

# Budget 2009 Snapshot

## Specific Proposals for Retail & Consumer, Logistics Sector

### Economic Indicators

#### Retail & Consumer Sector

- India's external trade (merchandise exports plus imports) as a proportion of GDP grew from 18.6% in 1997-98 to 38.9% in 2008-09.
- In 2007-08, consumer durable goods sector suffered a slowdown. However, during 2008-09 sector growth remained positive, except for quarter 3. Overall, the consumer durables goods sector recorded a growth rate of 4.4% for 2008-09 as against negative 1% in 2007-08.
- Consumer non-durable goods sector portrayed positive growth throughout 2008-09, except quarter 4. Overall, the consumer non-durables goods sector recorded a growth rate of 4.4% for 2008-09 as against 8.6% in 2007-08.
- The consistent positive growth in consumer non-durable goods has been boosted by high growth in beverages and tobacco products, while other major component - food products, chemicals and leather products showed sluggish growth.

#### Logistics Sector

- Indian Logistics Industry is expected to grow annually at the rate of 15 to 20 percent and have revenue of approx. USD 385 billion by 2015.
- Despite economic slowdown, the organised logistics market is expected to rise to 12% in a very short period.
- Logistics cost in India is 13% of GDP, compared to 10% in other countries like US, China and Japan.

### Policy Initiatives - Economic Survey 09

#### Retail & Consumer Sector

- To allow FDI in multi-format retail, starting with food retailing. Initially this could be subject to setting up a modern logistics system, perhaps jointly with other organized retailers.

### Policy Initiatives - Budget 09

#### Retail & Consumer Sector

- Competition Commission of India, an autonomous regulatory body to promote and sustain competition in markets, protect interests of consumers and to prevent practices having adverse effect on competition. An Appellate body headed by a retired judge of the Supreme Court has also been constituted.

## Income Tax

### General

- New Direct Taxes Code to be released within next 45 days to the public for debate and to be finalised, based on inputs received, for introduction during the winter session.
- No change proposed in rates of corporate tax, surcharge and cess.
- Fringe Benefit Tax abolished and it is proposed to tax the fringe benefits as perquisites in the hands of the employees. This amendment will apply from Assessment Year 2010-11.
- Minimum Alternate Tax rate increased from 10% to 15% (plus surcharge and cess as applicable).
- Provision for diminution in value of asset to be added to book profits for calculating Minimum Alternate Tax. This amendment is proposed retrospectively from Assessment Year 1998-99.
- Minimum Alternate Tax paid on or after April 1, 2006 shall be allowed to be carried forward and set-off upto 10 Assessment Years.
- Rate of Dividend Distribution Tax remains unchanged.
- Alternative Dispute Resolution mechanism in place for resolution of transfer pricing disputes and tax matters pertaining to foreign companies. Safe Harbour Rules introduced to reduce the impact of judgemental errors in determining transfer price in international transactions.
- Weighted deduction of 150% of expenditure on in-house scientific research and development facility approved by the prescribed authority, extended to all companies engaged in manufacture or production.
- Limited Liability Partnership ('LLP') would be treated as opaque entity i.e. similar to that of partnership firms. The share of profits of LLP would be exempt in the hands of the partners.

### Retail & Consumer Sector Specific

- Presumptive based taxation for retail trade @ 5% of total turnover abolished from Assessment 2011-12.

### Logistics Sector Specific

- No TDS on payments to contractors in transport business if the transporter quotes Permanent Account Number.
- Enhancement of limit for disallowance of expenditure made in the case of transporters. It is proposed to raise the limit from Rs. 20,000 to Rs. 35,000 effective October 1, 2009.

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## Income Tax (contd.)

### Logistics Sector Specific

- 100% deduction would be allowed in respect of capital expenditure (except expenditure on acquisition of land, goodwill or financial instrument) for the business of setting-up and operating cold chain facilities for specified products, and setting-up and operating warehousing facilities for storage of agricultural produce. The business should commence operations on or after April 1, 2009.

### Wealth Tax

- Exemption limit increased to Rs. 30,00,000.

### Customs Duty

- Effective Customs duty rate @ 24.42% remains unchanged.

### Excise Duty

- Median rate of excise duty @ 8.24% remains unchanged.
- Branded jewellery exempted from excise duty.
- Excise duty rate increased for MP 4 and MP 3 players from 4% to 8%.

### GST

- Reiteration of April 1, 2010 deadlines; Satisfactory progress on road map.
- GST to have dual structure.
- CST rate remains unchanged.

### Service Tax

- Service tax rate @ 10.3% remains unchanged.
- Transport by Government Railways brought under service tax net.
- Transport of coastal goods and goods through inland water ways including National water ways brought under tax net.
- Exemption from service tax to private operators carrying 'Contract Carriage Permit' for point to point transportation of passengers, subject to specified condition.
- Provider of taxable and exempt services who do not maintain separate accounts for inputs/ input services, shall pay 6% of the value of exempted service instead of 8%.

### Indirect Tax - General

- Central Excise, Customs and Service Tax related matters can be handled by the Advance Ruling authority constituted under the Income Tax Act.

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