SKP

From India to Bharat

BUDGET 2008

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FOREWORD

So first the good news about the year that was!! 2007, though not a “bumper” year, was by no means a dull year for India Inc. Economy indicators highlight that economic performance during the period 2007-2008 was a good 8.7%, though a tad lower as compared to 9.6% in the FY 2006-2007. Services and Manufacturing continue to drive the economy with 10.7% and 9.1% growth respectively for the year. India has joined the elite club of 12 countries with a trillion dollar economy. Twenty Indian firms have made it to the Boston Consulting Group's 100 New Global Challenger Giants list. The boom in the stock market has contributed to making India's 48 billionaires the wealthiest group in all of Asia. The Stock Market Indices – seemingly India’s growth indicator recurrently touched all time highs during the year. SENSEX showed an increase of almost 50% from 11,000 levels as on April 07 to an all time high of around 21,000 during mid-Jan- mainly driven by buoyant FDI & FII inflows aggregating to US$ 30.7 billion for the period April-December 2007.

Now the flip side… the Indian “agrarian” economy grew only at 2.6% with farmer’s apathy making headlines daily. Another concern and “rally (procession)” material – Inflation, which seemed to reach new heights for the common man, ironically and technically could be said to be in sync with the Wholesale Price Index staying lower than 5% throughout the year. The considerable appreciation in the value of the rupee created a scare amongst exporters, though it helped to negate the current account deficit on oil imports on account of increase in global crude oil prices. The “western” financial crises during the last couple of months badly hit the Indian stock markets, rattling the sentiments of the investors – both global and domestic.

So along comes Budget 2008 with a host of expectations and aspirations! It is a “Ballot Box” Budget all the way – a budget that is likely to please the people and perhaps more importantly 10 Janpath. To even the most ignorant it would be obvious that this was an election year budget. From the expected giant debt waiver for agricultural loans to increased allocation for National Rural Employment Guarantee Programme to the rather generous increase in the minimum tax slab for individuals, the FM has tried to please all kinds of vote constituencies. He is perhaps also hoping that strong economic growth would keep revenue buoyancy stable to help him pay for all that he has dished out. Also announced are absolute increases for programmes for women, children, and minorities; the FM’s goodies bag kept producing gifts for everyone.

The big bunny in the magical bottomless hat which the FM pulled out with great flourish is undoubtedly the waiver of agricultural loans. This proposal will wipe off Rs. 600 billion rupees (US$15 billion) from Government’s balance sheet - that is if the FM provides for it all!!! Could this step be regarded as an expression of gratitude to all our farmers or an act to make all honest and diligent farmers who repay loans look foolish! Most are unable to fathom how waiving debt is akin to promoting agriculture. Interestingly the exercise of loan waiver is very conveniently supposed to end by June 30, 2008 - just in time for the elections. The FM has also allowed these farmers to borrow afresh, perhaps to set the stage for the next government to waive off these loans too.

The middle class would be suitably pleased with the generous and not just token increase in the minimum tax slab for individuals. Perhaps, the FM was waiting for an election year budget to give out the big dole in one go. No changes are proposed in the rates of Corporate Tax, Surcharge, Dividend Distribution Tax, Securities Transaction Tax (STT) and Minimum Alternate Tax (MAT). The "Sherlock Holmes" fame Banking Cash Transaction Tax is proposed to be abolished. The Short Term Capital Gains Tax is proposed to be increased from 10% to 15% and the Commodity Transaction Tax (CTT) is introduced on the lines of STT – steps likely to please the Left. It seems that the sun has finally set for the software / ITES sector with the FM not announcing any further extension on tax exemption.

Not too much tinkering on the indirect tax front. Thankfully, service tax rates have also remained unchanged - rather the exemption limit has been raised to Rs. 1 Million. The peak excise duty has been reduced to 14% from existing 16%, though there are no changes in the peak rate of custom duties – thanks to the appreciating rupee. The FM has lent a helping hand to Mr. Ratan Tata – excise duties on small cars and two wheelers have been reduced from 12% to 8%- well the rapidly growing infrastructure does need some cars!!!

