rs. 50 per kilogram
  - food mixes including instant mixes
  - specified water purification devices based on membrane technology
  - household water filters not using electricity and pressured tap water
  - bio diesel
  - DVD writers
  - flash memory
- Excise duty reduced on the following categories of products:-
  - duty reduced from 16% to 12% on:
    - caprolactum & Nylon chips
    - benzene used for manufacture of caprolactum

- duty reduced from 16% to 8% on:
  - umbrellas and sun umbrellas
  - plywood, veneered panels and similar laminated wood
  - footwear parts
  - wadding, gauze used for medical purposes
- ad valorem component of excise duty on petrol and diesel has been reduced from 8% to 6%
- duty on pan masala not containing tobacco has been reduced from 66% to 45%. Consequently, the abatement from maximum retail sale price has been reduced from 50% to 44%
- from Rs. 400 per metric tonne to Rs. 350 per metric tonne for cement of retail sale price not exceeding Rs. 190 per 50 Kg. bag or per metric tonne retail sale price equivalent not exceeding Rs.3800
- Duties increased on the following categories of products:-
  - compounded levy on aluminum circles increased from Rs.7500/ Rs.10000 to Rs.12000 per machine per month
  - specific rate on cigarettes increased by 5% in value terms
  - from Rs.400 per metric tonne to Rs.600 per metric tonne for cement of declared retail sale price exceeding Rs.190 per 50 Kg. bag or per metric tonne retail sale price equivalent exceeding Rs.3800
- Exemptions withdrawn on the following:-
  - goods like brooms, hand operated mechanical floor sweepers, mops, feather dusters, prepared knots and tufts of brooms or brush; pain pads & rollers, squeezes etc
  - recorded video cassettes intended for television broadcasting, supplied in formats such as U-matic, Betacam or any similar format
  - nicotine polacrilex gum
  - dust and powder of synthetic stones
  - pan masala containing tobacco and other tobacco products manufactured by specified units in the North East Region withdrawn

- Exemption from excise duty on all pipes of outer diameter exceeding 20 centimeter, when such pipes are integral parts of any water supply project whether used for taking water from treatment plant to the first storage point or from one storage point to another storage point.
- Exemption from excise duty extended to specified items when domestically procured by all research institutions registered with Department of Scientific & Industrial Research, for the purpose of research, subject to certain conditions.
- Exemption limit for SSI scheme increased from Rs 1 crore to Rs.1.5 crore.

## Non Tariff

- MRP based assessment is being extended from a date to be notified to personal computers (including laptops and other portable computers), printers, monitors, computer key boards, scanners, computer mouse, facsimile machines, modems, set top boxes for gaining access to internet and television sets.
- Section 11B of the Central Excise Act, 1944 amended to provide that the relevant date for the purpose of refund of duty in consequence of a judgment, decree, order or direction of appellate authority, Appellate Tribunal or any court, shall be the date of such judgment, decree, order or direction.
- E-payment made mandatory for payment of duty by all assesseees who have paid excise duty of Rs.50 lakh or more in cash during the preceding financial year.
- Relevant changes made in Valuation Rules to provide that where goods are manufactured by a job-worker on behalf of a person (commonly known as principal manufacturer), the value for payment of excise duty would be based on the sale value at which the principal manufacturer sells the goods, as against the earlier provision which provided that the value would be the cost of raw materials plus job charges.
- Cement included in the Third Schedule of the Central Excise Act, 1944, and accordingly packing or repacking in unit container, labelling or relabelling of packages, including the declaration or alteration of retail sale price on it or adoption of any other treatment to render the product marketable to the consumer, shall amount to 'manufacture'.

- Relevant changes have been made in the Credit Rules to provide that where a manufacturer opts for exemption from duty, in case of conditional notifications, or where a product becomes exempt absolutely, the CENVAT credit equivalent to inputs lying in stock, or work in process or contained in the final product lying in stock on the date of exemption should be reversed and the balance credit (if any) would lapse. Similar provision has been made in respect of cases wherein taxable service are exempted. However, no reversal of credit of input services is required to be made in such cases.

