

INTRODUCTION

As we all know that the Budget Day has a huge significance in the life of every citizen of a country, beginning from the lowest level to the billionaires and to the business houses as well, as it makes the people know the efficiency, ability and the strength of the government, which has been bought into power by such peoples through exercising their democratic right of voting and with the expectation that it will take the country's economic and political condition to the dream heights and will also improve their living. The 6th July 2009 was the said another day in the history of Indian Government when our Honourable Finance Minister Mr Pranab Mukherjee presented the budget in the Parliament.

There was huge expectation by the corporates from the said budget but the same cannot be fulfilled due to the recessionary conditions existing around the globe and India is no different from it. The Finance Minister in his budget speech said that the Government has to reign for 5 years and it is not possible to address all the issues in the first year of its campaign. During this long period of 5 years they will have to address many uncertainties and will have to face many problems with the same number of solutions.

MAJOR FINANCIAL HIGHLIGHTS OF BUDGET

We highlight here some of the key issues relating to the affairs of our country obtained from the Economic Survey for 2008 - 09 and data relating to the sources and application of funds referred in the budget :

- a) Growth rate in 2008-09 decelerated to 6.7% from the average growth of 9% in the previous three fiscal years.
- b) Fiscal deficit has risen to 6.8% of GDP in 2008-09 from 2.7% in the previous year which is a matter of concern for the government and needs to be taken care of.
- c) Total budgeted expenditure for 2009-10 is Rs. 10,28,838 crores comprising of Rs. 6,95,689 crores under Non Plan and balance Rs. 3,25,149 crores under Plan . Non Plan Expenditure increased by 37% and Plan expenditure increased by 34% over B.E. 2008-09. Increase in Non Plan expenditure was due to increased food subsidy and higher interest payment on borrowings made due to huge fiscal deficit in 2008-09 which is even budgeted to be higher for 2009-10.
- d) Budgeted Outlay for major avenues are :
 - i) Interest payments - Rs. 2,25,511 crores
 - ii) Subsidies - Rs. 1,11,276 crores
 - iii) Defence - Rs. 1.41,703 crores
- e) Gross Tax receipts budgeted at Rs. 6,41,079 crores in B.E. 2009-10 compared to Rs. 6,87,715 crores in B.E. 2008-09.
- f) Non Tax revenue receipts estimated at Rs. 1,40,279 crores for B.E. 2009-10
- g) Revenue deficit projected at 4.8% of GDP in B.E. 2009-10 compared to 1% in B.E. 2008-09.
- h) Fiscal Deficit as a % of GDP projected at 6.8% compared to 2.5% in B.E. 2008-09.

DIRECT TAX ISSUES

Finance Minister said in his budget speech “our tax collectors are like honey bees collecting nectar from flowers without disturbing them, but spreading their pollen so that flowers can thrive and bear fruit.” His direct tax proposals seem to justify the thoughts expressed in the above quote. Also he has referred that Tax Reform, too, is a process and not an event. He has made his best effort to satisfy each segment of assesses inspite of the recessionary conditions surrounding the economy. The important relevant amendments relating to direct taxes proposed by the finance minister are enumerated below :

A. Definitions

1. INCLUSION OF LIMITED LIABILITY PARTNERSHIP FIRM AS AN ASSESSEE UNDER THE INCOME TAX ACT :

Sec. 2 - Definition of “Firm”, “Partner” and “Partnership” is amended to include a Limited Liability Firm, Partner of such firm and Limited Liability Partnership as defined in the Limited Liability Partnership Act, 2008 introduced by the Finance Bill 2008-09. Thus, Limited Liability Partnership has been recognized for the purpose of Income Tax with these amendments.

B. Income under the head “Salary”

1. CHANGE IN TAXABILITY OF PERQUISITES FOR EMPLOYEES :

Sec. 17(2) - Definition of perquisites has been amended to include in it

- (a) the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer free of cost or at concessional rate to the assessee
- (b) the amount of any contribution to an approved superannuation fund made by the employer in respect of the assessee to the extent it exceeds Rs. 1,00,000/=
- (c) the value of any amenity or fringe benefit as may be prescribed

Thus, as a result of the said amendment the above perquisites which were left out from being taxed in the hands of employees because of levy of Fringe Benefit Tax on the same, shall now be taxable in the hands of the employees’ consequent to the abolition of Fringe Benefit Tax provisions.

