

namely, "Served From India Scheme", "Vishesh Krishi and Gram Udyog Yojana (Special Agriculture and Village Product Scheme)", "Fucus market Scheme" and "Fucus Product Scheme", on goods exported towards fulfillment of export obligation under Export Promotion Capital Goods Scheme, with retrospective effect in the manner specified in Second Schedule.

Clause 56 of the Bill seeks to make special provision for exempting fresh garlic imported by the National Consumer Co-operative Federation and Madhya Pradesh State Co-operative Marketing Federation from import licence issued by the Government and cleared after the 15th day of January, 2003 from the so much of duty of Customs as is in excess of thirty per cent. *ad valorem* retrospectively with effect from 15th January, 2003 as specified in Third Schedule.

Customs tariff

Clause 55 of the Bill seeks to amend section 3 of the Customs Tariff Act so as to substitute with effect from 1st March, 2011, the reference to the Standards of Weights and Measures Act, 1976 by a reference to the Legal Metrology Act, 2009 as the former Act has been repealed by the latter.

Clause 56 of the Bill seeks to amend section 9AA of the Customs Tariff Act so as to confer power upon the Central Government to reduce the anti-dumping duty imposed under the provisions of sub-section (1) of section 9A of the Customs Tariff Act on an article where the importer of such article proves to the satisfaction of the Central Government that he has paid anti-dumping duty in excess of his actual margin of dumping determined in relation to the article.

Clause 57 of the Bill seeks to amend the First Schedule and the Second Schedule to the Customs Tariff Act.

Item (i) of sub-clause (a) of said clause 57 seeks to amend the First Schedule in the manner provided in the Fourth Schedule so as to substitute the description against the heading 9804 to cover all dutiable articles, intended for personal use, imported by post or air and to prescribe a rate of 35 per cent. against tariff items 9804 10 00 and 9804 90 00 of Chapter 98.

Item (ii) of sub-clause (a) of said clause 57 seeks to amend the First Schedule in the manner specified in the Fifth Schedule so as to incorporate the amendments approved by the Customs Co-operation Council (World Customs Organisation) in the legal text of the International Convention on the Harmonised Commodity Description and Harmonised Coding System to align the said Schedule with the Harmonised System of Nomenclature with effect from 1st day of January, 2012.

Sub-clause (b) of said clause 57 seeks to substitute the Second Schedule to the Customs Tariff Act in the manner specified in the Sixth Schedule to align it with the Harmonised System of Nomenclature.

It is proposed to give reference of Chapter, heading, sub-heading and tariff item in the proposed new Second Schedule and to insert,—

(a) a new entry relating to de-oiled rice bran oil cake with a rate of duty of fifteen per cent., and

(b) to provide for enhanced tariff rate in respect of iron ore (Agglomerated and Non-Agglomerated) of thirty per cent.

Clause 58 of the Bill seeks to make special provision for imposing safeguard duty on caustic soda lye retrospectively for the period from 4th December, 2009 up to the period of 3rd March, 2010 (both days inclusive) as specified in Seventh Schedule.

Government of India in the Ministry of Finance (Department of Revenue) vide notification No. 131/2009-Customs [G.S.R. 861 (E)], dated the 4th December, 2009, imposed provisional safeguard duty on import of Caustic Soda Lye. The Director-General (SafeGuard) in its final finding published vide number G.S.R. 306 (E), dated the 9th April, 2010 came to the conclusion that increased imports of Caustic Soda Lye into India has threatened to cause further serious injuries to the domestic producers and recommended the imposition of safeguard duty on imports of Caustic Soda Lye into India. Sub-clause (1) proposes to impose final safeguard duty at the rate of fifteen per cent. *ad valorem*, with retrospective effect for the period from 4th December, 2009 to 3rd March, 2010 (both days inclusive) as per the details given in the Seventh Schedule.

Clause 59 of the Bill seeks to amend section 4A of the Central Excise Act so as to substitute the Standards of Weights and Measures Act, 1976 by a reference to the Legal Metrology Act, 2009 as the former Act has been repealed by the latter.

