

I. Budget 2010

The Finance Bill, 2010 received the assent of the President of India and became an Act on May 8, 2010. Following changes/reliefs have been provided in the final Act.

1. Direct Taxes

a. Scope of deduction under Sec 80-IB(11C) extended.

The Parliament has allowed the business of a new hospital set up 'any where in India' having at least 100 beds for patients, for availing the benefit of hundred percent deductions under Sec 80-IB(11C). Earlier, new hospitals in 'specified areas' only enjoyed this exemption.

The exemption has also been allowed to the business of developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by Central Government or State Government.

2. Service Tax

a. Abatement in construction services increased to 75%

The abatement available to construction services has been increased from 67% to 75% of the gross value provided such value includes the value of the land constructed upon.

Further, constructions under Jawahar Lal Nehru National Urban renewal Mission and Rajiv Awas Yojana have been exempt from service tax.

b. Service tax on air travel limited to Rs. 100/500

The service tax on air journey has been limited to a maximum of Rs. 100 for domestic travel and Rs. 500 for international travel. Further, flights to & from north-eastern states would be exempt from the above tax also.

c. Exemption available to vocational institutes extended.

To promote employment & education of the rural & urban poor, the Parliament has also exempted "Modular Employment Skill Development Courses" provided by trading institutes registered under Skill Development Initiative Scheme' of Ministry of Labour from Service Tax.

II. Corporate Law

a. Easy Exit Scheme for defunct companies

The Ministry of Corporate Affairs has launched 'Easy Exit Scheme 2010' for all companies which may be defunct and are desirous of getting their names struck off from the Register of Companies. The scheme allows an easy simplified route to closure of those companies which are not functioning anymore. As per the normal provisions of Companies Act, for closure of a company, approval from a high court was required to be taken which proved to be a lengthy process.

Under the scheme, any company interesting in getting their names removed simply needs to apply in the prescribed form having no fee. The scheme would only be available till August 31, 2010.

b. Company Law Settlement Scheme

Along with the Easy Exit Scheme, the Ministry of Corporate Affairs has also launched 'Company Law Settlement Scheme 2010' to enable the companies defaulting from regular filing to make good on their defaults and to come to date with their filing with the Registrar of Companies.

Under this scheme delay in filing belated documents with the Registrar would be condoned and immunity would be granted from prosecution. An additional fee of 25 percent of actual



additional fee payable for filing belated documents would be charged. A separate Form has been introduced for the same. The scheme would only be available till August 31, 2010.

III. Direct Taxes

a. **Income Tax Return Forms for AY 2010-11 (FY 2009-10) released**

Income tax Department has notified Income Tax Return (ITR) forms for the Assessment Year 2010-2011 for salaried individuals and other assesses who are not liable to Tax Audit. The e-filing for the same has also started.

Due date of filing of Income Tax Return for the above said assesses is July 31, 2010.

b. **Increase in thresholds for deduction of TDS**

With the enactment of the Finance Act, 2010, the thresholds for deduction of tax have also increased. With effect from July 1, 2010, tax is required to be deducted only if the payments exceed the following thresholds

Table A : Changes in threshold for applicability of TDS

Section	Nature of Expenditure	Existing threshold limit (Rupees)	Proposed threshold limit (Rupees)	Rate of TDS
194B	Winning from Lottery or Crossword puzzle	5,000	10,000	30%
194BB	Winnings from Horse Race	2,500	5,000	30%
194C	Payment to contractors (for single transaction)	20,000	30,000	1% (if paid to individual or HUF)
	(For aggregate of transactions during the year)	50,000	75,000	2% (for others)
194D	Insurance Commission	5,000	20,000	10%
194H	Commission or Brokerage	2,500	5,000	10%
194-I	Rent	1,20,000	1,80,000	2% For plant & machinery 10% for land & building
194-J	Fee for professional or technical services	20,000	30,000	10%

* Flat rates have been introduced from 1st Oct. 2009 for Deduction of Tax at Source, except in case of Deduction of Tax from Salary.