C. Income under the head “Profits and Gains of Business or Profession”

1. ADDITIONAL BENEFIT FOR SETTING UP COLD STORAGE, WAREHOUSE FOR AGRICULTURAL PRODUCE AND LAYING AND OPERATING PIPELINE FOR NATURAL GAS OR PETROLEUM :

Sec. 35AD - This section has been newly inserted w.e.f 1st April, 2009 (Financial year 2009 - 10). The provisions are :

- An assessee shall be allowed deduction in respect of whole of the expenditure of capital nature incurred during the previous year by him for the purpose of any specified business carried on by him subject to the fulfillment of requisite conditions.

- Specified business means any one or more of the following businesses :
 - a) Setting up and operating of cold chain facility
 - b) Setting up and operating of warehouse facility for storage of agricultural produce
 - c) Laying and operating a cross country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network

Thus, it can be considered an attractive business proposal of setting up any of the specified business for which the additional benefit has been provided under the Income Tax Act. The object of the government is to promote the establishment of such facilities for preserving the agricultural produce for a longer period and for smooth supply of the resources throughout the country.

2. INCREASE IN AMOUNT OF REMUNERATION THAT CAN BE PAID TO THE PARTNERS OF A FIRM :

Sec. 40 - Additional allowance has been provided to the partnership firms by amending clause (b) of the said section so as to provide for additional remuneration to the working partners of the firm. Also, with the proposed amendment the professional firms and the business firms are placed at par with respect to remuneration to partners i.e. the differentiation that existed earlier with respect to remuneration allowable to the partners' of such firms has been removed and a single remuneration slab has been put through. **The amendment shall come into effect from 1st April, 2010 (Assessment Year 2010-11) i.e. from Financial Year 2009-10.** The slab is as below :

| | |
|--|---|
| On first Rs. 3,00,000/= of the book profit | Rs. 1,50,000/= or 90% of the book profit or in case of loss whichever is higher |
| On balance of the book profit | @ 60% of such profit |

3. INCREASE IN THE AMOUNT OF EXPENDITURE THAT CAN BE INCURRED IN CASH FROM RS. 20000/= TO RS. 35000/= :

Sec. 40A(3) - A huge relaxation has been given under this section. This section provides that any payment made otherwise than by way of an account payee cheque or bank draft to any person in excess of Rs. 20000/= shall be fully disallowed. Now the said amount has been increased to Rs 35000/= **but only for the payment made to the transporters.** It means that a person can make payment to a transporter otherwise than an account payee cheque or bank draft upto to the extent of Rs 35000/= without being subject to any disallowance. **This amendment will come into effect from 1st, October, 2009.**

4. CHANGE IN THE PROVISIONS IN RESPECT OF GETTING THE ACCOUNTS AUDITED FOR SMALL TRADERS AND TRANSPORTERS :

Sec. 44AA & Sec. 44AB - These sections have to be amended consequent to the amendment of Sec. 44AD, 44AE & 44AF relating to presumptive taxation of assesses. Now instead of the said three sections of presumptive taxation there exist only two sections, 44AD & 44AE, which we shall deal with immediately after this. As of now the amended provision of Sec. 44AA & 44AB states that any assessee, to whom the provision of presumptive taxation applies, if claims his income to be lower than the amount deemed to be his income under those provisions and such income exceeds the maximum amount not been chargeable to tax then he is required to maintain the books of accounts as prescribed u/s 44AA and to get his accounts audited u/s 44AB and submit the audit report. **These provisions shall come into effect from the assessment year 2011-12 i.e. from financial year 2010-11.**

5. NO MAINTENANCE OF ACCOUNTS BY SMALL TRADERS :

Sec. 44AD - This section has been amended and as a result earlier Sec. 44AD & 44AF stands merged in this single amended section. **These provisions shall come into effect from the assessment year 2011-12 i.e. from financial year 2010-11.** The provisions of the amended section are :

- The two earlier sections i.e. 44AD & 44AF cover those assesses engaged in civil construction business and in retail trade respectively. From now onwards there will be only one category of assesses for the purpose of this section i.e. eligible assessee other than those who are engaged in the business of plying, hiring or leasing of goods carriages having total turnover or gross receipts in the pervious year of less than Rs. 40 lacs. Therefore, there is standardization in the classification of assesses instead of creating too many categories thus making the law simple and common.
- Such eligible assesses have been given a liberty that if they declare their income to be 8% of the total turnover or gross receipts of the eligible business, they are neither required to maintain any books of accounts nor required to get them audited.
- But the assessee who claims his income to be lower than 8% and whose income exceeds the maximum limit not been chargeable to tax, such assessee shall be covered by the provision of Sec. 44AA & 44AB and accordingly be required to maintain the accounts and get the same audited.
- "Eligible Assessee" means an individual, HUF, a partnership firm other than a LLP and "Eligible Business" means any business other than the business of plying, hiring or leasing of goods carriage and whose turnover or gross receipts does not exceeds Rs. 40 lacs.