Clause 60 of the Bill seeks to substitute section 11A of the Central Excise Act relating to recovery of duties not levied or not paid or short-levied or short-paid or erroneously refunded, so as to make the provisions more coherent and clear and also to insert a new category of cases in respect of which notice can be issued within a period of five years with waiver of notice and abatement of penalty amount if the duty along with interest is paid before issue of notice.

Clause 61 of the Bill seeks to substitute a new section 11AC for sections 11AA and 11AB of the Central Excise Act relating to interest on delayed payment of duty, so as to make the provisions more coherent and clear.

Clause 62 of the Bill seeks to substitute section 11A to provide that for the new category of cases the general penalty shall be fifty per cent. of the duty and also to confine the remission of penalty only to the new category of cases inserted in section 11A.

Clause 63 of the Bill seeks to insert a new section 11E in the Central Excise Act so as to create a first charge on the property of the defaulter for recovery of any amount due under this Act except as provided under section 52A of the Companies Act, the Recovery of Debt due to Bank and the Financial Institution Act, 1993 and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Clause 64 of the Bill seeks to amend section 12 of the Central Excise Act so as to insert reference to section 3A with effect from the date of insertion of section 3A in the said Act with the exception that the offences and penalties shall not apply retrospectively.

Clause 65 of the Bill seeks to insert section 12F to the Central Excise Act so as to empower the Joint Commissioners or the Additional Commissioners of the Central Excise to conduct the search or seizure either by himself or to authorise any officer subordinate to him for search and seizure. The provision of the Code of Criminal Procedure, 1973 relating to search and seizure shall so far as may apply to search and seizure under the aforesaid Act.

Clause 66 of the Bill seeks to insert a new section 35R in the Central Excise Act relating to filing of appeal by Central Excise Officers in certain case.

The proposed section seeks to provide that the Central Board of Excise and Customs may from time to time, issue orders, instructions or directions to Central Excise Officers fixing such monetary limit as it may deem fit for the purpose of regulating filing of appeal, application, revision or reference by Central Excise Officers under the provisions of Chapter VIA.

It is further proposed to provide that where, in pursuance of the orders or instructions or directions, issued under sub-section (1), the Central Excise Officer has not filed any appeal, application, revision or reference against any decision or order passed under the provisions of this Act, it shall not preclude such Central Excise Officer from filing appeal, application, revision or reference in any other case involving the same or similar issues or questions of law.

It is also proposed to provide that notwithstanding that no appeal, application, revision or reference has been filed by Central Excise Officer pursuant to the orders or instructions or directions issued under sub-section (1), no person, being a party in appeal, application, revision or reference shall contend that the Central Excise Officer has acted in the exercise of his discretion on the disputed issue by not filing appeal, application, revision or reference.

It is also proposed to provide that the Appellate Tribunal or Court hearing such appeal, application, revision or reference shall have regard to the orders or instructions or directions issued under sub-section (1) and the circumstances under which appeal, application, revision or reference was not filed by the Central Excise Officer.

It is also proposed to provide that every order or instruction or direction issued by the Central Board of Excise and Customs on or after the 20th day of October, 2010, but before the date on which the Finance Bill, 2011 receives the assent of the President, fixing monetary limits for filing of appeal, application, revision or reference shall be deemed to have been issued under sub-section (1), and the provisions of sub-sections (2), (3) and (4) shall apply accordingly.

This amendment will take effect retrospectively from the 20th day of October, 2010.

Clause 67 of the Bill seeks to amend sub-section (2) of section 38 of the Central Excise Act with a view to insert words therein so as to make its provisions applicable to the notification issued under section 5B of the said Act.

Clause 68 of the Bill seeks to amend rule 3 of the CENVAT Credit Rules, 2004 in the manner specified in the Eighth Schedule with retrospective effect from the 18th April, 2006 so as to incorporate the provisions for CENVAT Credit of service tax paid on services received from outside India.

