# Key Changes in Indirect / Direct Taxes

The salient features of the changes in Customs, Central Excise and Service Tax rules, procedures and duties are as under:

## A. CUSTOMS

There is no change in the overall rate structure of basic customs duty. The peak rate of 10% and the lower rate slabs are being maintained.

The following changes have been made in the duty structure applicable to crude petroleum and refined petroleum products:

(i) basic customs duty on crude petroleum is increased from Nil to 5%.
(ii) basic customs duty on Motor Spirit (petrol) and HSD (diesel) is increased from 2.5% to 7.5%.
(iii) basic customs duty on some other specified petroleum products is increased from 5% to 10%.

The rates of duty on precious metals are being increased, whether these are imported as cargo or baggage (except platinum). The details are as under:

| S. No. | Description of goods | From | To |
|---|---|---|---|
| 1 | Serially numbered gold bars (other than tola bars) and gold coins | Rs 200 / 10 gm | Rs 300 / 10 gm |
| 2 | Other forms of gold | Rs 500 / 10 gm | Rs 750 / 10 gm |
| 3 | Silver | Rs 1000 / kg | Rs 1500 / kg |
| 4 | Platinum | Rs 200 / 10 gm | Rs 300 / 10 gm |

Outright exemption from additional duty of customs (of 4%) leviable under sub-section (5) of section 3 of the Customs Tariff Act, 1975 is being provided to goods imported in a pre-packaged form and intended for retail sale.

Full exemption is also being provided to mobile phones, watches and readymade garments falling under specified headings of the Tariff.

The exemption based on refunds contained in notification No. 102/2007-Customs dated 14.9.2007 is also being retained to enable other importers to claim exemption by way of refund, if VAT is paid on the goods. Full exemption from this duty is also being provided to carbon black feedstock and waste paper.

**The following projects are being notified under heading 98.01 (6):**

(i) Cold storage, cold room (including farm pre-coolers) or industrial projects for preservation, storage or processing of agricultural, apiary, horticultural, dairy, poultry, aquatic and marine produce and meat- (5% basic duty)
(ii) Project for installation of mechanized handling systems and pallet racking systems, in mandis or warehouses for food grains and sugar (basic customs duty 5% +nil CVD + Nil Spl CVD).
(iii) Mono rail projects for urban public transport (5% basic customs duty)
(iv) Setting up of digital head end (5% basic customs duty + Nil Spl CVD)

**Important relief measures are as under:**

Full exemption to -

- Truck refrigeration units for the manufacture of refrigerated vans / trucks
- Bio-polymer/bio-plastics (HS Code 39139090) used for manufacture of biodegradable agro mulching films, nursery plantation & flower pots.
- Tunnel boring machine for hydro-electric power projects.
- Ground source heat pump (geothermal energy) (with full exemption from special CVD of 4%)
- Specified capital goods and raw materials for the manufacture of electronic hardware.
- Specified parts namely, batteries including battery chargers, electric motors and AC or DC motor controllers imported for manufacture of all categories of electrical vehicles including cars, two wheelers and three wheelers (like Soleckshaw) with CVD of 4% and full exemption from special CVD till 31.03.2013.
- Parts for the manufacture of battery chargers and hands-free headphones (accessories of mobile phones) along with full CVD and special CVD (time-bound) exemption
- Specified components, raw materials and accessories for the manufacture of sports goods (Nil basic duty)
- Security thread, security fibres, M-features for use in the manufacture of security paper by Security Paper Mill, Hoshangabad.
- Concessional basic customs duty of 5% to-
- Specified agricultural machinery e.g. paddy transplanter, laser land leveler, cotton picker, reaper-cum-binder, straw or fodder balers, sugarcane harvesters, track used for manufacture of track-type combine harvester
- Specified machinery for tea, coffee and rubber plantation is being extended upto 31.03.2011 (along with full excise/ CVD exemption)
- Machinery items, instruments, appliances required for initial setting up of solar power generation projects or facilities with full exemption from excise duty/ CVD

**Other concessions**

- Basic customs duty on long pepper from 70% to 30%.
- Basic customs duty on asafoetida (heeng) from 30% to 20%.
- Basic customs duty on magnetrons of up to 1,000 kw for the manufacture of domestic microwave ovens from 10% to 5%.
- Basic customs duty on Rhodium from 10% to 2%.