- In our opinion even if these assesses have been barred of maintaining the accounts but there are some practical reasons for which this provision appears to be insensible. Though the government's intention behind these provisions, as appears to us, is to provide relief to small businessmen for whom keeping of accounts absolutely makes no sense. To that extent the provision is justified.
- The eligible assesses shall not be liable to pay any advance tax.

6. NO MAINTENANCE OF ACCOUNTS BY SMALL TRANSPORTERS :

Sec. 44AE - This section which applies to those engaged in the business of plying, hiring or leasing of goods transport vehicles who owns not more than 10 goods carriage at any time during the previous year is amended. As per the amended provision the amount which can be presumed to be the profits and gains of these assesses from the said business has been increased. The new figures as they will be appearing now are :

- (a) For heavy goods vehicles the income shall be Rs. 5,000 P.M. per vehicle as against the earlier amount of Rs. 3,500 P.M and
- (b) For other than heavy goods vehicles the amount stands to be Rs. 4,500 P.M. per vehicle as against the earlier amount of Rs. 3,150 P.M.

Assesses declaring their profits and gains to be the presumed amount or higher than that shall not be required to comply with the provisions of maintaining books of accounts and getting the accounts audited. **These provisions shall come into effect from the assessment year 2011-12 i.e. from financial year 2010-11.**

D. Income under the head "Other Sources"

1. TAKING OF GIFTS MAY BECOME A BURDEN NOW :

Sec. 56 - This section contains the provisions relating to taxing of gifts received by an assessee being an individual or a HUF. It has been amended to widen the scope of gifts. **The amendment shall be applicable from 1st October 2009.** It stands as follows :

- a. Where an assessee received any sum of money, without consideration, exceeding Rs. 50000/= the whole of such sum
- b. Where an assessee receives any moveable or immoveable property
 - i. Without consideration, the stamp duty value in case of immovable property or the fair market value in case of movable property, if exceeds Rs. 50000/=, such stamp duty value or fair market value or
 - ii. For consideration which is less than the stamp duty value in case of immovable property or the fair market value in case of movable property, by more than Rs. 50000/=, such stamp duty value or fair market value in excess of ,the consideration

shall be treated as the income of the assessee for the previous year in which the gift has been received.

However, the exemption which was available earlier in respect of gift is still available only the scope of gifts has been widened from mere sum of money to include moveable and immovable property.

E. Deductions Under Chapter - VIA

1. DEDUCTION FOR CONTRIBUTION MADE TO PENSION SCHEMES EXTENDED TO ALL INDIVIDUALS :

Sec. 80CCD - This section has been amended. Previously under this section deduction was allowed in respect of contribution made to a pension scheme, notified or to be notified by the government, only to an assessee being an individual employed by the central government or any other employer. But after the amendment, the said deduction shall extend to every assessee being an individual, whether he is employed or not, for contribution made by them under the said scheme.

2. DEDUCTION FOR MAINTENANCE OF PERSON WITH DISABILITY INCREASED TO RS. 100000/= :

Sec. 80DD - This section provides deduction for maintenance including medical treatment of a dependent who is a person with disability. The amount of deduction which was available previously of Rs. 75,000/= for a person with severe disability has been enhanced to Rs. 1,00,000/=.

3. DEDUCTION FOR LOAN TAKEN BY STUDENTS FOR PURSUING HIGHER EDUCATION :

Sec. 80E - This section provides deduction in respect of interest on loans obtained by the students segment of the country for pursuing higher education. Amendment has been made to the said section. Earlier "higher education" was meant to be graduate or post graduate courses in medical, engineering, management or post graduate courses in applied sciences or pure sciences including mathematics and statistics. But after the said amendment it shall mean any course of study pursued after passing the senior secondary examination.

