



## **Key Announcements and proposed amendments to the Finance Bill, 2009**

The Finance Bill, 2009 (the Bill) was presented by the Finance Minister (FM) before the Lok Sabha<sup>1</sup> on 6 July 2009. Considering the representations received, the FM has introduced certain amendments to the Bill in the Lok Sabha.

This Flash News gives a snapshot of the key amendments proposed to the provisions of the Bill as passed by the Lok Sabha. It may be noted that these proposals will become law only after they are passed by the Rajya Sabha<sup>2</sup> and thereafter receive assent of the President of India.

### **DIRECT TAX**

#### **Reality sector related amendments/announcements**

In line with the overall thrust on inclusive growth agenda of the Government of India, certain additional incentives were given for low and middle income housing.

#### ***Tax holiday under Section 80IB of the Act for housing projects satisfying prescribed threshold limits***

- Tax holiday under Section 80IB of the Income-tax Act (the Act) is available in respect of profits derived from developing and building housing projects satisfying the prescribed threshold limits.
- The tax holiday was available for projects approved by the local authority up to 31 March 2007. The tax holiday has now been

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<sup>1</sup> The lower house of Parliament of India

<sup>2</sup> The upper house of Parliament of India

extended for projects approved by the local authority during financial year 2007-2008.

***Interest rate on housing loans***

- The Government of India proposes to provide interest subsidy of 1 percent on housing loans up to INR 10 lakhs to individuals where the cost of the house does not exceed INR 20 lakhs.
- The interest subsidy will be available for a period of 1 year.
- The subsidy will be routed through scheduled commercial banks and housing finance companies registered with the National Housing Bank.

***Receipt of immovable property by an individual or Hindu undivided family from any person (subject to exceptions) on or after 1 October 2009***

- Taxed as income under the head ‘income from other sources’ in the year of receipt:

<b>Particulars</b>	<b>Taxable amount</b>
Immovable property received without any consideration, stamp duty value of which exceeds INR 50,000	Stamp duty value*
Immovable property received for a consideration which is less than the stamp duty value by an amount exceeding INR 50,000	Excess of stamp duty value* over such consideration

\* Stamp duty value means value considered for stamp duty valuation

- Section 49 of the Act has been amended to provide for cost of acquisition of such property.
- For the purpose of computing capital gains on subsequent transfer of such property by the recipient, cost of acquisition shall be deemed to be the value taxed as above under the head ‘income from other sources’.
- The above amendment has been made to bring in consistency in determining the cost of acquisition of assets which has been taxed in earlier years.

**Corporate Tax**

***Deduction in respect of capital expenditure in the specified industries***

The Bill proposed a 100 percent deduction in respect of capital expenditure (other than the acquisition of any land or goodwill or

financial instrument) incurred by the taxpayer engaged in the following businesses:

- setting up and operating cold chain facilities for specified products
- warehousing facilities for storage of agricultural produce
- laying / operating cross-country natural gas or crude or petroleum oil pipeline network for distribution / storage as specified.

Now it is proposed to extend such deduction to the expenditure incurred prior to commencement of operation of the above specified business, if the expenditure was capitalised in the books of the taxpayer on the date of commencement of operation. The deduction will be allowed to the taxpayer in the year of commencement of operation.

## **Tax Holidays**

### ***Tax holiday for Industrial Park extended till 31 March 2011***

The tax benefit available to industrial park under section 80 IA(4)(iii) of the Act in respect of profits derived by the undertaking engaged in developing, developing and operating or maintaining and operating of an industrial park, has been proposed to extend from 31 March 2009 to 31 March 2011.

### ***Tax holiday for meat and meat products and poultry, marine and dairy products***

The tax holiday provided under section 80 IB(11A) of the Act to the undertaking engaged in the business of processing, preserving and packaging of fruits and vegetables.

Now it has been proposed to extend such tax holiday to the undertakings involved in the business of meat and meat products and poultry, marine and dairy products which begins its operation on or after 1 April 2009.

