

# Budget 2009 Snapshot

## Specific proposals for Auto Sector

### Economic Indicators

- India Infrastructure Finance Company Limited ('IIFCL'), to evolve a 'Takeout financing' scheme in consultation with banks to facilitate incremental lending to infrastructure sector
- IIFCL will refinance 60% of commercial bank loans for public private partnership projects engaged in critical infrastructure sectors over the next fifteen to eighteen months
- Allocation to National Highways Authority of India for the National Highway Development Program has been stepped up; railways get increased outlay
- Allocation for the Jawaharlal Nehru National Urban Renewal Mission scheme being stepped up
- Allocation for Market Development Assistance Scheme enhanced by 148%
- Adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation cover at 95% to badly hit sectors extended upto March 2010
- Allocation of funds for Rural Roads of Rs 12,000 crores for 2010

### Income Tax

- New direct tax code to be released for public comments in 45 days
- Surcharge of 10% for individuals abolished
- No change in corporate tax rates
- Fringe Benefit Tax abolished
- ESOP, contribution to approved superannuation funds and prescribed fringe benefits taxable in hands of employees
- Dividend Distribution Tax rate remains unchanged at 16.995%
- Rate for Minimum Alternate Tax ('MAT') increased from 11.33% to 16.995% of the 'book profit' (where book profits exceed Rs 1 crore). Availability of MAT credit increased from 7 years to 10 years
- Tax holiday for 100% EOU extended until March 31, 2011
- Donation to approved electoral trusts (who consequently fund political parties) eligible to 100% deduction
- Introduction of tax regime for LLPs. Income taxable in LLP's hands; exempt in the hands of Partners

- Withholding tax on use of equipment reduced from 10% to 2% and on use of land & building from 20%/ 15% to 10%
- Alternative Dispute Resolution Mechanism prescribed for foreign companies, or for taxpayers having transfer pricing adjustments
- CBDT empowered to formulate 'safe harbour' rules to reduce the impact of judgmental errors in determining transfer prices in international transaction
- Withholding tax provisions apply to 'contract manufacturing' where material supplied by customer (who purchases the finished product from the contract manufacturer)

## Service Tax

- Service tax net extended to transportation of goods by rail including government railways whether in containers or otherwise. Abatement and exemption yet to be announced
- Transport of goods by road will be exempted from service tax, if the same is used for export of goods
- Service tax net widened to cover coastal goods and transport of goods through National Waterways and Inland Waters. Abatement and exemption yet to be announced.

## Excise Duty

- Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000cc and above to be reduced from Rs 20,000 per vehicle to Rs 15,000 per vehicle.
- Excise duty on cars for physically handicapped continue to be at 4%.
- Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries to be reduced from '20% + Rs 10,000' to '8% + Rs 10,000'
- Duty on petrol and diesel sold under a brand name has been linked to specific rate.
- Bio diesel with a blend of 80% HSD (duty paid) and 20% bio diesel (duty paid) will be exempted from duty

## Customs Duty

- There is no change in the peak rate of basic custom duty on import of goods into India

## Goods and Service Tax (GST)

- Introduction of Goods and Service Tax is on time (April 1, 2010). Dual model of GST has been proposed comprising of Central GST and State GST.

## Wealth Tax

- Basic exemption limit for Wealth tax increased from Rs 15 lakhs to Rs 30 lakhs



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