

## UNION BUDGET 2011-12

### ANALYSIS



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Particulars	Current law	Proposed changes	Effective from	Implications
<b><u>INCOME TAX</u></b>				
Change in slab for individual, HUF, AOP, BOI, Artificial juridical person	Tax is payable on income: Upto ₹160,000 @ 0% ₹ 160,001 to Rs. 500,000 @ 10% ₹ 500,001 to Rs. 800,000 @ 20% Above Rs. 800,001 @ 30%	It is proposed to increase the slabs as: Upto ₹ 180,000 @ 0% ₹ 180,001 to ₹ 500,000 @ 10% ₹ 500,001 to ₹ 800,000 @ 20% Above ₹ 800,001 @ 30%	Assessment year 2012-2013	Now tax payable on taxable income of ₹ 500,000 has reduced to ₹ 32,000 from tax liability of ₹ 52,000. Tax payable on taxable income of ₹ 800,000 has reduced to ₹ 92,000 from tax liability of ₹ 142,000.
No change in slab for women, and change addition of two brackets for senior citizen	Every individual, being a resident in India, who is of age of 65 years and above are taxed on income in excess of ₹ 240,000.	It is proposed to reduce the age of senior citizens from 65 to 60 years. Also, it is proposed to increase minimum exemption limit to individual, being resident in India, who is of age more than 80 years at anytime during the previous year, to ₹ 500,000	Assessment year 2012-2013	Individuals in age bracket of 60 to 65 years will now be benefited. Also, very senior citizens over 80 years of age will get additional tax benefits.
Change in slab for senior citizens	Tax is payable on income: Upto ₹ 240,000 @ 0% ₹ 240,001 to ₹ 500,000 @ 10% ₹ 500,001 to ₹ 800,000 @ 20% Above ₹ 800,001 @ 30%	It is proposed to increase the slabs as: Upto ₹ 250,000 @ 0% ₹ 250,001 to ₹ 500,000 @ 10% ₹ 500,001 to ₹ 800,000 @ 20% Above ₹ 800,001 @ 30%	Assessment year 2012-2013	Tax payable on taxable income of ₹ 800,000 has reduced to ₹ 85,000.



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New slab for very senior citizens	Tax is payable on income: Upto ₹ 240,000 @ 0% ₹ 240,001 to ₹ 500,000 @ 10% ₹ 500,001 to ₹ 800,000 @ 20% Above ₹ 800,001 @ 30%	It is proposed to increase the slabs as: Upto ₹ 500,000 @ 0% ₹ 500,001 to ₹ 800,000 @ 20% Above ₹ 800,001 @ 30%	Assessment year 2012-2013	Tax payable on taxable income of ₹ 800,000 has reduced to ₹ 60,000 from current tax of ₹ 86,000.
Surcharge reduced for domestic companies	Surcharge was currently payable by domestic and non-domestic companies having total income over ₹ 1 crore at the rate of 7.50% and 2.50%, respectively on such income. Individual, HUF, AOP, BOI were not liable to pay surcharge.  Also, surcharge is applicable at 7.5% on Minimum Alternate Tax (115JB), tax on distributed profits of domestic companies (115-O) and tax on distributed income to unit holders (115R).	Surcharge is now proposed to be reduced to 5% and 2% for domestic and non-domestic companies having total income over ₹ 1 crore.  Also, surcharge is reduced to 5% on Minimum Alternate Tax (115JB), tax on distributed profits of domestic companies (115-O) and tax on distributed income to unit holders (115R).	Assessment Year 2012-2013	Nominal reduction in overall tax liability
Deduction in respect of long-term infrastructure bonds	Currently, an individual or HUF is allowed deduction under section 80CCF, and allow an additional deduction of ₹ 20,000 for investment in long-term infrastructure bonds as may be notified by the Central Government.	It is now proposed to amend section 80CCF, and allow an additional deduction of ₹ 20,000 to an individual or HUF for investment in long-term infrastructure bonds as may be notified by the Central Government for AY 2012-2013 also.	Assessment year 2012-2013	Extension of benefit for one more financial year 2011-2012.
Minimum Alternate	Under the existing provisions of section 115JB of the Income-tax Act, 1961, a	It is proposed to amend sub-section (1) of section 115JB to increase the	Assessment Year 2012-	Tax rate under the MAT provisions has increased, but