Clause 69 of the Bill seeks to amend notifications issued under sub-section (1) of section 5A of the Central Excise Act, 1944 bearing number G.S.R. 679(E), dated 25th August, 2005, number G.S.R. 90(E), dated 21st January, 2004 and number G.S.R. 419(E), dated 9th July 2004 in the manner specified in the Ninth Schedule so as to retrospectively extend the provision for making investment in units located in the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura and to carry out appraisal by the Investment Appraisal Committee.

Excise tariff

Clause 70 of the Bill seeks to amend the First Schedule and the Third Schedule to the Central Excise Tariff Act.

Item (i) of sub-clause (a) of said clause 69 seeks to amend the First Schedule in the manner provided in the Tenth Schedule so as to,—

(i) amend Note 5 of Chapter 15 so as to insert headings 1501, 1502, 1503, 1504 and 1505 and tariff item 1516 10 00 therein;

(ii) enhance the tariff rate in respect of certain goods falling in Chapter 14, 15, 16, 19, 21, 22, 27, 30, 32, 38, 39, 46, 47, 48, 49, 56, 58, 69, 70, 71, 84, 88, 89, 90, 93, 94 and 96;

(iii) insert a new Note 7 in Chapter 22 so as to provide that in relation to products of this Chapter labelling or re-labelling of containers or packing or repacking from bulk packs to retail packs or the adoption of any other treatment to render the product marketable to the consumer, shall amount to "manufacture";

(iv) insert a new Note 4 in Chapter 26 to provide that the process of converting ores into concentrates shall amount to manufacture;

(v) prescribe a tariff rate of 10% against tariff items 5307 10 10, 5307 10 90 and 5307 20 00;

(vi) insert two new Notes 4 and 5 in Chapter 63 so as to provide that affixing a brand name on the product, labelling or re-labelling, or repacking from bulk packs to retail packs or the adoption of any treatment to render the product marketable to the consumer, shall amount to "manufacture" and to define the expression "brand name";

(vii) insert a new Note 14 in Chapter 71 to provide that the process of refining of dore bar shall amount to "manufacture";

(viii) specify a tariff rate of 10% against tariff items 7106 10 00, 7106 91 00 and 7106 92 90.

Item (ii) of sub-clause (a) of said clause 69 seeks to amend the First Schedule to the Central Excise Tariff Act to incorporate therein the amendments approved by the Customs Co-operation Council (World Customs Organisation) in the legal text of the International Convention on the Harmonised Commodity Description and Harmonised Coding System to align the said Schedule with effect from the 1st day of January, 2012, with the Harmonised System of Nomenclature in the manner specified in Eleventh Schedule.

Sub-clause (b) of said clause 69 seeks to amend the Third Schedule to the Central Excise Tariff Act so as to include specified goods which have been notified for levy of excise duty under section 4A of the said Act with retrospective effect from the dates on which they were so notified as specified in Twelfth Schedule.

Service Tax

Clause 71 of the Bill seeks to amend Chapter V of the Finance Act, 1994 relating to service tax in the following manner:—

Sub-clause (A) seeks to amend section 65 so as to,—

(a) define the term "clinical establishment", omit the definition of "authorised service station" and amend the definitions of "club or association", "commercial training and coaching centre" and "support services of business or commerce";

(b) specify the scope of the following taxable services:—

(i) service provided in relation to repair, etc., of motor vehicle;

(ii) life insurance service;

(iii) service provided by clubs or associations;

(iv) (a) services provided by a business entity to individuals in relation to advice, consultancy or assistance in any branch of law;

(b) representation service before a judicial or quasi-judicial authority provided by any person to a business entity;

(c) include arbitration service provided to any business entity by an arbitral tribunal;

(d) services provided by clinical establishments and doctors;

(e) services provided by air-conditioned restaurants also having licence to serve alcoholic beverages;

