Religare Invesco Mutual Fund

Union Budget 2014

Key Highlights

Macro-Economic

- Fiscal Deficit Target retained at 4.1% of GDP for FY '15. Target to reduce it further to 3.6% in FY '16 and 3% by FY '17.
- Introduction of Goods & Services Tax (GST) to be put on a fast track.
- Estimated Non-Plan Expenditure of ₹ 12.20 lakh crore for FY '15.
- Estimated Plan expenditure of ₹ 5.75 lakh crore for FY '15.

Investment

- The maximum investment limit in Public Provident Fund (PPF) scheme raised to ₹ 1.5 lakh p.a. from the present limit of ₹ 1 lakh p.a.
- Reintroduction of Kissan Vikas Patra (KVP).
- To introduce National Savings Certificate (NSC) with insurance cover.
- To introduce special small saving scheme instrument to cater to the education and marriage requirements of girl child.
- To introduce a single operating Demat account.
- Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector.
- The holding period of mutual fund units (other than equity-oriented mutual fund) to be eligible for long term capital gains tax raised to 36 months from the present 12 months.
- Tax rate on long term capital gains on transfer of units of Mutual Funds (other than equity oriented funds) increased to 20% from the present tax rate of 10%.
- Conducive tax regime for Infrastructure Investment Trusts (INVITS) and Real Estate Investment Trusts (REITS) to be set up in accordance with SEBI regulations.
- The Government has notified a minimum pension of ₹ 1,000 per month to all subscriber members of Employee Pension Scheme (EPS).
- The mandatory wage ceiling of subscription to EPS raised from ₹ 6,500 to ₹ 15,000.
- Employee Provident Fund Organization (EPFO) to launch a Uniform Account Number service for contributing members to facilitate portability of Provident Fund Accounts.
- Income and Dividend Distribution Tax to be levied on gross amount instead of amount paid net of taxes for mutual funds and corporates.
- Income arising to foreign portfolio investors from transaction in securities to be treated as capital gains.
- Concessional withholding tax rate of 5% on interest payments for foreign currency borrowings extended by 2 years to June 30, 2017 from present June 30, 2015. Also, the benefit of concessional withholding tax rate extended to foreign currency borrowings through all types of long-term bonds and not just restricted to long-term infrastructure bonds.

Industry

- Extension of 10-year tax holiday to undertakings which begin generation, distribution and transmission of power by Mar 31 '2017.
- To boost small scale manufacturing units, an investment allowance of 15% per annum to manufacturing companies that invest more than ₹ 25 crore in any year in new plant and machinery. This benefit to be available for 3 years i.e. for investments up to Mar 31 '2017.
- Concessional tax rate of 15% on gross dividends received by Indian companies from specified foreign companies to be continued without any sunset date.
- The composite cap of foreign direct investment (FDI) in Defence sector to be raised to 49% from the existing 26% with full Indian management and control through the foreign investment Promotion Board (FIPB) route.
- The composite cap of FDI in Insurance Sector to be raised to 49% from the present 26% with full Indian management and control through FIPB route.
- Sum of ₹ 7,060 crores allocated in the current fiscal for the project of developing 100 smart cities.
- Retrospective legislation to be exercised with extreme caution and judiciousness. All fresh cases arising out of retrospective amendments of 2012 in respect of indirect transfers to be scrutinized by a High Level Committee to be constituted by the Central Board of Direct Taxes (CBDT).

Taxation - (A) Direct

- Personal Income Tax Exemption Limit raised by ₹ 50,000 per annum. For individuals, other than senior citizens, the new tax exemption limit set at ₹ 2.5 lakh from the present limit of ₹ 2 lakh. For senior citizens, the same has been raised to ₹ 3 lakh from present limit of ₹ 2.5 lakh.

  Subsequently, the new tax slab structure stands as:

Individuals (other than senior citizens)	**Senior Citizens** (aged 60 years & above but below 80 years)	**Very Senior Citizens** (aged 80 years & above)
• Income up to ₹ 2.5 lakh – Nil tax • Income from ₹ 2,50,001 to ₹ 5 lakh - 10% tax • Income from ₹ 5,00,001 to ₹ 10 lakh - 20% tax • Income above ₹ 10 lakh – 30% tax.	• Income up to ₹ 3.0 lakh – Nil tax • Income from ₹ 3,00,001 to ₹ 5 lakh - 10% tax • Income from ₹ 5,00,001 to ₹ 10 lakh - 20% tax • Income above ₹ 10 lakh – 30% tax.	• Income up to ₹ 5.0 lakh – Nil tax • Income from ₹ 5,00,001 to ₹ 10 lakh - 20% tax • Income above ₹ 10 lakh – 30% tax.

- Investment limit eligible for deduction under section 80C raised to ₹ 1.5 lakh from the present limit of ₹ 1 lakh.
- Deduction limit on interest on housing loan for self-occupied property raised to ₹ 2 lakh from the present limit of ₹ 1.5 lakh.
- Proposal to extend additional tax incentives on home loans to encourage people, especially the young, to own houses.

Taxation - (B) Indirect

- Services provided by radio-taxis to be brought under the service tax net.
- Additional duty of excise at 5% to be levied on aerated waters containing sugar (soft drinks).
- Specific rates of excise duty raised on cigarettes in the range of 11% - 72%.
- Excise duty increased on pan masala to 16% from present 12%; on unmanufactured tobacco to 55% from present 50% and on gutkha and chewing tobacco to 70% from present 60%.