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Tax	company is required to pay a minimum tax on its book profits, 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, 2007, is less than such minimum. The rate of the minimum tax is 18% of the book profit	MAT rate to 18.50%, from the existing level of 18%.	2013	such credit of tax paid can be allowed to be carried forward for set-off against normal tax till 10 assessment years
MAT and DDT on SEZ	Currently, 100% exemption is allowed to units located in Special Economic Zone and undertaking engaged in development of SEZ. Exemption is allowed from Minimum Alternate Tax on book profit. An exemption is also allowed from payment of tax on distributed profits (Dividend Distribution Tax) in the case of a developer of SEZ.	It is proposed to sunset the availability of exemption from MAT in the case of SEZ Developers and units in SEZ. Also, DDT exemption will be discontinued in the case of SEZ Developers.	Assessment year 2012-2013 for MAT. 01 June 2011 for DDT	SEZ exemptions are being withdrawn under the Act, and SEZ Act, 2005 to bring in line with Direct Tax Code.
Liaison offices	A non-resident does not file its return of income with regard to its liaison office on the ground that no business activity is allowed to be carried out in India.	A new section 285 of the Act is inserted mandating the filing of annual information within 60 days of end of the financial year.	01 June 2011	Filing of information by non-resident liaison offices is now mandatory.
Exemption from furnishing return of income	Every person, if total income exceeds the maximum amount which is not chargeable to income-tax, furnishes return of income.	It is proposed exclude salaried taxpayers whose liability is discharged by way of TDS by employer.	01 June 2011	The said exemption from furnishing will be notified.
New Pension System (NPS)	Contribution made by an employee and employer to NPS is allowed a deduction under section 80CCD within the limit of ₹	It is proposed to exclude the NPS contribution from the purview of limit of ₹ 100,000.	Assessment year 2012-2013	Limit of deduction increased beyond ₹ 100,000. Benefit to employer will be



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	100,000.	Contributions by employers will also be allowed as tax deductible expenditure under section 36 of the Act.		available similar to contribution towards PF, Gratuity and superannuation fund.
Foreign dividends	Dividend received from foreign companies is taxable in the hands of the shareholders at applicable marginal rate of tax.	It is proposed to insert new section 115BBD to tax income by way of dividends received by an Indian company from its foreign subsidiary company at the rate of 15%. No expenditure in respect of such dividends shall be allowed.	Assessment year 2012-2013	This will encourage inward remittances for profits parked overseas by Indian companies.
Taxation of Limited Liability Partnership (LLP)	Now, LLPs have advantages of not being subject to MAT, DDT, and surcharge.	A new Chapter XII-BA is being inserted to tax LLPs under Alternate Minimum Tax (AMT) at the rate of 18.5% on adjusted total income.	Assessment year 2012-2013	Similar credit of tax will be available like MAT for taxes paid under this new provision for 10 subsequent assessment years.
Definition of 'charitable purpose' revised	'Charitable purpose' now means to include relief of the poor, education, medical relief, and the advancement of any other object of general public utility if the total receipts from any activity in the nature of trade, business or commerce do not exceed ₹ 10 lakhs in the previous year.	It is now proposed that the advancement of any other object of general public utility shall continue to be for 'charitable purpose' if the total receipts from any activity in the nature of trade, business or commerce do not exceed ₹ 25 lakhs in the previous year.	Assessment year 2012-2013	These activities will not be considered as business or trade for the purpose of Income-tax if the receipts do not exceed ₹ 25 lakhs.
Exemption to UPSC Chairmen on	Now, specified perquisites of the Chief Election Commissioner or Election Commissioner and the judges of the Supreme	It is now propose to extend such exemption to Charimen and Members of the Union Public	Assessment 2008-2009	Specified perquisites and allowances will be notified by



