

GENERAL TAX PROPOSALS

Budget Proposals and Impact:

1. The Finance Minister proposed a relief to individual tax payers by broadening the tax slabs in line with Direct Tax Code (DTC) to be implemented from April 1, 2011. The upper limit for the 10% tax rate slab has been increased from Rs.3,00,000 to Rs.5,00,000. The tax slab for 20% rate now ranges from Rs.5,00,000 to Rs.8,00,000 and the lower limit for the 30% tax slab has been increased from Rs.500,000 to Rs.8,00,000. This will complement in sustaining the demand revival in the economy.
2. Ensuring thrust in infrastructural area an additional amount of Rs.20,000 for investment in long-term infrastructure bond has been notified in the Budget 2010-11.
3. A partial roll back of the Fiscal stimulus by revision of standard Excise rate on non-petroleum product upwards from 8% to 10% in line with the Goods and Services tax (GST) likely to be implemented by April 2011. This can be seen as a step towards Fiscal consolidation and alignment of taxes on goods and services. Consequently service tax has been retained at 10%, though coverage has been increased in some areas.
4. In alignment with corporate tax structure in DTC surcharge on domestic companies have been reduced from 10% to 7.5%. Minimum Alternate Tax (MAT) has been increased from 15% to 18% which will impact companies in infrastructure and telecom sector.
5. Encouraging research in the country, the Finance Minister announced an enhanced weighted deduction for in-house Research & Development (R&D) for manufacturing companies (from 150% to 200%) and for academic institutions (from 125% to 175%).
6. Limit for Presumptive taxation for small businesses has increased from Rs.40,00,000 to Rs.60,00,000.