### ***Tax holidays provided to Natural Gas is extended to Coal Bed Methane Blocks***

The tax holiday proposed in the Bill to the undertaking engaged in commercial production of natural gas in blocks licensed under NELP-VIII<sup>3</sup> round is now proposed to be extended to Coal Bed Methane blocks under the IV round of bidding for awards of exploration contracts. The commercial production of natural gas should be started on or after 1 April 2009.

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<sup>3</sup> New Exploration Licensing Policy (NELP) VIII is the highest number of exploration blocks which is on offer for bidding in the NELP-VIII Licensing Round, representing a total of 70 blocks.

## **Non-resident related amendments**

### ***Appeal against the order passed as per the directions of the Dispute Resolution Panel (the Panel)***

It was proposed in the Bill to amend section 246(1)(a) of the Act by stating that no appeal will lie to the Commissioner of Income-tax (Appeals) [CIT(A)] against the order passed by the Assessing Officer (AO) under section 143(3) of the Act on the directions of the Panel. Now it has been proposed that no appeal will lie to the CIT(A) against the order passed by the AO under section 143(3) and 147 of the Act as per the directions of the Panel.

### ***Direct appeal to the Income-tax Appellate Tribunal (the Tribunal) against the order passed as per the directions of the panel***

Section 253(1)(d) of the Act was proposed to be amended in Bill to provide that the order passed by the AO under section 143(3) of the Act as per the directions of the Panel was directly appealable to the Tribunal.

Now it has been proposed that even the order passed under section 147 of the Act by the AO as per the directions of the Panel is directly appealable to the Tribunal.

## **Personal Taxation**

### ***Cost of acquisition in the case of gift received in kind and consequential changes in the definition of income***

It was proposed to amend the provision of section 56(2) of the Act by including the gift received in kind in excess of INR 50,000 which will be included in the computation of total income of the recipient.

Now it has been proposed to amend the definition of the term 'income' by inserting a new clause (xv) in the section 2(28) of the Act, to provide for any sum of money/immovable property received as 'income'.

### ***Deduction in respect of contribution to pension scheme***

It was proposed under the Bill to include 'self employed' taxpayers in addition to the employees, for the tax deduction under section 80CCD of the Act in respect of contribution to the pension scheme.

The provision of section 80 CCD of the Act before the Bill was introduced restricts the deduction to the extent of 10 percent of salary. Now a consequent change has been proposed to be made to restrict the contribution to a pension scheme in case of a self employed taxpayer to 10 percent of the gross total income.

### ***Deduction in respect of interest on loan for higher education***

The deduction in relation to interest on loan taken for higher education under section 80E of the Act was proposed to be extended to cover all fields of study including vocational study pursued after passing the senior secondary examination or its equivalent from specified recognised authorities.

The deduction under section 80E of the Act was available if the payment of interest was made for the education of own self or for relative i.e. for the study of spouse or children of the individual.

Now the definition of relative for the purpose of above section has been expanded to include the students of whom the taxpayer is a guardian.

#### ***Deduction in case of person with severe disability***

The Bill proposed to increase the limit of deduction from INR 75,000 to INR 100,000 in respect of payment made for the medical treatment of the dependent under section 80DD of the Act if the dependent is suffering from severe disability.

Now it has been proposed to increase the limit of deduction under section 80U of the Act from INR 75,000 to INR 100,000 in case of a taxpayer suffering from severe disability.

#### **Other tax provision**

##### ***Tax relief on anonymous donations in certain cases***

To provide some relief and mitigate the burden, The Bill proposed to provide some relief to partly religious, partly charitable and fully charitable institutions in case of anonymous donation received by them from being taxed. The relief was to the extent of the higher of the following:

- 5 percent of the total income of such trust/institution.
- INR 100,000.

Now it has been proposed that in the case of anonymous donations the relief will be higher of following

- 5 percent of the total donation received by the trust/institution.
- INR 100,000.

#### **Disclaimer**

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