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specified perquisites	Court are exempt from tax.	Service Commission by inserting clause 45 to section 10 of the Act.		the Central Government.
Investment-linked tax incentive for specified business	The Income-tax Act, 1961 provides for a number of profit-linked exemptions/deductions under section 35AD of the Act	With a view to creating rural infrastructure and environment friendly alternate means of transportation for bulk goods, it is proposed to provide investment-linked tax incentive for additional certain types of business like:  (a) developing and building a housing project under a scheme for affordable housing framed by the Central or a State Government,  (b) production of fertilizer in India.	Assessment Year 2012-2013	Salient features of the incentive needs to be closely looked into:  ➤ 100 per cent. deduction would be allowed in respect of the whole of any expenditure of capital nature incurred, wholly and exclusively, for the purposes of the specified business during the previous year in which such expenditure is incurred  ➤ The assessee shall not be allowed any deduction in respect of the specified business under the provisions of Chapter VIA  ➤ Etc.
Exemption of specified income of notified body		A new clause 46 to section 10 of the Act is being inserted to allow exemption from income-tax to any specified income of a body, authority, board, trust or commission	01 June 2011	The nature and extent of income to be exempted will also be specified by the Central Government while notifying such entity.



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		which is set-up or constituted by a Central, State or Provincial Act or constituted by the Central or State Government with the object of regulating or administering an activity for the benefit of the general public.		
Income from notified Infrastructure Debt Fund		A new clause 47 to section 10 of the Act is being inserted to provide enabling power to Central Government to notify any infrastructure debt fund exempt from tax to enable low cost funds from abroad.	01 June 2011	Such fund will however be required to file a return of income. Interest from such funds to non-resident will attract TDS rate of 5% under section 194LB of the Act, and will be taxed in the hands of non-resident at 5%.
Weighted deduction for scientific research and development	Weighted deduction of 175% is allowed for any sum paid to a National Laboratory or a university or an IIT or a specified person for the purpose of an approved scientific research programme.	To encourage spend on R&D, the said weighted deduction has been increased by another 25% of the sum incurred or paid i.e. deduction of 175% has now been increased to 200%.	Assessment year 2012-2013	The entities spending on R&D will gain more than the sum spent.
Extension of sunset clause for Power Sector	A deduction of profits and gains is allowed to an undertaking which is set up for the generation and distribution of power during 1993 to 2011, starts transmission or distribution by laying of new lines during 1999 to 2011, and undertakes substantial renovation and modernization of existing	It is proposed to extend the terminal date for a further period of one year i.e. 31 March 2012	Assessment year 2012-2013	Extension to Power Sector is available for one more financial year to ensure transition in Direct Tax Code.



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	network during 2004 to 2011.			
Sunset of tax holiday for undertakings engaged in commercial production of mineral oil	Sub-section (9) of section 80-IB of the Income-tax Act, 1961 provides for deduction to all blocks licensed under a single contract, which has been awarded under the New Exploration Licensing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated 10th February, 1999 or has been awarded in pursuance of any law for the time being in force or has been awarded by Central or a State Government in any other manner, shall be treated as a single “undertaking”.	It is proposed to amend the provisions of sub-section (9) so as to allow discontinue the deduction from 31 March 2011.	Assessment Year 2012-2013	The said deduction to mineral oil companies is being withdrawn.
Transfer Pricing	<p>Currently, no adjustment is made if the variation is 5% of the actual price.</p> <p>Transfer Pricing Officer now has powers to determine Arm’s Length Price for international transaction which are referred to him.</p> <p>TPO can now only summon and inquire or investigate matters for determination of ALP.</p> <p>Due date of filing return of income by corporate having international transactions with Associated Enterprises is 30 September.</p>	<p>It is proposed to notify percentage of variation which the Central Government deems fit.</p> <p>Now, TPO will have powers of determination of ALP for other international transactions also.</p> <p>TPO will now have powers to survey, in addition to summon and inquire.</p> <p>The said due date is being extended to 30 November for such corporate assesses.</p>	<p>Assessment year 2012-2013</p> <p>01 June 2011</p> <p>01 April 2011</p>	Rationalization of provisions relating to Transfer Pricing.
Counter measures of		In order to discourage transactions	01 June 2011	