### III. SERVICE TAX

#### Direction

- Rate of service tax to continue at 12%.
- Threshold limit for small service providers increased to Rs. 8 lakhs per annum.
- Applicability of service tax extended to several new categories of services and scope of certain existing services enlarged.
- Amendment to Export of Services, Rules 2005.
- Amendments to procedural provisions,

#### Details of proposals

Following exemptions have been provided with effect from March 1, 2006:

- The threshold limit of service tax exemption for small service providers is being increased from the present level of Rs.4 lakhs to Rs.8 lakhs. Consequently, the limit for obtaining service tax registration has also been increased to Rs. 7 lakhs.
- Exemption from service tax is being provided to:
  - services provided by a Technology Business Incubator (TBI) or Science and Technology Entrepreneurship Park (STEP) recognized by the National Science and Technology Entrepreneurship Board of the Department of Science and Technology (effective April 1, 2007)
  - services provided by an entrepreneur

(incubatee) located within the premises of TBI or STEP, on the condition that the aggregate turnover does not exceeds Rs.50 lakhs per annum. Exemption available for three years (effective April 1, 2007)

- services provided by Resident Welfare Associations to their members contributing upto Rs.3000/- per month (effective March 1, 2007)
- services provided in relation to delivery of content of cinema in digital form after encryption, electronically (effective March 1, 2007)
- technical testing and analysis services provided in relation to testing of new drugs, including vaccines and herbal remedies, on human participants by a Clinical Research Organization approved to conduct clinical trials by the Drugs Controller General of India. (effective March 1, 2007)

- The chargeability of service tax has been extended to the following new categories of services:
  - telecommunication service (includes various telecommunication related services which are presently specified as separate taxable services)
  - services outsourced for mining of mineral, oil or gas
  - services provided in relation to renting of immovable property, other than residential properties and vacant land, for use in the course or furtherance of business or commerce
  - services provided in relation to the execution of a works contract
  - development and supply of content for use in telecommunication services, advertising agency services and on-line information and database access or retrieval services
  - asset management services including portfolio management and all forms of fund management service provided by any person, except a banking company or a financial institution including a non-banking financial company or any other body corporate or commercial concern
  - design services

The above changes will come into effect from a date to be notified after the enactment of the Finance Bill, 2007.

The scope of some existing categories of taxable services has been amended as follows:

- sale of space or time for advertisement service to include sale of space in business directories, yellow pages and trade catalogues which are primarily meant for commercial purposes
- rent-a-cab service to include renting of motor vehicles capable of carrying more than twelve passengers under. Motor vehicle or maxicab rented to an educational body, other than a commercial training or coaching centre, will be excluded from the scope of this service
- mandap keeper service, pandal or shamiana service and event management service to include services provided in relation to marriage functions
- consulting engineer's service to include computer hardware engineering consultancy
- banking and other financial services to include cash management services. Further, the term "financial leasing has been defined and the taxable service in relation to such services has been amended to substitute the words "any other person" has been with "commercial concern"
- management consultant service to be renamed as "management or business consultant's " service, and to include business consultancy
- manpower recruitment and supply agency services clarified to include services in relation to:
  - pre-recruitment screening,
  - verifying the credentials and antecedents of the candidate, and
  - authenticity of documents submitted by the candidates;
- management, maintenance or repair service to include computer software under the term 'goods'.

These changes are to be effective from a date to be notified after the enactment of the Finance Bill, 2007.

The existing criteria for determining the eligibility of services to be treated as exports has been modified with effect from March 1, 2007 in order, to replace the condition of delivery of service outside India with the condition of provision of service from India. The other conditions pertaining to usage of services outside India and receipt of consideration in India in convertible foreign exchange remain as before.

The CENVAT Credit Rules, 2004 are being amended to provide an option of utilizing CENVAT credit

proportionate to the input/ input services used in providing taxable services by general insurance service providers providing taxable and exempted insurance schemes and not maintaining separate credit accounts.