The conditions imposed on duty free import of specified road construction machinery items are relaxed to allow the sale or disposal of such machinery items on payment of customs duties on depreciated value at the rate of duty

applicable at the time of import and to relocate or re-deploy the machinery imported under the exemption to another road construction project for which the importer would have been otherwise eligible to claim the benefit of the exemption. Pending cases, if any, may be disposed of accordingly.

Gold ore and concentrate are being fully exempted from basic customs duty and special additional duty of customs. They will, however, be chargeable to CVD @ Rs 140 per 10 gramme of gold content. This duty structure is subject to actual user condition.

The current limit of Rs 1 lakh per annum for duty free import of samples in terms of notification no. 154/94-Customs dated 13.7.1994 is being enhanced to Rs 3 lakh per annum.

All medical equipments (with some exceptions) will attract 5% basic customs duty, 4% CVD/ excise duty and Nil special additional duty of customs [i.e. effective duty of 9.2%.

Parts required for the manufacture and accessories of medical equipment will also attract 5% concessional basic customs duty with Nil special CVD. This concession is not confined to parts classifiable in Chapter 90 but to parts falling under any chapter of the tariff.

Customs duty on movies/ motion pictures recorded on cinematographic film or digital medium (CD/DVD etc.) would be charged only on the cost of the medium and the freight and insurance. The exemption would also apply to music and gaming software (meant for use with gaming consoles) but not to such goods when they are imported in a pre-packaged form for retail sale.

Full exemption from customs duty is being provided to promotional material like trailers, making of films etc imported free of cost in the form of electronic promotion kits (EPK)/Betacams.

Electrical energy supplied from a Special Economic Zone to the Domestic Tariff Area and non-processing areas of SEZ would now attract duty of 16% ad valorem + Nil Special CVD. This change is being made retrospectively w.e.f. 26th June, 2009.

### Other Legislative Proposals:

The provisions relating to Settlement Commission in Section 127 of the Customs Act, 1962 have also been amended on the lines of Central Excise to expand the scope of cases that may be taken up for settlement, to enable repeated applications for settlement except in specified cases and to empower the Commission to extend the period for disposal of cases by three months.

## II. CENTRAL EXCISE

The standard rate of excise duty (Cenvat) for non-petroleum goods has been increased from 8% to 10%. The increased rate would apply to all such goods that hitherto attracted the general rate of 8% except in a few cases where a fresh exemption or concession has been given. The lower rate of 4% is being retained. However, there are some items for which this rate has either been enhanced to the standard rate or fully exempted. These exceptions are discussed later.

The rates of duty on cement have also been revised upwards suitably.

Excise duty on cement clinker has been increased from Rs 300 per metric tonne to Rs 375 per metric tonne.

The rates of excise duty on motor spirit (petrol) and HSD (diesel) have been increased by Re 1 per litre.

The rates of basic excise duty have been raised on all forms of tobacco and tobacco products.

A Clean Energy Cess is being imposed on coal, lignite and peat produced in India. This cess would be levied and collected as a duty of excise from coal mines.

Exemptions or concessions have been withdrawn on mosquito nets impregnated with insecticides; Av gas; microprocessor for computers (other than motherboard), floppy disk drive, hard disk drive, flash drive, CD/DVD and combo drive meant for external use; baby and clinical diapers and sanitary napkins; open top sanitary (OTS) cans and goggles, other than those for correcting vision.

Full exemption from excise duty has been provided in betel nut product known as "supari"; dementholised oil, deterpenated mentha oil, spearmint/mentha piperita oils and all intermediates and by-products of menthol; toy balloons made of natural rubber; articles of bedding wholly made of quilted textile materials; excise duty exemption on specified plantation machinery is being reintroduced up to 31.3.2011; goods supplied to mega power projects –(i) from which power supply has been tied up through tariff-based competitive bidding, or (ii) awarded through tariff-based competitive bidding. Rule 6 (6) of the Cenvat Credit Rules is also being amended so as to allow Cenvat credit of duty paid on inputs used in the manufacture of such exempted supplies; Few more specified raw materials for the manufacture of rotor blades for wind operated electricity generators; self-loading/self-unloading trailers and semi trailers for agricultural purposes (tariff item 8716 20 00)

Full exemption from excise duty presently available to 20 specified equipments for preservation, storage or transport of agricultural produce has been extended to apiary, horticultural, dairy, poultry, aquatic and marine produce and meat as well as processing thereof.

### Miscellaneous increase and rationalization:

Excise duty on DTA clearances of plain gold and silver jewellery manufactured by a 100% EOU is being increased from (i) Rs 500 per 10 gramme to Rs 750 per 10 gramme for gold jewellery; and (ii) Rs 1000 per kg to Rs 1500 per kg for silver jewellery.