Particulars	Current law	Proposed changes	Effective from	Implications
transactions with persons located in notified jurisdictional area		by a resident assessee with persons located in any country or jurisdiction which does not effectively exchange information with India, anti-avoidance measure have been proposed by inserting section 94A of the Act.		
Tax on income distributed to unit holders	Now, a Mutual Fund is liable to pay additional tax on the amount of income distributed to unit holders, being individual and HUF	It is proposed to levy such tax at higher rate of 30% on income distributed by debt funds to a person other than individual and HUF.	01 June 2011	Income from equity-oriented fund shall continue to be exempt from tax.
Settlement commission	Under the existing provisions of section 245C of the Income-tax Act, an application can be filed before the Settlement Commission in cases where proceedings for assessment or reassessment have been initiated as a result of search or as a result of requisition of books of account or other documents or any assets, if the additional amount of income-tax payable on the income disclosed in the application exceeds fifty lakh rupees. It is further proposed that, in other cases, an application can be made before the Settlement Commission, if the additional amount of income-tax payable on the income disclosed in the application exceeds ten lakh rupees.	Now, it is proposed that entities related to a tax payer, who is subject matter of search, can be allowed to file an application if additional income-tax payable exceeds ten lakh rupees.	01 June 2011	Relationship of entities is now defined, and should be taken care.



<b>Particulars</b>	<b>Current law</b>	<b>Proposed changes</b>	<b>Effective from</b>	<b>Implications</b>
Introduction of Document Identification Number and facility for electronic communication	A new section 282B was inserted from 01 October 2010 so as to provide that every income tax authority shall allot a computer generated Document Identification Number in respect of every notice, order, letter or any correspondence issued by him to any other income-tax authority or assessee or any other person and such number shall be quoted thereon	The said provision has been omitted.	01 April 2011	The requisite infrastructure is not available.
Centralized processing of returns	Under the existing provisions of section 143(1B), the Central Government may, for the purposes of giving effect to the scheme of centralised processing of returns under section 143(1A), issue a notification relating to such processing of returns. Such a notification can be issued up to 31st March, 2011.	A Centralised Processing Centre has been set up where returns are being processed in batches. However, some more functionalities in the processing of returns may need to be added to make it a complete end-to-end process.  Therefore, it is proposed to extend the time limit for issue of such notification under section 143 (1B) from 31 March 2011 to 31 March 2012.	Assessment year 2011-2012	Extension of time to CBDT to notify rules for centralized processing of returns.
Extension of time limit for recognition of Provident Fund	A trust had to apply on or before 31 March 2009 to the Commissioner and obtain recognition of the employee's provident fund. One of the requirement is to obtain exemption under section 17 of EPF Act, 1952	The due date for the same has now being proposed to be extended to 31 March 2012	01 January 2011	Employees Provident Fund Organisation can now grant recognition till 31 March 2012