F. Assessment of Companies

1. PERIOD FOR WHICH MAT CREDIT CAN BE CARRIED FORWARD HAS BEEN INCREASED TO 7 YEARS :

Sec. 115JAA - This section applies to companies. According to the section the amount of tax paid by a company u/s 115JA can be carried forward to subsequent years. Such carry forward was previously allowed for a period of 7 years, but with the amendment to this section the number of years for which the tax paid can be carried forward has been increased to 10 years.

2. INCREASE IN THE RATE OF MAT LEVIED ON COMPANIES TO 15% :

Sec. 115JB - This section also applies to Companies. As per the section, which is commonly known as MAT (Minimum Alternate Tax), a Company is required to pay tax @10% of its book profits if the tax computed on the total income as per Income

Tax Act of the company is less than 10% of its book profit. Amendment has been made to the section and after the amendment the said rate of 10% has been increased to 15% i.e. if the tax on the income as per the Income Tax Act of a company is less than 15% of its book profit then the tax payable by the company shall be 15% of its book profits.

These amendments will take effect from 1st April, 2010 (Assessment Year 2010-11) i.e from the Financial year 2009 - 10.

G. Fringe Benefit Tax

1. ABOLITION OF FRINGE BENEFIT TAX :

Sec. 115WM - This section is a new section proposed to be inserted by the Finance Act. This is the biggest bonanza gift, the Finance Minister has offered in his budget. As per this new section "Fringe Benefit Tax" stands to be withdrawn **w.e.f the assessment year 2010-11 i.e. from the financial year 2009-10.** This was the demand of all the Corporate assesses for a long period of time and the Finance Minister has shown respect to the same. Thus no fringe benefit tax is required to be paid from the current financial year onwards by any person who was subject to the same.

H. Tax Deducted At Source

1. NO DEDUCTION OF TDS FROM PAYMENTS MADE TO TRANSPORTERS PROVIDED THEY HAVE PAN :

Sec. 194C - This section is regarding deduction of TDS on Contract related works. New provisions have been inserted in it for deduction of TDS and **such provisions will come into effect from 1st October, 2009.** These are as follows :

- Earlier there were different rates for deduction of TDS on advertising contracts and other contracts. The same has been modified. Now the differentiation between the rate for deduction of TDS will be on the basis of the status of the assesses :
 - i. Where the payee is an individual or a HUF the TDS rate shall be 1% of the amount paid or credited
 - ii. In case of any other assessee being the payee the shall be 2% of the amount paid or credited
- Where an individual or a HUF pays any sum to a contractor for carrying out personal work of such individual or HUF no TDS is required to be deducted.
- **An unexpected exemption has been provided from the provision of deducting TDS on any sum credited or paid to transporters - contractors and/or sub-contractors. It has been provided that no TDS is to be deducted from any sum paid or credited to the account of contractor being a transporter, if the transporter furnishes its PAN to the person responsible for paying the sum. But an additional burden has been imposed on the person responsible for paying the sum to the contractor. The person who is**

responsible for paying the sum has to furnish to the prescribed income tax authority such particulars which have been prescribed.

2. TDS RETURNS TO BE FURNISHED YEARLY :

Sec. 200 - Amendment has been made to this section. This section earlier provided for submission of quarterly returns of tax deduction at source by the person who has deducted tax and paid the same to the credit of the central government. Now the requirement for furnishing of such quarterly returns has been removed and the returns for tax deduction at source is to be furnished for such period as may be prescribed. The period has not been specified in the Act but possibly it will be yearly returns. **The amendment shall be applicable from 1st October, 2009.**

3. TDS TO BE DEDUCTED @ 20% IF DEDUCTEE DON'T HAVE A PAN :

Sec. 206AA - **This section is newly inserted w.e.f 1st April, 2010 (Financial Year 2010 - 11).**

The provisions are as follows :

- The person who is entitled to receive any income or sum or amount on which TDS is to be deducted shall furnish his PAN to the person responsible for deducting TDS. If such person does not furnish the same then TDS shall be deducted at the higher of the following rates :
 - i. At the rate specified in the relevant provision of the Act or
 - ii. At the rate or rates in force or
 - iii. At the rate of 20%
- Declaration u/s 197A for deduction of TDS at a lower rate shall be invalid without furnishing PAN in the declaration
- No certificate for lower deduction of TDS shall be granted if PAN is not furnished by the person applying for said certificate.
- This section shall override all other provisions of the Income Tax Act