The rates of excise duty are being equalized/ unified in the following cases:

- maize starch, tapioca starch and potato starch at 4%
- umbrellas, umbrella parts and umbrella cloth panels at 4%
- ceramic tiles manufactured in kilns fired by not using electricity, and other ceramic tiles at 10%, with Cenvat credit.

**Procedural simplification measures:**

**Small Scale sector:**

There are two significant procedural relaxations/ concessions that have been made for the SSI sector. These are:

(i) Full Cenvat credit on capital goods in one instalment in the year of receipt of such capital goods in the factory

(ii) Payment of duty on quarterly rather than monthly basis

Some of the other procedural simplification measures that are contained in the Budget proposals are as under:

Pre-authentication of invoices has been dispensed with.

Benefit of allowing Cenvat credit to be reversed on proportionate basis (when common inputs are used for the manufacture of dutiable and exempt products) is being extended retrospectively for pending cases. Suitable provisions have been incorporated in the Finance Bill, 2010 (clauses 68 to 72).

Accelerated depreciation of the credit amount has been allowed for reversing credit taken on computers and computer peripherals when they are cleared after use in the factory.

Movement of moulds, dies, jigs and fixtures by the main manufacturer to vendors (other than job-workers) without loss of Cenvat credit has been facilitated by suitably amending the Cenvat Credit Rules.

In cases of voluntary payment of duty under section 11A (2B) of the Central Excise Act, it is being clarified that no penalty shall be imposed.

Settlement of cases through the Settlement Commission has been liberalized by removing restrictions on the nature of cases that may be settled and the number of times the Commission may be approached by an assessee.

## SERVICE TAX

Export of Service Rules 2005 have been amended as follows:

The taxable service, namely 'Mandap Keeper Service' has been shifted from the list under rule 3(1) (ii) [i.e. performance related services] to the list under rule 3(1)(i) [immovable property related services] and three taxable services, namely 'Chartered Accountant Services', 'Cost Accountant Services' and 'Company Secretary's Services', have been shifted from the list under rule 3(1) (ii) [i.e. performance related services] to the list under rule 3(1)(iii) [residual category of services]. Notification No.6/2010-ST, dated 27th February 2010 refers. Identical changes have been made under the Taxation of services (Provided from Outside India and Received in India) Rules, 2006 as well (Notification No.16/2010-ST, dated 27th February 2010 refers);

The condition prescribed under rule (2) (a) i.e. 'such service is provided from India and used outside India' has been deleted (Notification No.6/2010-ST, dated 27th February 2010 refers).

AMENDMENT TO NOTIFICATION NO. 5/2006-CE(NT) ISSUED UNDER RULE 5 OF THE CENVAT CREDIT RULES, 2004

FIEO had made a number of representations regarding difficulties being faced in availing the benefit of refund of accumulated credit under the scheme prescribed under Notification No. 5/2006-CE (NT) dated 14.03.2006, issued under rule 5 of the Cenvat Credit Rules, 2004. Accordingly, Notification No. 5/2006(CE)(NT) has been amended vide Notification No. 7/2010-CE (NT), dated 27th February 2010. This mainly deals with the procedure that needs to be adopted in case of the new refund claims. However, to resolve the disputes arising on account of the wordings/illustration provided in the notification, the same is amended retrospectively (w.e.f. 14.03.2006) (Clause 73 of the Finance Bill, 2010 refers) so as to resolve the disputes in respect of pending cases as well.

The Salient Features of these changes are as follows:

Retrospective changes effected from 14.03.2006 (i.e. from the date of issue of notification);

The words "in relation to" have been added in main condition (a) of the Notification.

The word "in' contained in main condition (b) of the said Notification has been replaced with "for".

The above two changes ensure that the provisions of the refund notification and the Cenvat Credit Rules are aligned and that refund is granted on all goods or services on which Cenvat can be claimed by the exporter of goods or services.

The illustration given in condition 5 of the Appendix to the Notification has been deleted. This ensures that refund of Cenvat credit which has been availed in the period prior to the quarter/ period for which the refund has been claimed is also eligible for refund. The refund claims should be calculated only on the basis of the ratio of the export turnover to the total turnover of the claimant. Thus, if the Cenvat credit available to the exporter at the end of the quarter, or month, as the case may be, is Rs 1 crore, and the ratio of export to total turnover during the quarter is 50%, then Rs 50 lakh should be refunded to

the exporter. The essence of the changes is that refund shall be available for all goods, or input services, on which Cenvat is permissible and should be processed accordingly. Further, refund of Cenvat should not be linked to Cenvat taken in a particular period only.

