

HIGHLIGHTS OF UNION BUDGET – 2011-12 WITH REFERENCE TO INCOME TAX

The basic exemption limit in the case of individuals increased from Rs.1.60 lacs to Rs.1.80 lacs. However, there is no increase in basic exemption limit in the case of Resident Women who is below 60 years at any time during the previous year.

The qualifying age limit for senior citizens has been lowered from 65 years to 60 years and increased the current exemption limit under two categories:

Category -1 - Age of Individual – 60 years or more but less than 80 years at any time during the previous year. The basic exemption limit is increased from Rs.2.40 lacs to Rs.2.50 lacs

Category – 2 - Age of Individual beyond 80 years or more at any time during the previous year. The basic exemption limit is Rs.5.00 lacs.

In the case of domestic companies the surcharge has been reduced from Rs.7.5% to 5%

In the companies other than domestic companies the surcharge has been reduced from 2.5% to 2%

The definition of charitable purpose u/s 2 (15) includes “the advancement of any other object of general public utility”. The monetary limit in respect of such activities has been enhanced from Rs.10.00 lacs to Rs.25.00 lacs.

The amount paid by an assessee as an employer by way of contribution towards pension scheme, as referred to in sec 80CCD(2) on account of an employee to the extent it doesn't exceed 10% of the salary of employee in the previous year, shall be allowed as a deduction u/s 36 in computing the income under the head profit and gains of business or profession.

The Indian company which receives foreign dividend from foreign subsidiary company such dividend is taxable at the 15% as against 30% plus applicable surcharge.

The rate of MAT is increased to 18.5% from the existing rate of 18% of such book profit.

Minimum Alternative Tax has been introduced for Limited Liability Partnership (LLP) in line with MAT on companies with effect from the Assessment Year 2012 – 2013.

The Government exempts assessee having no other income other than salary from furnishing the return of income by notification. The proposed amendment shall be effective from 1st June, 2011.

It is proposed to omit the requirement of quoting of Documentary Identification Number in notices / order / correspondences issued by Income tax department.

The SEZ developers are required to pay dividend distribution tax on dividends declared / distributed on or after 1st June, 2011.

The deduction u/s 80CCF to investment in notified long term infrastructure bonds extended for the A.Y. 2012-13 also.

Liaison offices of a company will be required to file Annual Information in the prescribed form within the 60 days from the end of the financial year.

The tax holiday for power sector has been extended for further period of one year i.e. upto 31.03.2012.

SERVICE TAX

The following two new services have been proposed:

Services by air conditioned restaurants having licence to serve liquor; and short term accommodation hotels / inns / clubs / guest houses etc.

The monetary limit for adjustment of excess service tax paid is increased from Rs. 1.00 lacs to Rs.2.00 lacs.

The penalty for delayed payment of service tax u/s 76 has been reduced from 2% to 1% per month or Rs.100 per day whichever is higher.

The maximum penalty reduced to 50% of the tax.

The rate of interest is reduced by 3% for assesses with turnover of upto 60 lacs.

The maximum penalty for delay in filing of return increased from Rs.2,000 to Rs.20,000

I trust you will find it useful.

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