The Finance Act, 1994 is being amended to:

- group the taxable services namely, telephone connection, pager, leased circuit, communication through telegraph, telex and facsimile communication under a separate category of "telecommunication service"
- provide for filing of periodical return after the due date with prescribed late fee
- extend the applicability of the following provisions of the Central Excise Act, 1944, to service tax matters also, namely:-
  - Section 14AA, so as to order cost audit to study abnormal utilization of CENVAT credit; and
  - Section 38A, so as to protect actions under rules and notifications that existed prior to changes in the rules and notifications [Section 83]
- amend Section 86, so as to empower the Central Board of Excise and Customs to constitute Committees comprising of:
  - two Commissioners of Central Excise for the purposes of reviewing the order passed by a Commissioner of Central Excise (Appeals); and
  - two Chief Commissioners of Central Excise for the purposes of reviewing the adjudication orders passed by a Commissioner of Central Excise
- empower the Central Government to issue orders within one year from the date of the assent to the Finance Bill, 2007 for removal of difficulty in respect of implementing, classifying or assessing the value of any taxable service incorporated by the Finance Bill, 2007; and
- insert an Explanation in clause (b) of Section 96A relating to definition of 'applicant' so as to clarify that in the 'joint venture in India' at least one of the participants or partners or equity holders shall be a non-resident.

The above changes [except the grouping of telecommunication service which will come into force from a date to be notified after the enactment of the Finance Bill, 2007] will come into force from the date of enactment of the Finance Bill, 2007.

The Service Tax Rules, 1994, are being amended to:

- provide self-adjustment of excess service tax paid, subject to specified conditions
- allow rectification of mistakes and filing of revised return within 60 days from the date of submission of original return, subject to specified conditions
- enable submission of self-attested copy of the original registration certificate instead of original registration certificate while intimating any changes in the details given in the original registration certificate
- restrict the payment of service tax under reverse charge mechanism in relation to sponsorship service where the recipient of service is located in India

The above changes [except the payment of service tax under reverse charge mechanism for sponsorship services which will come into effect from April 1, 2007] will come into effect from March 1, 2007.

## Swings In Customs Duty Rates (Illustrative)

### Goods On Which Duty Reduced From 12.5% to 7.5%

Goods	Existing Rate (%)	New Rate (%)
Medical Equipment	12.5	7.5
Glycerol waters and glycerol lyes	12.5	7.5
Specified organic and inorganic chemicals	12.5	7.5
Specified tanning or dyeing extracts and their derivatives	12.5	7.5
Specified chemicals	12.5	7.5

### Goods On Which Duty Reduced From 12.5% to 5%

Goods	Existing Rate (%)	New Rate (%)
Presses and other machinery for manufacturing particle board and fibre board or for treating wood or cork	12.5	5
Rough synthetic gemstones	12.5	5
Parts of umbrellas including umbrella panels	12.5	5
Watch dials and watch movements	12.5	5
Ceramic colours	12.5	5

### Goods On Which Duty Reduced From 10% to 7.5%

Goods	Existing Rate (%)	New Rate (%)
Equipment under the Project Import Scheme imported for Power Transmission Projects	10	7.5
Fertilisers under Chapter 31 except Urea	10	7.5
Denatured ethyl alcohol	10	7.5
Polyester fibres and yarns	10	7.5
DMT, PTA and MEG	10	7.5
Polyester chips	10	7.5

## Miscellaneous

Goods	Existing Rate (%)	New Rate (%)
Crude sunflower oil	65	50
Dammar batu	30	20
Seconds and defectives of iron and steel	30	20
Dog and cat foods	30	20
Dextrose monohydrate	30	20
Unworked or simply prepared corals	30	10
Titanium Dioxide and pigments and preparations based on Titanium Dioxide	12.5	10
Borax or boric acid	10	5
Sprinklers, drip irrigation systems used for agricultural and horticultural purposes	7.5	5
Cut and Polished diamonds	5	3
Boron ore	5	2
Dredgers	5	Nil
Coking coal having a high ash content of 12% or more	5	Nil

## Swings In Excise Duty Rates (Illustrative)

### Goods On Which Duty Reduced From 16% to 12%

Goods	Existing Rate (%)	New Rate (%)
Benzene used in the manufacture of caprolactum	16	12
Caprolactum	16	12
Nylon chips	16	12