<b><u>INDIRECT TAXES</u></b>		
	<b>Proposed changes</b>	<b>Effective from</b>
<b><u>SERVICE TAX</u></b>		
Point of Taxation Rules, 2011	Rules for determining the point of time when the services shall be deemed to be provided is framed. Service tax will now be taxable on accrual basis.	01 April 2011
Service tax will be levied on the following additional services	<ol style="list-style-type: none"> <li>1. Services provided by air-conditioned restaurants having a license to serve alcoholic beverages in relation to serving of food and/or beverages.</li> <li>2. Short-term accommodation provided by a hotel, inn, guesthouse, club or campsite, or any other similar establishment for a continuous period of less than three months.</li> </ol>	From the date to be notified, after the enactment of Finance Bill, 2011.
Key existing taxable services will be amended	<ol style="list-style-type: none"> <li>1. The scope of the 'Life insurance service' is being widened to cover all services provided to a policyholder or any person, by an insurer, including re-insurer carrying on life insurance business. It is also being provided that tax shall be charged on the portion of the premium other than what is allocated for investment, when the break-up of premium is shown separately in any document given to the policy holder. The composition rate is also being increased from 1% to 1.5%.</li> <li>2. The scope of the 'Club or association service' is being expanded to include service provided to non-members within its ambit.</li> <li>3. The scope of 'Authorized service station service' is being expanded to:               <ol style="list-style-type: none"> <li>a. include services provided by any person;</li> <li>b. cover all motor vehicles other than those meant for goods carriage and three-wheeler scooter auto-rickshaws; and</li> <li>c. also cover the services of decoration and similar services in respect of vehicles along with the services already covered.</li> </ol> </li> <li>4. The definition of 'Business support services' is being amended to include the services</li> </ol>	From the date to be notified, after the enactment of Finance Bill, 2011.



<b><u>INDIRECT TAXES</u></b>		
	<b>Proposed changes</b>	<b>Effective from</b>
	<p>provided by way of operational or administrative assistance in any manner.</p> <p>5. The scope of Legal consultancy services is being expanded by bringing within its ambit the:</p> <ul style="list-style-type: none"> <li>a. service provided by a business entity to individuals in relation to advice, consultancy or assistance in any branch of law, in any manner;</li> <li>b. representational service provided by any person to any business entity (representational services, provided to individuals will continue to be exempt); and</li> <li>c. service of 'arbitration' provided by an arbitral tribunal to any business entity.</li> </ul> <p>6. In the Commercial Training or Coaching service, the definition of "Commercial training or coaching centre" is being amended to bring all unrecognized courses within the tax net, irrespective of the fact that such courses are conducted by an institute which also conducts courses which may lead to grant of a recognised degree or diploma.</p> <p>7. The scope of Health services is being expanded by including:</p> <ul style="list-style-type: none"> <li>a. All services, including diagnostic services, provided, by a centrally air-conditioned (wholly or partially) clinical establishment having more than 25 beds for in-patient treatment during any part of the year;</li> <li>b. Diagnostic services being provided by a clinical establishment with the aid of laboratory or other medical equipment; and</li> <li>c. Services provided by a doctor, not being an employee of a clinical establishment, from the premises of such establishment.</li> </ul> <p>In view of the comprehensive coverage of health services under (a), (b) and (c) above, the existing health services where payments are required to be made directly by the insurance company or business entities would no longer be operational.</p>	
Key exemptions will	1. Exemption is being provided to services provided by an organizer of business exhibitions in	The changes at S. No. (1) to (5)