(f) service relating to providing of short-term accommodation by hotels and similar establishments;

Sub-clause (B) seeks to amend section 66 of the said Act, *inter alia*, to specify the following services as taxable services, namely:—

(a) representation services excluding the services provided to an individual by way of appearance before any court, tribunal or authority;

(b) services provided by an arbitral tribunal;

(c) services provided by an air-conditioned restaurant in relation to serving of food or beverages;

(d) services provided by hotel, etc., in relation to accommodation provided for a period of less than three months;

Sub-clause (C) seeks to amend section 70 of the said Act with a view to enhance the maximum late fee for non-filing of returns from two thousand rupees to twenty thousand rupees;

Sub-clause (D) seeks to amend section 73 with a view to omit sub-section (1A) and provisos to sub-section (2) and to insert a new sub-section (4A) to provide for mitigation of penalty;

Sub-clause (E) seeks to amend section 73B with a view to insert a proviso therein to provide concessional rate of interest for certain specified category of service providers;

Sub-clause (F) seeks to amend section 75 with a view to provide for concessional rate of interest for certain category of service providers whose service tax payments are delayed;

Sub-clause (G) seeks to amend section 76 with a view to reduce maximum penalty for failure to pay service tax from hundred per cent. to fifty per cent. of tax payable;

Sub-clause (H) seeks to amend section 77 with a view to enhance the maximum penalty from five thousand rupees to ten thousand rupees, in the cases of certain specified offences for which penalty is not specifically provided in the Act;

Sub-clause (I) seeks to substitute a new section for section 78 relating to penalty for suppressing, etc., of value of taxable services with a view to rationalise penalty in the case of persons who are not liable to pay service tax;

The proposed section 78 provides that in case of certain specified offences penalty will be fifty per cent. and if such penalty is paid along with service tax and interest, within thirty days from the date of order, penalty will be further reduced to twenty-five per cent. and for specified category of service providers, ninety days from the date of order will be available for settling the tax dues, penalty and interest;

Sub-clause (J) seeks to amend section 80 with view to omit penalty waiver for serious offences but the same will be provided for certain specified offences;

Sub-clause (K) seeks to amend section 82 with a view to substitute certain words;

Sub-clause (L) seeks to amend section 83 with a view to make applicable certain provisions of Central Excise Act to service tax;

Sub-clause (M) seeks to insert new sections 88 and 89. Section 88 seeks to provide for liability under Act to be first charge and section 89 seeks to provide for offences and penalties to enable prosecution of certain specified offences involving service tax evasion. The power to prosecute offenders rests with the Chief Commissioner of Central Excise and the prosecution would be done only with the previous sanction of the Chief Commissioner of Central Excise;

Sub-clause (N) seeks to amend section 93A of the Finance Act, 1994 so as to empower the Central Government to make rules to provide for the circumstances or conditions under which the amount of rebate granted in respect of service tax paid on taxable services which are used as input services for manufacturing the exported goods or for providing the exported services shall not be recovered, even if the sale proceeds are not realised by the exporter.

Sub-clause (O) seeks to amend section 95 of the said Act so as to empower the Central Government to issue orders for removal of difficulty in case of implementing, classifying or assessing the value of any taxable service incorporated by the proposed legislation in this Chapter, up to one year from the date of enactment of the Finance Bill, 2011.

Sub-clause (P) seeks to insert a new section 96J in the Finance Act, 1994. Under the existing provision of section 66 in respect of, any service provided or to be provided to its members by any club or association in relation to provisions of services, facilities or advantages for a subscription or for any other amounts, service tax shall be chargeable.

It is proposed to exempt retrospectively the associations formed for representing the industry or commerce from payment of service tax in respect of membership fee collected by such club or associations during the period from 16th June, 2005 to 31st March, 2008. Refund will be made of all service tax collected in respect of the exempted period.