### Goods On Which Duty Reduced From 16% to 8%

Goods	Existing Rate (%)	New Rate (%)
Umbrellas and sun umbrellas	16	8
Plywood, veneered panels and similar laminated wood laminated wood	16	8
Footwear parts/components	16	8
Wadding, Gauze used for medical purposes	16	8

### Goods On Which Duty Reduced From 16% to 8%

Goods	Existing Rate (%)	New Rate (%)
Petrol	8 + Rs.13 per litre	6 + Rs. 13 per litre
Diesel	8 + Rs. 3.25 per litre	6 + Rs. 3.25 per litre

### Goods On Which Duty Reduced From 66% to 45%

Goods	Existing Rate (%)	New Rate (%)
Pan masala not containing tobacco	66	45

### Goods Earlier Chargeable To Duty Now Exempt

Goods	Existing Rate (%)	New Rate (%)
Biscuits with a per Kg MRP not exceeding Rs. 50/-	8	Nil
Food Mixes including instant mixes	8	Nil
Water purification equipment based on specified membrane technology and house filters functioning without electricity and pressurized tap water	16	Nil
Bio diesel	16	Nil
All kinds of flash memory	16	Nil
DVD writers	16	Nil
Pipes of outer diameter exceeding 20 cm used for water supply project	16	Nil

### Erstwhile Exempt Goods On Which Duty Imposed

Goods	Existing Rate (%)	New Rate (%)
Nicotine polacrilex gum	Nil	8
Recorded video cassettes intended for television broadcasting supplied in specified formats	Nil	8
Dust and powder of synthetic precious or semi precious stones	Nil	8

## Erstwhile Exempt Goods on Which Duty Imposed

Goods	Existing Rate (%)	New Rate (%)
Chemicals used in the manufacture of Centchroman	Nil	16
Helicopters, airplanes, spacecraft, suborbital spacecraft launch vehicles and their parts (other than those acquired by scheduled operators, Government or PSU)	Nil	16

## Goods on Which Specific Rate of Duty Increased

Goods	Existing Rate (Rs)	New Rate (Rs)
Non- Filter Cigarettes (rates are per 1000 cigarettes)		
• Not exceeding 60 mm in length	160	168
• Exceeding 60 mm but not exceeding 70mm	520	546
Filter Cigarettes		
• Not exceeding 70mm in length	780	819
• Exceeding 70mm but not exceeding 75mm	1260	1323
• Exceeding 75mm but not exceeding 85 mm	1675	1759
• Other Cigarettes	2060	2163
• Cigarettes of tobacco substitutes	1150	1208
Aluminium Circles under compounded levy scheme	7500/10000	12000
Cement (per metric tonne for cement of declared MRP exceeding Rs. 190/- per 50 Kg bag or per metric tonne MRP equivalent exceeding Rs. 3,800/-	400	600
Cement manufactured by Mini Cement Plants (per metric tonne for cement of declared MRP exceeding Rs. 190/- per 50 Kg bag or per metric tonne MRP equivalent exceeding Rs. 3,800/- .	250	370

## Goods On Which Specific Rate Decreased

Goods	Existing Rate (%)	New Rate (%)
Cement (per metric tonne for cement of declared MRP not exceeding Rs. 190/- per 50 Kg bag or per metric tonne MRP equivalent not exceeding Rs. 3,800/-.	400	350
Cement manufactured by Mini Cement Plants (per metric tonne for cement of declared MRP equivalent not exceeding Rs. 190/- per 50 Kg bag or per metric tonne MRP equivalent not exceeding Rs. 3,800/-	250	220

# Chapter 8

# In The Pipeline



## Social Sector

- The National Rural Employment Guarantee Scheme, launched in February 2006, to be expanded from the current level of 200 districts to 330 districts.
- Loans for weaker sections – Ceiling under Differential Rate of Interest scheme to be raised from Rs 6,500 to Rs 15,000 and for housing loan from Rs 5,000 to Rs 20,000.
- A scheme to be implemented in 2007-08 for evaluation, monitoring, management and strengthening of the PDS including its computerisation.
- Life Insurance Corporation of India (LIC) to initiate the 'Aam Admi Bima Yojana' scheme called to cover death and disability insurance of rural landless households.
- National Housing Bank (NHB) to introduce 'reverse mortgage' scheme for senior citizens to facilitate monthly stream of income while remaining the owner and occupant of the house.
- Union Cabinet approval to amend the Maternity Benefit Act, 1961 - Central Government to be empowered to revise the ceiling on medical bonus from the existing Rs. 250 to Rs. 1000 with further raises as decided from time to time upto a maximum limit of Rs. 20,000.