**Prospective changes**

The conditions A and B given in the Annexure to the Notification are being deleted, and the details required to be given under these conditions, along with certain additional details, are to be furnished by the claimant in a table, which has been prescribed in condition A. The table should be certified by a person authorized by the Board of Directors (in the case of a limited company) or the proprietor/partner (in case of firms/partnerships) if the amount of refund claimed is less than Rs 5 lakh in a quarter. In case the refund claim is in excess of Rs 5 lakh, the declaration should also be certified by the Chartered Accountant who audits the annual accounts of the exporter for the purposes of Companies Act, 1956 (1 of 1956) or the Income Tax Act, 1961 (43 of 1961), as the case may be. This verification is aimed at reducing the checking of voluminous records which is required to be done by the officers processing the refund claims and ensure faster processing of refund claims.

Consequential changes by introducing the words "in relation to" and "for" in the Annexure to the Notification have been brought to bring them in line with the amendments made in the main conditions of the Notification.

# Direct Taxes

**Relevant extracts from the Union Budget, 2010-2011 (Memorandum I)**

**1. Income deemed to accrue or arise in India to a non-resident**

Section 9 provides for situations where income is deemed to accrue or arise in India. Vide Finance Act, 1976, a source rule was provided in section 9 through insertion of clauses (v), (vi) and (vii) in sub-section

**(1)** for income by way of interest, royalty or fees for technical services respectively. It was provided, inter alia, that in case of payments as mentioned under these clauses, income would be deemed to accrue or arise in India to the non-resident under the circumstances specified therein. The intention of introducing the source rule was to bring to tax interest, royalty and fees for technical services, by creating a legal fiction in section 9, even in cases where services are provided outside India as long as they are utilized in India. The source rule, therefore, means that the situs of the rendering of services is not relevant. It is the situs of the payer and the situs of the utilization of services which will determine the taxability of such services in India.

This was the settled position of law till 2007. However, the Supreme Court, in the case of Ishikawajima-Harima Heavy Industries Ltd., Vs DIT (2007)[288 ITR 408], held that despite the deeming fiction in section 9, for any such income to be taxable in India, there must be sufficient territorial nexus between such income and the territory of India. It further held that for establishing such territorial nexus, the services have to be rendered in India as well as utilized in India. This interpretation was not in accordance with the legislative intent that the situs of rendering service in India is not relevant as long as the services are utilized in India. Therefore, to remove doubts regarding the source rule, an Explanation was inserted below sub-section (2) of section 9 with retrospective effect from 1st June, 1976 vide Finance Act, 2007. The Explanation sought to clarify that where income is deemed to accrue or arise in India under clauses (v), (vi) and (vii) of sub-section (1) of section 9, 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. However, the Karnataka High Court, in a recent judgement in the case of Jindal Thermal Power Company Ltd. vs DCIT (TDS), has held that the Explanation, in its present form, does not do away with the requirement of rendering of services in India for any income to be deemed to accrue or arise to a non-resident under section 9. It has been held that on a plain reading of the Explanation, the criteria of rendering services in India and the utilization of the service in India laid down by the Supreme Courtin its judgement in the case of Ishikawajima-Harima Heavy Industries Ltd.(supra) remains untouched and unaffected by the Explanation.

In order to remove any doubt about the legislative intent of the aforesaid source rule, it is proposed to substitute the existing Explanation with a new Explanation to specifically state that the income of a non-resident shall be deemed to accrue or arise in India under clause (v) or clause (vi) or clause (vii) of sub-section (1) of section 9 and shall be included in his total income, whether or not,

**(a)** the non-resident has a residence or place of business or business connection in India; or

**(b)** the non-resident has rendered services in India.

This amendment is proposed to take effect retrospectively from 1st June, 1976 and will, accordingly, apply in relation to the assessment year 1977-78 and subsequent years. [Clause 4]

**2. Computation of exempted**

**profits in the case of units in Special Economic Zones (SEZs)**

Section 10AA was inserted in the Income-tax Act by the Special Economic Zone Act, 2005 with effect from 10.2.2006. Through the Finance (No.2) Act, 2009, section 10AA(7) of the Income-tax Act, 1961 was amended and the words "by the undertaking" were substituted for "by the assessee" with effect from assessment year 2010-11 and subsequent assessment years. This was done as the existing formula was perceived to be discriminatory in so far as those assessees are concerned who have multiple units in both the SEZ and the domestic tariff area (DTA) vis-à-vis those assessees who were having units in only the SEZ. With a view to removing the anomaly, the provisions of sub-section (7) of section 10AA of the Income-tax Act were amended.