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	<b>Proposed changes</b>	<b>Effective from</b>
be introduced	<p>relation to business exhibitions held outside India.</p> <ol style="list-style-type: none"> <li>2. An abatement of 25% from the taxable value is being provided for the purpose of levy of service tax under 'Transport of goods through coastal and inland shipping'.</li> <li>3. Exemption is being provided to 'Works contract' service provided for construction or finishing of new residential complex under 'Jawaharlal Nehru National Urban Renewal Mission' and 'Rajiv Awaas Yojana'.</li> <li>4. Exemption is being provided to services provided within a port or other port or an airport under the 'Works contract' service for specified purposes.</li> <li>5. Exemption is being provided to 'Rashtriya Swasthya Bima Yojana' under the 'General insurance' service.</li> <li>6. Value of air freight included in the assessable value of goods for charging customs duties is being excluded from taxable value for the purpose of levy of service tax under the 'Transport of goods by air' service.</li> <li>7. Services related to transportation of goods by road, rail or air when both the origin and the destination are located outside India is being exempted from service tax.</li> <li>8. A modified scheme is being introduced to refund service tax to SEZ units and developers and notification No. 9/2009-ST is being superceded. In the modified scheme, 'wholly consumed' services are being defined in the notification in order to extend 'outright exemption' and to permit refund of all other services on a proportionate basis.</li> </ol>	and (8) will come into effect immediately. Changes at S. No. (6) and (7) will be effective from 01 April 2011.
Amendments in Act	<p>Chapter V of Finance Act, 1994 is being amended to:</p> <ol style="list-style-type: none"> <li>1) <b>Omit sub-section (1A) of section 73 together with both the provisos to sub-section (2) of section. As a result, the benefit of reduction of penalty available in cases of fraud, collusion, etc. under proviso to section 73 (1A) shall not be available. Further, a new sub-section 4A is being inserted in section 73 to provide for reduced penalty in cases where during the course of audit, verification or investigation it is found that the transactions not reported to the department are</b></li> </ol>	The above changes will come into effect from a date to be notified after the enactment of Finance Bill, 2011.



<b>INDIRECT TAXES</b>		
	<b>Proposed changes</b>	<b>Effective from</b>
	<p>available in the records or invoices. Moreover, penalty is being reduced to 1% per month of the tax amount upto a maximum of 25%.</p> <p>2) <b>Reduce the penalty for delayed payment under section 76 from 2% to 1% per month or ₹100 per day, whichever is higher. Maximum penalty reduced to 50% of the tax amount.</b></p> <p>3) <b>Increase the maximum penalty under section 77 from ₹5,000 to ₹10,000.</b></p> <p>4) Amend section 78 to revise the maximum penalty. Penalty will be hereafter mandatory and equal to tax evaded. Moreover, in situations covered under section 4A, the penalty shall be 50% of the tax amount. Further, the penalty is being reduced to 25% if the tax dues are paid within one month together with interest and reduced penalty. For assesses having a turnover of upto ₹60 lakh in any of the years covered in the show cause notice or in the preceding year, the period of one month shall be revised to 90 days.</p> <p>5) Reduce interest rate by 3% for assesses with a turnover of upto ₹60 lakh, both under section 73B and section 75.</p> <p>6) <b>Increase the maximum penalty for delay in filing of return under section 70 from ₹ 2,000 to ₹ 20,000. However, the existing rate of penalty for the first 15 days and for the subsequent 15 days as well as the daily penalty of ₹100 per day thereafter under rule 7C of the Service Tax Rules, 1994 are being retained without any change.</b></p> <p>7) Amend the power to waive penalty under section 80. While penalties under section 76 and 77 are being retained, penalty under section 78 is being waived only in cases where the transactions are captured in the specified records.</p> <p>8) Give power to issue search warrant under section 82 at the level of Joint Commissioner and the execution of such warrant at the level of Superintendent.</p> <p>9) Make section 9A, 9AA, 9B, 9E, 34A and new section 35R of the Central Excise Act, 1944 applicable to service tax under Section 83.</p>	