## Agriculture

- Funds to be created for coffee, rubber, spices, cashew and coconut along the lines of the Special Purpose Tea Fund.
- Ministry of Water Resources to introduce a scheme for 100% subsidy to small and marginal farmers and 50% subsidy to other farmers for water management.
- NABARD to issue tax exempt rural bonds upto Rs 50 billion. The funds to be used for refinancing rural credit cooperatives.
- Agricultural Insurance Corporation to start a weather based crop insurance scheme for risk mitigation on a pilot basis in two or three States.

- Fertilizer Industry to submit a proposal to the Government on an appropriate mechanism to ensure direct passing of the subsidy to farmers.

## Infrastructure

- A revolving fund with a corpus of Rs.1 billion to be set up for viability gap funding. The fund to contribute up to 75% of the preparatory expenditure in the form of interest free loan which will be eventually recovered from the successful bidder.
- Mutual funds to be allowed to launch and operate dedicated infrastructure funds.
- India Infrastructure Finance Company Ltd. to establish two wholly-owned overseas subsidiaries, which would borrow from RBI, invest in highly rated collateral securities, and provide 'credit wrap' insurance as well as loans to Indian infrastructure projects.

## Financial Sector

- Government to acquire RBI's equity holding in State Bank of India.
- Regional Rural Banks (RRBs) to embark on aggressive branch expansion program (at least one branch for each of 80 districts so far uncovered). SARFAESI Act to apply to RRBs as well. RRBs permitted to accept NRE and FCNR deposits.
- Regulations to be put in place to allow the creation of mortgage guarantee companies.
- The Micro Financial Sector (Development and Regulation) Bill as well as a comprehensive Bill to amend the insurance laws to be introduced in the Budget Session.
- A Financial Inclusion Fund to be established with NABARD for meeting cost of developmental and promotional interventions; a Financial Inclusion Technology Fund also to be set up to meet costs of technology adoption; each fund to have an overall corpus of Rs.5 billion, with initial funding to be contributed by Government, RBI and NABARD.



## Capital Markets

- PAN to be the sole identification number for all participants in the securities market as a measure to strengthen the capital market.
- SEBI to introduce regulations for setting up of Self Regulating Organisations for different market participants.
- Indian Individuals to be allowed investment in overseas capital markets through mutual funds. Prevailing regulations that allow individuals and Indian mutual funds to invest in overseas securities, to be harmonised.
- Indian companies allowed to issue Exchangeable Bonds to facilitate unlocking of value in group companies.
- Institutions permitted to allow Delivery-based short selling and securities lending and borrowing to facilitate delivery.

## Corporate Laws

- The Limited Liability Partnership Bill, 2006, introduced in Parliament, purports to offer an alternative corporate business vehicle that would provide benefits of limited liability of a company and also allow flexibility of internal organization on a 'partnership model'. Salient features of Bill include the following:
  - LLP to be a body corporate and a legal entity separate from its partners
  - Mutual rights and duties of partners of an LLP inter se and those of the LLP and its partners to be governed as mutually agreed
  - The LLP to be liable to the full extent of its assets, with the liability of the partners being limited to their agreed contribution (tangible or intangible).
  - Minimum of two partners, with at least one partner resident in India. Maximum number of partners not prescribed.
  - A statement of accounts and solvency to be filed with the Registrar every year.
  - Existing entities may convert themselves to LLP in accordance with provisions of the proposed legislation.
  - Central Government empowered to provide for applicability of Companies Act, 1956 provisions relating to mergers, amalgamations, winding up, etc. through appropriate notifications.
- The Foreign Contribution (Regulation) Bill, 2006, seeking to replace the existing Act of 1976, tabled before Parliament. The salient features of the Bill are -