The basic thrust of the Budget is revival of agriculture and improvement in the living conditions of the rural populace. Accordingly, the FM has increased outlay on Bharat Nirman (the rural infrastructure program) by 27%, on education by 20% and on health by 15%. The thrust on education and health and thought of new IITs is definitely heartening and at the same time his deafening silence on urban infrastructure is concerning.

Surprisingly, the FM has maintained the Fiscal Deficit Targets. Revenue Deficit for the year 07-08 would be at 1.4% as compared to the target of 1.5%. Similarly, the Fiscal Deficit for the year is expected to settle at 3.1% as compared to the budgeted target of 3.3%. For the next year, he has budgeted Revenue Deficit of 1% and a Fiscal Deficit of 2.5% (he prides himself with having a head room of 0.5% against the fiscal deficit targets). The big question is where is he going to get the money for all the bounties he has granted? Add to this all the "*off balance sheet items"* such as food and fertilizer subsidies, oil subsidies and *perhaps the loan waiver and sixth pay commission effects* – good gracious these are off balance sheet items else the deficit figures would scare away global investors. Clearly, he is relying on tax buoyancy on account of higher economic growth - though he has kept modest targets for tax collections, a growth of around 20% as compared to 40% for the earlier year. The question raised by critics is whether even 20% is achievable in the light of global crises and a slight slow down in the Indian economy - if he achieves all what he has promised, this is a remarkable budget.

However, the **BIG** question is whether all these would address the issue of "inclusiveness" or FM's attempt to move from India to Bharat? Critics are quick to point out that if Budget 2008, like its predecessors, was meant for the "*aam aadmi*"- India's common man, then the real measure of success (or otherwise) of the Budget is to see how much of the political rhetoric actually translated itself into tangible benefits for the nations multi million "common man" populace! Their main argument is that a unitary India, centralised politically and uniformly mediocre in economic performance has given way to multiple Indias with performance more related to the capabilities of individual States and the opportunities they create. Critics particularly refer to these concerns as the fast-growing peninsula versus the slow-moving hinterland, services and manufacturing versus agriculture or call centres versus cowherds.

During his budget speech FM said that "*we can do better and we should and Budget 2008-09 is about raising our sights and doing more and doing better."* This is perhaps because of the following hard hitting facts – at least we hope so:

- More than 78 million homes still do not have electricity
- 33% (268 million) of the population still live on less than $1 per day
- Over 50% of Indian women are still illiterate
- Over 40% of Indian fruit rots before it reaches the market - just an example of the supply constraints and inefficiencies facing the Indian economy.

In last year's foreword, we had emphasized on outcomes rather than outlays. Even though the FM in the initial part of his speech stressed on delivery systems, apart from a proposal to initiate the setting up of a monitoring mechanism for government schemes, he failed to announce any substantial steps to improve delivery systems. Budget 2008 has some tall order commitments to fulfill to the common man.

So all in all, it would be interesting to see whether Budget 2008, the supposed "*piece de resistance"* of the current government's fiscal policy reforms, proves to be a haphazard act of political redemption or a well planned and diligently implemented catalyst for India's bright future!

SNAPSHOTS OF TAX PROPOSALS

Direct tax

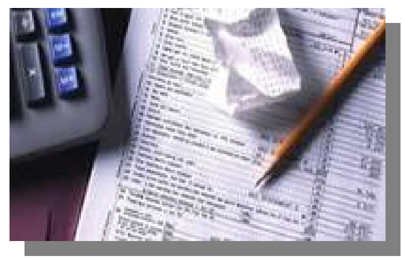
- No change in rates of corporate tax, Minimum Alternate Tax (MAT), Dividend Distribution Tax (DDT), Surcharge and Education Cess.