I. Advance Tax

1. INCREASE IN THE THRESHOLD LIMIT FOR PAYMENT OF ADVANCE TAX :

Sec.208 - This section has been amended. It provides for the amount of advance tax payable by a person if the total tax payable exceeds a threshold limit. Such threshold limit for payment of advance tax was Rs. 5000/= before the amendment of the section. Now it has been increased to Rs. 10000/= i.e. advance tax is payable by a person if the total tax payable in a year exceeds Rs. 10000. **The amendment will take effect from 1st April, 2009 i.e. from financial year 2009-10.**

J. Mode of Communication

1. NOW YOU MAY NEED TO GET AN E-MAIL ID FOR COMMUNICATING WITH THE INCOME TAX DEPARTMENT :

Sec.282 - This section provides for the mode by which any notice or any other communication can be sent by the income tax authority. It has been amended. **The amendment shall come into affect from 1st October, 2009.** The provisions are as follows:

- i. Any notice or summon or requisition or order or any other communication can be served by delivering or transmitting a copy thereof to the person named therein by any of the following modes :
 - a. By post or courier service
 - b. In such manner as provided under the Code of Civil Procedure, 1908 for the purpose of service of summons
 - c. In the form of electronic record
 - d. By any other mode of transmission of document

Thus, electronic mode of sending the communication has also been included under the Income Tax Act.

2. NO CHANCE OF IGNORING ANY COMMUNICATION RECEIVED FROM THE INCOME TAX DEPARTMENT :

Sec. 282B - This is a new section inserted by the Finance Act, 2009. **It shall come into force from 1st October, 2010.** The provisions are as follows :

- A Document Identification number is to be generated from computer by the Income Tax Authority for every notice, order, letter or any other correspondence issued by it to any person and the number shall be quoted on the correspondence sent.
- Any such documents issued by the Income Tax Authority not bearing the said number shall be treated as invalid.
- Any document received by any Income Tax Authority from any person shall be accepted only after allotting and quoting a computer generated Document Identification Number.
- If the document received does not bear the number then such document shall be treated as and deemed to have never been received.

K. Rates of Income Tax, Surcharge and Education Cess for the Financial Year 2009-10

1. **No surcharge is to be levied on any persons other than Companies. Therefore,**
 - a) **For individuals, HUF, AOP or BOI on whom surcharge on income tax was levied, if the total income of these persons exceeded Rs. 10,00,000/=, @ 10% has been withdrawn. Thus, no surcharge is to be levied for Financial Year 2009 - 10.**
 - b) **For Firms on which surcharge on income tax was levied, if the total income of such firm exceeded Rs. 1 Crore, @ 10% has been withdrawn. Thus, no surcharge will be levied on firms for Financial Year 2009 - 10.**
 - c) **However, for Companies surcharge will continue to levied as it is levied currently.**

2. **For Resident individual being a senior citizen i.e. above 65 years of age at any time during the previous year**

| | |
|------------------------------|------|
| Upto Rs. 2,40,000 | Nil |
| Rs. 2,40,001 to Rs. 3,00,000 | @10% |

Rs. 3,00,001 to Rs. 5,00,000 @20%
 Above Rs. 5,00,000 @30%
 No surcharge, Education Cess @2% and Higher Education Cess @1%.

3. For Resident individual being a woman below 65 years of age at any time during the previous year

Upto Rs. 1,90,000 Nil
 Rs. 1,90,001 to Rs. 3,00,000 @10%
 Rs. 3,00,001 to Rs. 5,00,000 @20%
 Above Rs. 5,00,000 @30%
 No surcharge, Education Cess @2% and Higher Education Cess @1%.

4. For any other individual not covered above, HUF or every AOP or BOI, whether registered or not

Upto Rs. 1,60,000 Nil
 Rs. 1,60,001 to Rs. 3,00,000 @10%
 Rs. 3,00,001 to Rs. 5,00,000 @20%
 Above Rs. 5,00,000 @30%
 No surcharge, Education Cess @2% and Higher Education Cess @1%.

5. For Firms :

Rate at which income shall be chargeable to tax is @30%.
 No surcharge, Education Cess @2% and Higher Education Cess @1%.