** Also, it is mandatory to issue TDS/TCS certificate and on failure to issue such certificate, penalty is leviable on default.

c. **Higher rate of interest in case tax is not paid after deduction**

From July 1, 2010, a higher rate of tax would become applicable in cases where tax is deducted but not deposited vis-à-vis cases where tax has not been deducted. In the cases where tax has been deducted but not deposited to the account of the Government, interest would be chargeable at 1.5% per month or part of thereof as compared to 1% per month in cases where tax had not been deducted.



IV. Delhi Value Added Tax

a. For payment of tax, input credit of DVAT can be utilized only to the extent goods have been sold during the tax period.

The Government of Delhi has through amendment dated April 1, 2010 diasallowed utilization of input credit on purchases to the extent such credit relates to credit on stock lying as on last day of the applicable tax period.

Earlier, an assessee could utilize all the available input credit for payment of the tax on sales during the tax period. With this amendment, credit will be allowed only for goods that have been sold. The credit pertaining to the stock in hand as on closing date of the tax period would be required to be carried forward to the next period. In other words, input credit in respects of goods purchased would be allowed only in the period in which goods are sold.

The amendment is applicable to all levels of dealers subject to few exceptions.

b. Now Form D-VAT 30 and D-VAT 31 is replaced by Annexure-2A and Annexure2B to the Form D-VAT 16.

Earlier Forms D-VAT 30 (summary of purchases) and D-VAT 31 (summary of sales) were prepared invoice wise and were not required to be filed with the department at the time of filing of return. However, W.e.f. 1.4.2010 these two forms D-VAT 30 and D-VAT 31 have been changed and have to be prepared dealer- wise instead of invoice- wise. Also, these two forms are now have to be filed along with the return and named as Annexure-2A and Annexure-2B respectively.

V. Service Tax

a. Compulsory electronic payment of service tax and e-filing of service tax return.

With effect from April 1, 2010, assessees who have paid a tax of Rs. 10 Lakh or more (either in cash or through utilisation of CENVAT) would be required to deposit the service tax electronically, i.e., through internet banking.

Further, the return for such assessees also would be required to be submitted electronically. CBEC has setup a separate portal for filing such returns.

VI. Labour Laws

a. Gratuity limit increased to Rs.10,00,000 from Rs. 3,50,000

The Parliament has amended the Payment of Gratuity Act, 1972 to increase the limit of gratuity payable to Rs.10 Lakhs from the existing limit of Rs. 3.5 Lakhs. Consequently, the amount of exemption under the Income Tax Act also stands increased to Rs. 10 Lakhs for salaried employees.

Relevant due dates for the month of June, 2010**Income Tax**

7th June	Deposit TDS/TCS deducted/collected during the month of May, 2010
15th June	Deposit first instalment of advance income tax (15%) of corporate assesseees for the financial year 2010-11 (AY 2011-12)
15th June	Submit return for TDS/TCS deducted/ collected during the 4th Quarter of financial year 2009-10 (AY 2010-11) in Form 24Q, 26Q, 27Q, 27EQ

Service Tax/Excise

5th June	Deposit Service Tax / Excise Duty liability for the month of May, 2010
7th June	Deposit Service Tax / Excise Duty liability for the month of May, 2010 electronically.
10th June	Submit return of Excise Duty for liability for the month of May, 2010

Applicable only in case of assesseees other than individuals, proprietary concerns and partnership firm

DVAT

14th June	Submit Annual Return for assesseees having turnover less than Rs. 10 lakhs in financial year 2009-10 in Form No. DVAT-16
28th June	Submit monthly return for assesseees having turnover greater than Rs. 5 crores in Form No. DVAT-16

Labour Law

15th June	Deposit Employee's & Employer's contributions to provident fund for the month of may 2010 (grace of 5 days).
21st June	Deposit ESI dues for the month of May 2010