In order to make the amendment effective for earlier years, it is proposed, by inserting a proviso to sub-section (7), to provide that the provision of sub-section (7), as amended by Finance (No. 2) Act 2009, will apply to the assessment year 2006-07 and subsequent assessment years. [Clause 6]

**3. Investment linked deduction for specified business**

Benefits of profit linked deduction under Chapter VI-A of the Income-tax Act are currently available to specified categories of hotels in Uttarakhand and Himachal Pradesh; National Capital Territory and adjacent districts; 22 districts having World Heritage Sites and North-Eastern States, which start functioning before specified dates mentioned in the Act. In view of the high employment potential of this sector, it is proposed to provide investment linked incentive to the hotel sector, irrespective of location, under section 35AD of the Income-tax Act. The investment-linked tax incentive allows 100 per cent deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively, for the purposes of the "specified business" during the previous year in which such expenditure is incurred.

Currently, such "specified business" means the business of setting up and operating cold chain facilities, warehousing facilities for storage of agricultural produce and laying and operating a cross-country natural gas or crude or petroleum oil pipeline network. It is now proposed to include the business of building and operating a new hotel of two-star or above category, anywhere in India, which starts functioning after 1.4.2010 within the purview of "specified business". It is also proposed to substitute sub-section (3) of section 35AD so as to provide that where a deduction under this section is claimed and allowed in respect of the specified business for any assessment year, no deduction shall be allowed under the provisions of Chapter VI-A under the heading "C.-Deductions in respect of certain incomes" in relation to such specified business for the same or any other assessment year. A similar amendment is proposed in section 80A.

These amendments are proposed to take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years. One of the conditions for availing the benefit under section 35AD in the case of laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network, is that the specified business 'has made not less than one-third of its total pipeline capacity available for use on common carrier basis by any person other than the assessee or an associated person'. The Petroleum & Natural Gas Regulatory Board has, by regulations, specified a common carrier capacity condition of 'one-third' for a natural gas pipeline network and 'one-fourth' for petroleum product pipeline network. In order to rationalise the existing condition regarding common carrier capacity, it is proposed to amend sub-section (2) of section 35AD to provide that the proportion of the total pipeline capacity to be made available for use on common carrier basis should be as specified by the said regulations.

This amendment is proposed to take effect retrospectively from 1st April, 2010 and will, accordingly, apply in relation to the assessment year 2010-11 and subsequent years. [Clauses 10, 23]

**4. Disallowance of expenditure on account of non-compliance with TDS provisions**

**A.** The existing provisions of section 40(a)(ia) of Income-tax Act provide for the disallowance of expenditure like interest, commission, brokerage, professional fees, etc. if tax on such expenditure was not deducted, or after deduction was not paid during the previous year. However, in case the deduction of tax is made during the last month of the previous year, no disallowance is made if the tax is deposited on or before the due date of filing of return.

It is proposed to amend the said section to provide that no disallowance will be made if after deduction of tax during the previous year, the same has been paid on or before the due date of filing of return of income specified in sub-section (1) of section 139. This amendment is proposed to take effect retrospectively from 1st April, 2010 and will, accordingly, apply in relation to the assessment year 2010-11 and subsequent years.

**B.** Under the existing provisions of section 201(1A) of the Act, a person is liable to pay simple interest at one per cent for every month or part of month in case of failure to deduct tax or payment of tax after deduction.

With a view to discourage the practice of delaying the deposit of tax after deduction, it is proposed to increase the rate of interest for non-

payment of tax after deduction from the present one per cent to one and one-half per cent for every month or part of month. This amendment is proposed to take effect from 1st July, 2010. [Clauses 12, 42]

### 5. Limit of turnover or gross receipts for the purpose of audit of accounts and for presumptive taxation

**A.** Under the existing provisions of section 44AB, every person carrying on business is required to get his accounts audited if the total sales, turnover or gross receipts in business exceed forty lakh rupees in the previous year. Similarly, a person carrying on a profession is required to get his accounts audited if the gross receipts in profession exceed ten lakh rupees in the previous year. In order to reduce compliance burden of small businesses and professionals, it is proposed to increase the aforesaid threshold limit from forty lakh rupees to sixty lakh rupees in the case of persons carrying on business and from ten lakh rupees to fifteen lakh rupees in the case of persons carrying on profession.