- Threshold limits for individuals increased and slabs revised
- Tax on short term capital gains increased from 10% to 15%
- Banking Cash Transaction Tax (BCTT) abolished from 1st April 09
- Commodity Transaction Tax (CTT) introduced on the same lines as Securities Transaction Tax (STT)
- STT and CTT to be allowed as business deduction rather than rebate from taxes
- 5 year tax holidays for new Hospitals located in specified areas as well as for 2 star, 3 star and 4 star hotels located in specified heritage sites
- Weighted deduction of 125% allowed for companies outsourcing scientific research work to specified companies
- Dividends received from a subsidiary by an Indian parent allowed as a deduction from dividends declared to its shareholders for calculating DDT
- Deferred tax, DDT, interest, surcharge and cess to be added while computing book profits for MAT purposes
- Due Date for filing return of income by corporate and tax audit tax payers advanced to 30th September from 31st October
- Income derived from saplings or seedlings by nursery to be regarded as agriculture income and exempt from tax
- Crèche facilities, sponsorship of an employee-sportsperson, organising sports events for employees and guest houses excluded from the purview of FBT
- Value of fringe benefit in respect of festival celebration reduced from 50% to 20%
- Reverse mortgage not to be regarded as transfer and hence not liable to capital gains tax
- Additional deduction of Rs.15,000 in respect of medical insurance premium of parents (Rs. 20,000 if either parent is senior citizen)
- Benefit of amortisation of certain preliminary expenses allowed to taxpayers in the services sector

- Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from withholding tax
- Law proposed to be amended to exclude entities carrying on regular trade, commerce or business or providing services in relation to any trade, commerce or business and earning incomes from claiming that their purposes also fall under "charitable purpose
- Association of Persons (AoP) and Body of Individuals (BoI) required to withhold tax on payments to contractors / sub-contractors

Indirect Taxes

- Service tax rates unchanged; 6 news services added to taxable list
- Service tax threshold exemption limits enhanced to Rs. 1 Million



- Peak rate of excise duty reduced from 16% to 14%
- Excise duty on small cars, two wheelers and three wheelers reduced to 12%
- Excise duty being increased on packaged software from 8 per cent to 12 per cent, bringing at par with customised software attracting a service tax of 12 per cent
- Peak custom duties non agricultural items remains at 10%
- Specified parts of set top boxes and specified raw materials for use in the IT/electronic hardware industry to be exempted from customs duty
- Penalties for contravention of Service Tax and Customs rules and regulation increased substantially

DIRECT TAX PROPOSALS

Rates of Taxes

- Rates for Individuals, HUFs, AOPs and BOIs

  Substantial relief has been granted by raising the threshold limit of basic exemption as well as by scaling up the slabs of income liable to tax. For individuals, HUFs, AOPs and BOIs the slab rates of tax on the total income are as under:

Income Slab	Tax rates for senior citizens	Tax rates for women assessees below 65 years of age	Tax Rate for others
Upto Rs. 150,000	Nil	Nil	Nil
Rs. 150,000 to Rs. 180,000	Nil	Nil	10%
Rs. 180,000 to Rs. 225,000	Nil	10%	10%
Rs. 225,001 to Rs. 300,000	10%	10%	10%
Rs. 300,001 & Rs. 500,000	20%	20%	20%
Above Rs. 500,000	30%	30%	30%

  The provisions relating to surcharge of 10% of tax where income exceeds Rs. 10,00,000 and education cess aggregating to 3% on tax and surcharge continues as in the preceding year

- **Firms, Local Authorities, Companies and Co-operative Societies:** No changes proposed in the tax rates.
- **Fringe Benefit Tax and Dividend Distribution Tax:** No changes proposed in the rate.
- **Withholding Tax:** Withholding tax of 10% would be applicable to interest payable on Central and State Government Securities to a person resident in India (other than a Company).
- **Capital Gains Tax:** Short term capital gain in respect of listed equity shares and units of equity oriented mutual funds which are chargeable to Securities Transaction Tax is proposed to be taxed at 15% instead of the existing 10%.

Agricultural Income

Income derived from saplings or seedlings grown in a nursery will also be treated as agricultural income and hence exempt from tax. This amendment is with a view to clarify the position and put an end to litigation.

Charitable Purpose

Expenditure on any object of general public utility will not be treated as expenditure for charitable purpose if it involves the carrying on of any business activity or any activity of rendering any service in relation to any business. This would apply irrespective of nature or use or application of the income from such activity.

Exemption from tax for reverse mortgages

Amounts received by a senior citizen as a loan, either in lump sum or in installments, in a transaction of reverse mortgage, notified by the Central Government, will be exempt from tax. (Refer to Capital Gains for more on reverse mortgage).