6. For Domestic Companies :

Rate at which income shall be chargeable to tax is @ 30%. Surcharge will be levied 10% if the total income exceeds Rs. 1 crore. as it is continue to be levied. Education Cess @2% and Higher Education Cess @1% will be levied on the amount of Income Tax calculated at the above rate.

7. No Education Cess and Higher Education Cess will be levied while deducting Tax at Source of a domestic company and any person resident in India. However, while deducting TDS on Salary of employees Education Cess should be deducted on the same.

WEALTH TAX

A. Rate of Wealth Tax for the Financial Year 2009-10

1. INCREASE IN THE AMOUNT OF WEALTH CHARGEABLE TO WEALTH TAX :

Sec. 3 - This section has been amended. This section contains the provision in relation to charge of Wealth Tax on the net wealth of the assessee. Earlier Wealth Tax was charged on individual, HUF and companies @1% on the amount by which the net wealth of such person exceeded Rs. 15,00,000 on the valuation date. After the said amendment such threshold limit for charging the Wealth Tax has been increase to Rs. 30,00,000 i.e.

wealth tax will be charged on the said person @1% on the amount by which the net wealth exceeds Rs. 30,00,000 on the relevant valuation date. This amendment is applicable from the Assessment Year 2010-11 onwards.

SERVICE TAX

A. Service Tax being imposed on the following specified services :

1. SERVICE PROVIDED IN RELATION TO TRANSPORT OF GOODS BY RAIL :

This means that now goods brought through the railways transport system will be costlier by additional 10.3 % because of service tax levied on the same.

2. SERVICE PROVIDED IN RELATION TO TRANSPORT OF A. COASTAL GOODS B. GOODS THROUGH INLAND WATER INCLUDING NATIONAL WATERWAYS

3. LEGAL CONSULTANCY SERVICE

Now all the services provided in relation to legal consultancy by any person whether by lawyer, CA's or any other professionals shall be chargeable to service tax

4. COSMETIC & PLASTIC SURGERY SERVICE

B. Amendment in rules and existing notifications :

1. Rule 6(3) of the Cenvat Credit Rules, 2004 has been amended to provide that a provider of both taxable and exempted services, who does not maintain separate accounts for input, shall pay an amount equal to 6% of the value of exempted services instead of 8%.
2. Rule 3(5B) of the Cenvat Credit Rules has been amended to provide that a service provider shall pay back the amount of credit taken on inputs/capital goods fully written off.
3. There was a rumor spreading in the air after the budget that service tax on transporters has been removed. For the removal of doubts we state that no such change has been brought in. Yes an amendment has been made for the exporters where in the levy of service tax on the service of Transport of Goods through Road has been exempted subject to certain conditions. But this exemption applies only for the exporters, mind you, don't take it as an overall exemption.

NEW AMENDED RATES OF TDS IN TABULATED FORM

1. Sec. 194C - TDS on Payment made to Contractors :

| Rates applicable from 01/04/2009 to 30/09/2009 | | | | | |
|--|---------------------------|-----------------------------------|-----------------------------|------------|--------------------------|
| Sl. No. | Nature of Deductee | Condition | TDS Rate if Contract is for | | Applicable From |
| | | | Advertising | Other Work | |
| 1. | Individual/HUF | If deductee is a contractor | 1% | 2% | 01/04/2009 to 30/09/2009 |
| 2. | Other than Individual/HUF | If deductee is a contractor | 1% | 2% | 01/04/2009 to 30/09/2009 |
| 3. | Individual/HUF | If deductee is a sub - contractor | 1% | 1% | 01/04/2009 to 30/09/2009 |
| 4. | Other than Individual/HUF | If deductee is a sub - contractor | 1% | 1% | 01/04/2009 to 30/09/2009 |

| Rates applicable from 01/10/2009 to 31/03/2010 | | | | | |
|--|---------------------------|----------------------------|-----------------------------|-----------------|--------------------------|
| Sl. No. | Nature of Deductee | Condition | TDS Rate if Contract is for | | Applicable From |
| | | | Transporter | Non Transporter | |
| 1. | Individual/HUF | If deductee has PAN | Nil | 1% | 01/10/2009 to 31/03/2010 |
| 2. | Other than Individual/HUF | If deductee has PAN | Nil | 2% | 01/10/2009 to 31/03/2010 |
| 3. | Individual/HUF | If deductee don't have PAN | 1% | 1% | 01/10/2009 to 31/03/2010 |
| 4. | Other than Individual/HUF | If deductee don't have PAN | 2% | 2% | 01/10/2009 to 31/03/2010 |