**B.** In view of the amendment proposed above, it is also proposed to increase the maximum penalty, leviable under section 271B for failure to get accounts audited under section 44AB or to furnish a report of such audit, from one lakh rupees to one lakh fifty thousand rupees.

**C.** It is also proposed that for the purpose of presumptive taxation under section 44AD, the threshold limit of total turnover or gross receipts would be increased from forty lakh rupees to sixty lakh rupees.

These amendments are proposed to take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years. [Clauses 14, 15, 50]

### 6. Income of a non-resident providing services or facilities in connection with prospecting for, or extraction or production of, mineral oil

Under the existing provisions contained in section 44BB(1) of the Income-tax Act, income of a non-resident taxpayer who is engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils is computed at ten per cent. of the aggregate of the amounts paid.

Section 44DA provides the procedure for computing income of a non-resident, including a foreign company, by way of royalty or fee for technical services, in case the right, property or contract giving rise to such income are effectively connected with the permanent establishment of the said non-resident. This income is computed as per the books of account maintained by the assessee.

Section 115A provides the rate of taxation in respect of income of a non-resident, including a foreign company, in the nature of royalty or fee for technical services, other than the income referred to in section 44DA i.e., income in the nature of royalty and fee for technical services which is not connected with the permanent establishment of the non-resident. Combined effect of the provisions of sections 44BB, 44DA and 115A is that if the income of a non-resident is in the nature of fee for technical services, it shall be taxable under the provisions of either section 44DA or section 115A irrespective of the business to which it relates. Section 44BB applies only in a case where consideration is for services and other facilities relating to exploration activity which are not in the nature of technical services. However, owing to judicial pronouncements, doubts have been raised regarding the scope of section 44BB vis-à-vis section 44DA as to whether fee for technical services relating to the exploration sector would also be covered under the presumptive taxation provisions of section 44BB.

In order to remove doubts and clarify the distinct scheme of taxation of income by way of fee for technical services, it is proposed to amend the proviso to section 44BB so as to exclude the applicability of section 44BB to the income which is covered under section 44DA. Similarly, section 44DA is also proposed to be amended to provide that provisions of section 44BB shall not apply to the income covered under section 44DA.

These amendments are proposed to take effect from 1st April 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years. [Clauses 16, 17]

### 7. Deduction of profits of a hotel or a convention centre in the National Capital Territory

Section 80-ID of the Income-tax Act provides for 100 per cent deduction for five years, of profits derived by an undertaking from the business of a two-star, three-star or four-star category hotel or from the business of building, owning and operating a convention centre located in the National Capital Territory of Delhi and the districts of

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## IMPORTANT MEETINGS OF PRESIDENT, FIEO

| Date | | Meeting |
|---|---|---|
| 25 February, 2010 | : | Mr. Anand Sharma, Hon'ble Minister of Commerce & Industry |
| 25 February, 2010 | : | Mr S. B. MOHAPATRA, Member Drawback Committee |
| 25 February, 2010 | : | Mr T. R. Rustagi, Member Drawback Committee |
| 25 February, 2010 | : | Mr S.K. Goel, Member, Customs, CBEC |
| 26 February, 2010 | : | Mr. Dayanidhi Maran, Hon'ble Minister of Textiles |

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Faridabad, Gurgaon, Gautam Budh Nagar and Ghaziabad, provided such hotel has started functioning or such convention centre is constructed during the period 1.4.2007 to 31.3.2010.

To provide some more time for these facilities to be set up in light of the Commonwealth Games in October, 2010, it is proposed to amend clauses (i) and (ii) of section 80-ID to extend the date by which the hotel has to start functioning or the convention centre has to be constructed, from the present 31st March, 2010 to 31st July, 2010.

This amendment is proposed to take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years. [Clause 28]

### 8. Minimum Alternate Tax under Section 115JB

Under the existing provisions of section 115JB of the Income Tax Act, a company is required to pay a Minimum Alternate Tax (MAT) on its book profit, if the income-tax payable on the total income, as computed under the Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 2010, is less than such minimum. The amount of tax paid under section 115JB is allowed to be carried forward and set off against tax payable up to the tenth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under the provisions of section 115JAA.

It is proposed to amend sub-section (1) of section 115JB to increase the MAT rate to eighteen per cent from the existing fifteen per cent. This amendment is proposed to take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years. [Clause 30] ■