

Broad Tax Expectation From The Budget 2009 – July 7, 2009

BROAD TAX EXPECTATIONS FROM THE BUDGET 2009-10 INCOME TAX

1. Reduction in the corporate income tax rates. How this would be done remains to be seen. It could involve removal of FBT, elimination of surcharge, reduction in the basic tax rate, etc.
2. Exemptions under Sections 10-A and 10-B expected to be extended beyond March 31, 2010.
3. Major changes on the personal income tax front, involving, probably increase in the basic exemption limits, increase in deductions especially those related to Section 80-C, etc. It is widely expected that the basic income tax exemption limit would go up significantly. Our guess is that, the income tax exemption limit would be fixed at Rs 2 lakhs.
4. Limits for deductions for principal repayment and interest could go up significantly.
5. Income tax incentives for low-income income which could involve amendment to Section 80-IB.
6. Minor changes expected in respect of tax rates for senior citizens.

INDIRECT TAXES

1. With GST proposed to be introduced from April 1, 2010, one cannot expect any major changes in indirect taxes.
2. The central excise and service tax rates are expected to remain at the current levels of 10% and 8%, respectively. The education cess rates are unlikely to be touched.
3. More services could get added into the service tax net, to meet the increasing demand for financial resources.
4. Changes expected in respect of service tax law especially as those related to the cenvat credit rules.
5. Minimum exemption limit under service tax could get raised from the current level of Rs 10 lakhs.
6. No major changes expected in the customs rates.

From STV Advisor Team