| Rates applicable from 01/04/2010 (Financial Year 2010 - 11) | | | | | |
|---|---------------------------|----------------------------|-----------------------------|-----------------|-----------------|
| Sl. No. | Nature of Deductee | Condition | TDS Rate if Contract is for | | Applicable From |
| | | | Transporter | Non Transporter | |
| 1. | Individual/HUF | If deductee has PAN | Nil | 1% | 01/04/2010 |
| 2. | Other than Individual/HUF | If deductee has PAN | Nil | 2% | 01/04/2010 |
| 3. | Individual/HUF | If deductee don't have PAN | 20% | 20% | 01/04/2010 |
| 4. | Other than Individual/HUF | If deductee don't have PAN | 20% | 20% | 01/04/2010 |

2. Sec. 194I - TDS on Rent :

| Rates applicable from 01/04/2009 to 30/09/2009 | | | | | |
|--|---------------------------|----------------------------|----------------------------------|---|--------------------------|
| Sl. No. | Nature of Deductee | Condition | TDS Rate if the asset let out is | | Applicable From |
| | | | Machinery or Plant or Equipment | Land or Building or Furniture or Fittings | |
| 1. | Individual/HUF | If deductee has PAN | 10% | 15% | 01/04/2009 to 30/09/2009 |
| 2. | Other than Individual/HUF | If deductee has PAN | 10% | 20% | 01/04/2009 to 30/09/2009 |
| 3. | Individual/HUF | If deductee don't have PAN | 10% | 15% | 01/04/2009 to 30/09/2009 |
| 4. | Other than Individual/HUF | If deductee don't have PAN | 10% | 20% | 01/04/2009 to 30/09/2009 |

| Rates applicable from 01/10/2009 to 31/03/2010 | | | | | |
|--|---------------------------|----------------------------|---|--|--------------------------|
| <u>Sl. No.</u> | <u>Nature of Deductee</u> | <u>Condition</u> | <u>TDS Rate if the asset let out is</u> | | <u>Applicable From</u> |
| | | | <u>Machinery or Plant or Equipment</u> | <u>Land or Building or Furniture or Fittings</u> | |
| 1. | Individual/HUF | If deductee has PAN | 2% | 10% | 01/10/2009 to 31/03/2010 |
| 2. | Other than Individual/HUF | If deductee has PAN | 2% | 10% | 01/10/2009 to 31/03/2010 |
| 3. | Individual/HUF | If deductee don't have PAN | 2% | 10% | 01/10/2009 to 31/03/2010 |
| 4. | Other than Individual/HUF | If deductee don't have PAN | 2% | 10% | 01/10/2009 to 31/03/2010 |

| Rates applicable from 01/04/2010 (Financial Year 2010 - 11) | | | | | |
|---|---------------------------|----------------------------|---|--|------------------------|
| <u>Sl. No.</u> | <u>Nature of Deductee</u> | <u>Condition</u> | <u>TDS Rate if the asset let out is</u> | | <u>Applicable From</u> |
| | | | <u>Machinery or Plant or Equipment</u> | <u>Land or Building or Furniture or Fittings</u> | |
| 1. | Individual/HUF | If deductee has PAN | 2% | 10% | 01/04/2010 |
| 2. | Other than Individual/HUF | If deductee has PAN | 2% | 10% | 01/04/2010 |
| 3. | Individual/HUF | If deductee don't have PAN | 20% | 20% | 01/04/2010 |
| 4. | Other than Individual/HUF | If deductee don't have PAN | 20% | 20% | 01/04/2010 |

Note :

1. Other than the above changes there is no change in the rates for deduction of TDS on other payments, subject to the provision of Sec. 206AA which shall override all other provisions contained in any section of the Act i.e. TDS @20% to be deducted on all payments (attracting TDS liability) in case of Non-PAN holders.
2. No Surcharge, Education Cess & Higher Education Cess is to be deducted along with TDS except in case of a company which is not a domestic company. However, while deducting TDS on salary of employees Education Cess & Higher Education Cess shall also be deducted, but no surcharge.

Disclaimer :

The above compilation has been drafted keeping in view the clients of our firm. There are some other amendments as well in the direct tax which are not been included above. For any further clarification please contact :

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