Business Deductions

- Contribution given to an approved company to be put to use in scientific research will be eligible for a deduction of 125% of the contribution. The approved recipient company will not be able to claim a weighted deduction
- Benefit of amortization of preliminary expenses in relation to expansion or extension of business extended to all undertaking including industrial undertaking.
- ‘Securities Transaction Tax’ (STT) paid will be allowed as a business expenditure and consequently, the existing provision of granting rebate u/s 88E is proposed to be discontinued.
- A new tax called “Commodities Transaction Tax (CTT)” is introduced with effect from Financial Year 2008-09. CTT is applicable on commodities transaction and will be allowed as business expenditure. This tax is on the same lines as STT.

Commodities Transaction Tax		
Transaction	**Rate**	**Payable by**
Sale of an option in goods/ commodity derivative	0.017 on premium	Seller
Sale of an option in goods/ commodity derivative where option is exercised	0.125 on settlement price	Buyer
Sale of any other commodity derivative	0.017 on sale price	Seller

- In case of assessees who are not required to compute total income in any previous years. Depreciation on such assets as per the books of accounts is deemed to be the depreciation actually allowed under the Income Tax Act, 1961.

  The actual cost of an asset is to be adjusted by the revaluation amount as per the books of account

  Depreciation actually allowed as above is adjusted by depreciation attributable to such revaluation.

  This amendment will be retrospectively from 01st April, 2003.

- Disallowance under section 40(A)(3) for payment made in cash now extended to payments made to ***one person during a day*** exceeding Rs. 20,000 in aggregate.

Minimum Alternate Tax (MAT)

For calculating book profit under MAT, the following shall be added back (if debited to profit and loss account)

- Deferred tax provision
- Tax on distributed profits i.e. dividend distribution tax,
- Interest charged under the Income tax Act,
- Surcharge, Education Cess, Secondary and Higher Education Cess if any.

The above provisions are applicable retrospectively from FY 2000-01

Dividend Distribution Tax (DDT)

For the purpose of calculating DDT in the hands of the parent Company (Holding Company) dividends received from subsidiary company during the financial year would be available as a set off from the dividends proposed to be distributed by the parent company. This is subject to the condition that dividend received is already subjected to DDT in the hands of the subsidiary and the Parent company in turn is not a subsidiary of any other company.

Fringe Benefit Tax (FBT)

- Taxes reimbursed by an expatriate employee to his employer in respect of ESOPs granted to him shall be considered as tax paid by him but available as credit only against the taxes payable by him in the foreign country.
- Payment through pre-paid electronic meal card usable only at eating joints or outlets is excluded from FBT. Earlier, only food vouchers were exempted from FBT.

- Expenditure on Guest house, Crèche facilities, sponsorship of an employee-sportsperson and organizing sports events for employees are proposed to be excluded from the purview of FBT.
- The value of fringe benefit in respect of Festival Celebration reduced from 50% to 20%.

Capital Gains

- Conversion of Foreign Currency Exchangeable Bonds (FCEB's) purchased by a non resident will not be considered as "transfer" on its conversion into shares or debentures of the company. Cost of acquisition of such security shall be deemed to be that part of cost of bond in relation to which such security is acquired by the assessee. This is applicable from A.Y.2008-2009.
- Any transfer of a capital asset in a transaction of reverse mortgage under a scheme notified by the Central Government shall not be regarded as a transfer and therefore shall not attract capital gains tax. This is applicable from A.Y. 2008-2009

Deductions under Chapter VI-A

- **Sec 80C:** Benefit of deduction extended to investment made in Senior Citizens Savings Scheme Rules, 2004 and five year time deposit in an account under the Post Office Time Deposit Rules, 1981. This is applicable from A.Y. 2008-2009.
- **Sec 80D:** An additional deduction of up to Rupees fifteen thousand to an individual assessee for contribution to keep in force an insurance on the health of his parents. The benefit increases to Rupees twenty thousand if either of the parents is a senior citizen.
- **Sec 80IB:** Sunset clause provided for an undertaking claiming deduction under section 80IB in respect of refining of mineral oil. The benefit will not be available to an undertaking beginning the refining on or after 1st April 2009.
- A new provision has been introduced providing for 100% tax deduction for five consecutive assessment years for setting up the hospital in any part of India other than excluded areas. The benefit is available to a hospital having at least 100 beds for patients and which starts functioning after 1st April 2008 but before 31st March 2013.
- **Sec 80ID:** An undertaking engaged in hotel business and located in a specified district designated as a World Heritage Site would be eligible for 100% tax benefits for five consecutive assessment years provided such hotel starts functioning after 1st day of April, 2008 and before 31st day of March, 2013.