<b><u>INDIRECT TAXES</u></b>		
	<b>Proposed changes</b>	<b>Effective from</b>
	<p>10) A new section 88 is being inserted so as to create first charge on the property of the defaulter for recovery of service tax dues from such defaulter subject to provisions of section 529A of the Companies Act, the Recovery of Debt due to Bank and Financial Institution Act, 1993 and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.</p> <p>11) Reintroduce the provisions relating to prosecution under section 89 as follows:</p> <p>(i) The prosecution shall apply in the following situations:</p> <p>(a) Provision of service without invoice;</p> <p>(b) Availment and utilization of Cenvat credit without receipt of inputs or input services;</p> <p>(c) Submitting false information; and</p> <p>(d) Non-payment of collected amount of service tax for a period of more than six months.</p> <p>(ii) The sanction for the prosecution will be granted at the level of Chief Commissioner.</p>	
Amendments in the rules and existing notifications	<p>1) The monetary limit of ₹ 1,00,000 for adjustment under Rule 6(4B)(iii) of the Service Tax Rules, 1994 is being raised to ₹ 2,00,000. [The change will come into effect from 01.04.2011]</p> <p>2) Rule 6(7A) of the Service Tax Rules, 1994 is being amended to provide that that an insurer carrying on life insurance business shall have the option to pay tax,—</p> <p>(a) on the amount of gross premium charged from a policy holder reduced by the amount allocated for investment, where the breakup of the amount allocated for investment is shown separately to the policy holder;</p> <p>(b) on an amount calculated @ 1.5% of the gross amount of premium charged from a policy holder in cases other than (i) above;</p>	Mentioned in each clause.



<b><u>INDIRECT TAXES</u></b>		
	<b>Proposed changes</b>	<b>Effective from</b>
	<p>towards the discharge of his service tax liability instead of paying service tax at the rate specified in section 66 of Finance Act, 1994.</p> <p>Such option shall not be available in cases where the entire premium paid by the policy holder is only towards risk cover in life insurance.</p> <p>[The above change will come into effect from a date to be notified, after the enactment of Finance Bill, 2011]</p> <p>3) Clause (B) of Rule 6(7) of the Service Tax Rules, 1994 pertaining to sale and purchase of foreign exchange is being amended to,—</p> <p>(a) omit the proviso as well as the illustration; and</p> <p>(b) reduce the composition rate from 0.25% to 0.1% of the gross amount of currency exchanged towards discharge of service tax liability.</p> <p>4) Rule 6(6A) is being inserted in Service Tax Rules, 1994, to provide that if any amount of service tax has been self-assessed and not paid, the same shall be recoverable with interest under section 87 of the Act. Thus, there shall be no need to resort to provisions of section 73.</p> <p>5) It is being defined in Service Tax (Determination of Value) Rules, 2006 that the value of the money changing service:</p> <p>(i) for a currency exchanged either from or to Indian Rupees, shall be equal to the units of currency exchanged multiplied by the difference in the buying rate or the selling rate, as the case may be, and the RBI reference rate for that currency for that day;</p> <p>(ii) for a currency where the RBI reference rate is not available, shall be 1% of the gross amount of Indian Rupees provided or received, by the person changing the money;</p> <p>(iii) where neither of the currencies exchanged is Indian Rupee, shall be equal to 1% of the lesser of the two amounts the person changing the money would have received by converting any of the</p>	



<b><u>INDIRECT TAXES</u></b>		
	<b>Proposed changes</b>	<b>Effective from</b>
	<p>two currencies into Indian Rupee on that day.</p> <p>6) An explanation is being added to rule 5(1) of Service Tax (Determination of Value) Rules, 2006 to clarify that for the purpose of Telecommunication services, the value of the taxable service shall be gross amount charged by the telegraph authority from the service receiver.</p> <p>7) Export of Services Rules, 2005 and Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 are being amended so as to move some of the specified services from one category to another.</p> <p>[The changes at S. No. (3) to (7) will come into effect from 01.04.2011]</p> <p>8) A sub-rule (2A) is being inserted in rule 3 of the Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 to provide that the credit of tax on input services of 'Erection, commissioning or installation', 'Commercial or industrial construction' and 'Construction of complex' services as available to a person providing 'Works contract service' shall be restricted to 40% of tax paid, when such tax has been paid on full value of the service after availment of Cenvat credit on inputs.</p> <p>[The change at S. No. (8) will come into effect from 01.03.2011]</p>	