- The preamble has been reworded to prohibit acceptance and utilization of foreign contribution or foreign hospitality for any activities detrimental to the national interest.
  - Organizations of political nature, not being political parties, will be placed in the prohibited category for accepting foreign contribution.
  - All producers and broadcasters of news and current affairs programmes through any mode (electronic or other) and media persons including correspondents, columnist, cartoonist, editor, etc. will be prohibited from accepting foreign contribution.
  - Use of foreign contribution or any income arising out of it for speculative business will be prohibited.
  - Foreign contributions to be monitored through a countrywide information/database created with respect to remittances exceeding a specific amount and suspicious transactions.
- The Competition Amendment Bill, 2006, now being examined by a parliamentary committee, has proposed a new Competition Commission of India (CCI) with more powers. The modified CCI, headed by a Judge, is expected to be broadly in line with the powers granted to SEBI and TRAI. The proposed CCI is expected to have the authority to split a mega corporation.

## Information Technology

- The Information Technology (Amendment) Bill, 2006, aims at strengthening data protection and privacy law. The Bill proposes to amend some of the existing sections and insert new sections in the Information Technology Act, the Indian Penal Code, the Indian Evidence Act and the Code of Criminal Procedure to address issues such as publishing of material containing sexually explicit act in electronic form, etc.
- As part of the National e-Governance Plan, the Department of Information Technology has formulated a proposal to establish 100,000 Common Services Centres (CSCs) in rural areas which will provide e- government services and a means to connect the citizens of rural India to the World Wide Web. All CSCs would be broadband internet enabled and structured with three important elements:
  - A Public Private Partnership (PPP) framework
  - Rural entrepreneurship and market mechanism
  - Physical and technology infrastructure

## Information & Broadcasting

- TRAI has recommended setting up of a National Frequency Management Board to coordinate availability of spectrum among various major users
- TRAI has recommended mandatory technical interoperability among DTH service providers. It has also recommended that the Guidelines for Uplinking from India should be amended to exclude DTH platform services aimed at enabling the subscribers to utilize the platform efficiently and informing them of platform functionality and services.
- The Ministry of Information & Broadcasting has prepared The Broadcasting Services Regulation Bill, 2006. The Bill, which is likely to be introduced during the Monsoon Session of the Parliament, seeks to put in place a regulator for the broadcasting sector in India. Amongst the significant provisions is a prohibition on cross holding greater than 20% between content broadcasting service provider and broadcasting network service provider, and mandatory Public Service Broadcasting Obligations.

## Power

- Union Cabinet approval given for amendments in the Electricity (Amendment) Bill, 2005 for more effective controlling of electricity theft, based on the recommendations of the Standing Committee, Group of Ministers and advice of Department of Legal Affairs.
- Two more Ultra Mega Power Projects to be awarded by July, 2007.
- Initiatives announced to facilitate setting up of merchant power plants by private developers and private participation in transmission projects.

## Civil Aviation

- Amendments proposed to the Aircraft Act, 1934, aimed at empowering the Government to:
  - Exercise supervisory control on the standards of airport and Communication, Navigation and Surveillance (CNS)/ Air Traffic Management facilities;
  - License personnel engaged in air traffic control; and
  - Make rules to ensure civil security.

## Miscellaneous

- The Foreign Education Institutions (Regulations of Entry and Operations, Maintenance of Quality and Prevention of Commercialisation) Bill approved by the Union Cabinet is proposed to be introduced in the Budget session. The Bill applies to Foreign Education Institutions (FEI) set up outside India which are operating or intend to operate in India.
- The Cigarettes and Other Tobacco Products (Packing and Labelling) Rules, 2006, notified by the Ministry of Health & Family Welfare, as per which, every packet of cigarette or any other tobacco product shall contain the specified health warnings. Non-compliance by manufacturers, producers and even distributors would attract stringent penalty including imprisonment. The Rules, due to come into effect from February 1, 2007, have been deferred.
- The Rural Development Ministry to introduce the new national rehabilitation policy for all industrial and infrastructure projects through an executive order.
- An expert committee to be appointed to study impact of climate changes on India and identify measures to be taken as a proactive step to manage Greenhouse Gas Emission position.
- New Industrial policy with suitable fiscal incentives to be introduced for North Eastern Regions.