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Time limit for filing Return of Income and Return of Fringe Benefit Tax

The due date for filing Return of Income and Return of Fringe Benefit Tax for corporate assessees and non corporate assessees liable to audit is preponed to 30th September from 31st October. This amendment is applicable from F.Y. 2007-08 i.e. A.Y. 2008-09.

Special Audit

Assessing officer is now empowered to extend the period for obtaining special audit report on his own subject to maximum limit of one hundred and eighty days.

Assessment Procedure

- All returns will undergo summary assessments through a system of Centralized processing of Returns without any human interface.
- In the summary assessment, the prima facie adjustments with respect to "arithmetical errors" and "incorrect claims apparent from the information in the return" are permitted. This provision was earlier deleted from the Act and is now sought to be reintroduced.
- The notice for scrutiny assessment is to be served within six months from the end of the financial year in which return is filed.
- The assessing officer is now authorized to reassess the income which is not subject matter of appeal, reference or revision. Similar amendment has been proposed in Wealth Tax Act also.

Assessment Search Cases

Finance bill realigns the provisions relating to time limit for completion of assessment relating to search proceedings and pending regular assessment proceedings.

Withholding Tax

- Withholding tax provisions are not applicable to any company on interest payable on any security issued in demat form and listed in recognized stock exchange.
- Application of provision of section 194C now extended to Association of persons and Body of Individual.
- Any person who is required to make payment to non-resident will have to furnish certain information to tax authorities in such form and manner as prescribed. The same will be in the form of e filing.

- The requirement for issuing Form 16 and 16A in physical form has been extended from March 2008 to March 2010.

Appeal / Reference Provisions

- The order of stay granted by Tribunal will be vacated after the expiry of 365 days even if the delay in disposing of the appeal is not attributable to the assessee.
- Board has the power to issue orders, give instructions or directions to IT authorities, fixing monetary limits, for the purpose of filing appeal or application for reference.
- Non-filing of any appeal or application for reference on any issues (based on monetary limits referred above) will not debar the Income tax authorities to file any appeal or application for reference on the same issue for same assessee for any other assessment year or for any other assessee for the same or any other assessment year.
- If the appeal or application for reference is not filed by IT authorities then the assessee cannot contend that the Income tax authority has accepted the disputed issue (applicable from April 1, 1999).

Penalty / Prosecution Provisions

- If any amount is added or disallowed in computing the total income or loss of an assessee in any order of assessment or reassessment and initiation of penalty proceedings is done, then it is deemed that satisfaction of Assessing Officer for initiation of penalty proceedings is achieved. (applicable from April 1, 1989).
- Power is conferred on Commissioner to grant immunity from penalty and prosecution if the following conditions are satisfied:
  - Where application for settlement is made and the proceedings in Settlement Commission are abated;
  - The penalty proceedings have been initiated but not imposed. and
  - The assesee has co-operated with the IT authorities and has made full and true disclosure of the income and the manner in which such income has been derived.
- However, Immunity granted can be withdrawn by the Commissioner, if the person fails to comply with the specified conditions or had given false evidence or concealed any particular material.