# Abbreviations

AD	Authorised Dealer	FBT	Fringe Benefits Tax	OCB	Overseas Corporate Body
ADC	Additional Duty of Customs	FCCB	Foreign Currency Convertible Bond	PAN	Permanent Account Number
ADR	Amercian Depository Receipt	FCNR	Foreign Currency Non-Resident	PDS	Public Distribution System
AFS	Available for Sale	FDI	Foreign Direct Investment	PIO	Person of Indian Origin
AGR	Adjusted Gross Revenue	FEI	Foreign Education Institutions	PNG	Piped Natural Gas
AMC	Asset Management Company	FEMA	Foreign Exchange Management Act	PPP	Public Private Partnership
ASCI	Advertising Standard Council of India	FII	Foreign Institutional Investor	PSU	Public Sector Undertaking
ASI	Accounting Standard Interpretations	FMC	Forward Markets Commission	QIB	Qualified Institutional Buyer
ATC	Air Traffic Control	FVCI	Foreign Venture Capital Investment	QIP	Qualified Institutional Placement
ATF	Aviation Turbine Fuels	FY	Financial Year	RBI	Reserve Bank of India
BCD	Basic Customs Duty	GDR	Global Depository Receipt	R&D	Research & Development
BIS	Bureau of Indian Standards	GST	Goods and Service Tax	RRB	Regional Rural Bank
BoA	Board of Approval	HUF	Hindu Undivided Family	RSE	Recognised Stock Exchange
CAS	Conditional Access System	ICAI	Institute of Chartered Accountants of India	SACFA	Standing Advisory Committee on Radio Frequency Allocation
CBDT	Central Board of Direct Taxes	INR	Indian Rupees	SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
CBEC	Central Board of Excise & Customs	ILD	International Long Distance	SEBI	Securities & Exchange Board of India
CBFC	Central Board of Film Certification	IPO	Initial Public Offering	SEZ	Special Economic Zone
CCI	Competition Commission of India	ISP	Internet Service Provider	SLR	Statutory Liquidity Ratio
CENVAT	Central Value Added Tax	IT Act	Income-tax Act, 1961	SMC	Small & Medium Company
CNS	Communication, Navigation & Surveillance	ITES	Information Technology Enabled Services	SME	Small & Medium Enterprises
CRR	Cash Reserve Ratio	JV	Joint Venture	SPV	Special Purpose Vehicle
CREC	Central Electricity Regulatory Commission	LIC	Life Insurance Corporation	SSI	Small Scale Industry
CSC	Common Services Centres	LLP	Limited Liability Partnership	STP	Software Technology Parks
CST	Central Sales Tax	LTU	Large Tax Payer Units	STPI	Software Technology Parks of India
CUG	Closed User Group	MAT	Minimum Alternate Tax	TCS	Tax Collected at Source
CVD	Countervailing Duty	MFN	Most Favoured Nation	TDS	Tax Deducted at Source
DIP	Disclosure & Investor Protection	MOU	Memorandum of Understanding	TRAI	Telecom Regulatory Authority of India
DOT	Department of Telecommunication	MPHL	Minimum Public Holding Level	USD	United States Dollars
DDT	Dividend Distribution Tax	MRP	Maximum Retail price	VAT	Value Added Tax
DTAA	Double Taxation Avoidance Agreement	NABARD	National Bank for Agriculture and Rural Development	VCF	Venture Capital Fund
DTH	Direct-to-Home	NBFC	Non Banking Finance Company	VCU	Venture Capital Undertaking
DVD	Digital Video Disc	NHB	National Housing Bank	VPN	Virtual Private Network
ECB	External Commercial Borrowing	NLD	National Long Distance	VSAT	Very Small Aperture Terminal
EEFC	Exchange Earner's Foreign Currency	NRE	Non Resident External	WOS	Wholly Owned Subsidiary
ESOP	Employee Stock Option Plan	NRI	Non Resident Indian	WPC	Wireless Planning Commission
ETF	Exchange Traded Fund	NRO	Non Resident Ordinary	WT Act	Wealth Tax Act

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