Other Procedural Amendments

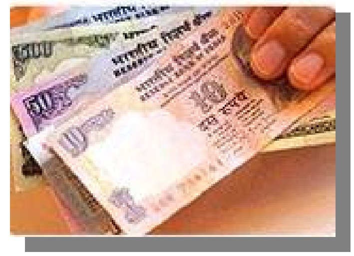
- Physical signature of assessing officers on notices, etc not required on computer generated documents (Effective 1st June, 2008).
- If an assessee has appeared in any proceeding or co-operated in any inquiry relating to any assessment or reassessment then it is deemed that the notice is properly served to him and the assessee cannot take a stand that -
  - notice was not served to him
  - notice was not served to him in time
  - notice was served in an improper manner.
- Where any books of account, other document, money, bullion, jewellery or other valuable article or thing is found in the possession or control of any person in the course of survey under section 133A then it is presumed that such books of account etc., belong to that person and the contents are true and are presumed to have been signed by a particular person if it appears so. Similar provisions are proposed in case books of accounts are requisitioned by the tax authorities.

Banking Cash Transaction Tax (BCTT)

No BCTT to be charged in respect of any taxable banking transactions entered on or after 01st April, 2009.

INDIRECT TAX PROPOSALS

Service Tax



- No change in the present rate of 12%.
- The threshold limit has been increased to Rs. 10 lacs from Rs. 8 lacs with effect from 1st April, 2008 and consequently, the threshold limit for obtaining registration has been increased to Rs. 9 lacs from Rs. 7 lacs with effect from 1st April, 2008.
- The definition of taxable service is proposed to be amended to replace the word 'Client/ customer' with 'Any Person' in case of 39 services.
- Following new categories of taxable services have been added to the tax net:
  - Services in relation to Information technology software
  - Investment management services in relation to ULIP
  - Stock exchange services
  - Commodity exchange services
  - Processing and clearing house services
  - Supply of tangible goods for use (where VAT is not payable)
- The scope of the following existing services has been enlarged:
  - Banking and other financial services to include money changing and purchase and sale of foreign currency
  - Business auxiliary services to include promotion or marketing of games of chance such as lottery, lotto, etc.
  - Cargo handling services to include packing with transportation
  - Internet telecommunication services to include internet telephony & other internet related services
  - Management, maintenance or repair, technical testing and analysis, technical inspection and certification services to include activity in relation to information technology software
- In case of services of management, maintenance or repair, technical testing or analysis and technical inspection and certification, the services shall be treated as performed in the country in which the tangible goods are located even if the same are provided through internet or computer network. This is relevant to determine whether there is import or export of services.

- Booking of a hotel room in India for a customer located and having his place of business outside India is exempted if the same is provided by a person located outside India.
- A service provider who is not maintaining separate accounts of input services in relation to taxable and exempted services can avail CENVAT credit either by reversing proportionate credit or by paying 8% of the value of the exempted service. Detailed rules have been prescribed in this regard to reverse the proportionate credit.
- To make the compliance under Service tax more assessee friendly, a scheme is to be notified authorizing service tax return preparers to assist assessee in preparation and filing of returns.
- Rate of service tax payable under composition scheme under the head of "Works Contract" Service has been increased from 2% to 4%.
- If a taxable service is provided by an "Associated enterprise" (AE) and the amount is credited/ debited in the books of accounts of the service provider, such amount shall be chargeable to tax even if not actually received. The definition of AE has been adopted from section 92A of the Income Tax Act, 1962.
- Tour operator services provided by educational bodies have been excluded from the net.
- Provisions of Best Judgement Assessment have been introduced.
- An opportunity has been proposed to be granted to the persons whose Service tax liability is in arrears up to Rs. 25,000; to discharge their liability on concessional terms on fulfillment of certain conditions.
- Specific penalties have been introduced for failures like complying with various provisions of Service Tax law like registration, invoice, records maintenance etc.

Central Excise

- Cenvat rate (Basic Excise Duty) has been reduced to 14% (from existing 16%) on all the products barring few exceptions.
- Method for determination of the Retail Sale Price (RSP) for goods liable to assessment on the basis of RSP have been provided in situations where RSP is not declared or has been removed after clearance of goods from the place of manufacture, or the same has been altered.
- Rates for providing abatement on goods to be assessed at RSP have been amended as a consequence of reduction in Basic Excise Duty rate.
- Excisable goods to include anything which is capable of being bought and sold for a consideration. Such goods shall be deemed to be marketable.
- Capacity based levy of excise duty to be introduced on specified goods.

- The deeming fiction of manufacture created in the Chapter/ Section notes has been aligned with the definition of "manufacture" to widen its gamut.
- Definition of "input services" under Cenvat Credit Rules, 2004 have been revised to restrict credit on account of outward freight only up to the place of removal.
- Provision of interest has been provided on pre-deposit which is not refunded within 3 months of passing the order by appellate authority in favor of the assessee.
- National Calamity Contingent Duty (NCCD) of 1% has been withdrawn from Polyester Filament yarn (PFY) and the same has been imposed on mobile phones.
- Benefit of Export rebate shall be granted to exports made by units situated in North – Eastern & other states availing exemption/ refund under Notification No. 32/99 and 33/99 of Central Excise.
- Excise Duty Rates have been reduced on specific Products (See table).

REDUCED EXCISE DUTY RATES		
Products	**Pre Budget Rate (%)**	**Post Budget Rate (%)**
Specified Drugs and Pharmaceuticals	16	8
Buses and their chases	16+ Rs 10,000 per chassis	12 + Rs. 10,000 per chassis
Small cars	16	12
Hybrid Motor Vehicles	24	14
Motor Bikes & 3 wheelers	16	12
Paper, Paper based & article made there from using non conventional raw materials	12	8 (No duty on first clearance up to 3500 MT)
Specified varieties of writing, printing and packing papers	12	8
Specified packaging material	16	8
Water purification and filtration devices	16	8
Veeners & flush doors	16	8
Breakfast Cereals	16	8
Sharbat	16	8
Pan Masala not containing Tobacco with not more than 15% betel nut content	16	8

- Duty exempted on the following products
  - Composting machines
  - Wireless data cards
  - Packaged tender Coconut water
  - Tea & coffee premixes

- Puffed rice
- Refrigeration equipment used in Cold storage, cold rooms, refrigerated vans
- Milk containing edible nuts with sugar or other ingredients
- Menthol & Menthol Crystals
- Life saving drugs
- Electric cars

INCREASED DUTY RATES		
Products	**Pre Budget Rate**	**Post Budget Rate**
Packaged software	8%	12%
Bulk Cement	Rs. 400/mt	Rs. 400/mt or 14% whichever is higher
Cement clinkers	Rs. 350/mt	Rs. 450/mt
Non filter cigarettes<60 mm	Rs. 168/1000 cigarettes	Rs. 819/1000 cigarettes
Non filter cigarettes >60 mm and < 70 mm	Rs. 546/1000 cigarettes	Rs. 1323/1000 cigarettes

Customs Duties

- There is no change in the peak rate of Customs duties on non agricultural products – 10%
- Customs duty on Project import has been reduced to 5% from 7.5%
- Exemption has been withdrawn for import of Naptha except for manufacture of fertilizers
- Custom Duty increased on cigar, cheroots & cigarillos from 30% to 60%
- Export duty on Chromium Ore and Concentrates has been increased from 2000 pmt to 3000 pmt.
- Reductions in rates of Customs Duties on several major products (see table for details).

REDUCTION IN CUSTOMS DUTY		
Products	**Pre Budget Rate**	**Post Budget Rate**
Polyester Filament Yarn (PFY)	NCCD 1%	Nil
Steel melting / aluminium scrap	5	Nil
Specified parts of set top boxes and specified raw material for use in IT/ Electronic Hardware industry	8	Nil
Counter Veiling Duty on major products	16	14
Specified life saving drugs and bulk drugs thereof	10	5
Vitamin pre mixes and mineral mixtures	30	20

REDUCTION IN CUSTOMS DUTY		
Specified raw materials for Tyre	10	5
Phosphoric acid	7.5	5
Helicopter Simulators for training	10	Nil
Convergence products i.e. MP3 / MP4 / MPEG	10	5
Specified raw materials for sports goods for exports	10	Nil
Specified machinery for manufacture of sports goods for exports	7.5	5
Rough cubic Zirconia	5	Nil
Cubic Zirconia (Polished)	10	5
Unworked or simply prepared corals	10	5
Tuna bait	30	Nil
Bactofuges	7.5	Nil
Crude and unrefined sulphur	5	2

Central Sales Tax (CST)

- Rate of Central Sales Tax has been reduced from 3% to 2% w.e.f. 1st April, 2008.

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