Clause 72 of the Bill seeks to give retrospective effect to the notification of the Government of India number G.S.R. 492(E), dated the 7th July, 2009, from the 1st day of April, 2000, so as to allow the exemption to a tour operator having a contract carriage permit for inter-State or intra-State transportation of passengers, excluding tourism, conducted tour, charter or hire service, under the said notification.

Miscellaneous

Clause 73 of the Bill seeks to amend Explanation III of the Schedule to Medicinal and Toilet Preparations (Excise Duties) Act, 1955 so as to substitute the reference to the Standards of Weights and Measures Act 1976 (60 of 1976) with Legal Metrology Act, 2009 (1 of 2010).

Clause 74 of the Bill seeks to amend section 15 of the Central Sales Tax Act, 1956 so as to increase the ceiling imposed through the Central sales tax on the power of the States to levy VAT on "declared goods" from four per cent. to five per cent.

Clause 75 of the Bill seeks to amend the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957 in the manner specified in Thirteenth Schedule so as to take out sugar and textile from the purview of the said Act to enable the States to levy VAT on those goods, by omitting the following:—

(a) heading 1701 and all sub-headings and tariff items thereof and the entries relating thereto;

(b) tariff item 1702 90 10 and the entries relating thereto;

(c) headings 9007, 9111, 9112, 9208, 9209, 9210, 9211, 9212, 5407, 5408, 5512, 5513, 5514, 5515, 5516, 5801, 5802, 5803, 5804, 5806, 5810, 5901, 5902, 5903, 5907, 6001, 6002, 6003, 6004, 6005 and 6006 and all sub-headings and tariff items thereof and the entries relating thereto.

Clause 76 of the Bill seeks to amend the Second Schedule to the Special Economic Zones Act, 2005.

The aforesaid Schedule contains certain modifications to the provisions of the Income-tax Act, 1961 in its application of, to or in relation to, the Developer or entrepreneur for carrying on the authorised operations in a Special Economic Zone or unit.

The existing provisions contained in clause (C) of paragraph (a) provide that the dividend referred to in section 115-O of the Income-tax Act shall not be included in the total income of the assessee, being a Developer or entrepreneur.

It is proposed to omit the aforesaid clause (C).

This amendment will take effect from 1st June, 2011.

The existing provisions contained in paragraph (b) of the aforesaid Second Schedule provide that the provisions of section 115JB of the Income-tax Act shall not apply to the income accrued or arising on or after the 1st day of April, 2005 from any business carried on, or services rendered, by an entrepreneur or a Developer, in a Unit or Special Economic Zone, as the case may be.

It is further proposed to omit the aforesaid paragraph (b).

This amendment will take effect from 1st April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013 and subsequent years.

The existing provisions contained in paragraph (1) of the aforesaid Second Schedule provide that notwithstanding anything contained in section 115-O of the Income-tax Act, no tax on distributed profits shall be chargeable in respect of the total income of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining a Special Economic Zone for any assessment year on any amount declared, distributed or paid by such Developer or entrepreneur, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2005 out of its current income either in the hands of the Developer or enterprise or the person receiving such dividend not falling under clause (23G) of section 10 of the Income-tax Act, 1961.

It is also proposed to omit the aforesaid paragraph (1).

This amendment will take effect from 1st June, 2011.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 4 of the Bill seeks to amend section 10 of the Income-tax Act relating to incomes not included in total income.

Sub-clause (b) of the said clause 4 seeks to insert a new clause (45) in the said section so as to provide exemption to any allowance or perquisite, as may be notified by the Central Government in the Official Gazette in this behalf, paid to the Chairman or a retired Chairman or any other member or retired member of the Union Public Service Commission.

Sub-clause (c) of clause 4 seeks to insert a new clause (46) in the said section so as to provide that any specified income arising to a body or authority or Board or Trust

or Commission which is constituted or established by or under a Central, State or Provincial Act or has been constituted by the Central Government or a State Government with the object of regulating or administering an activity for the benefit of general public shall be exempt if it is not engaged in commercial activity and is specified by the Central Government by notification in the Official Gazette in this behalf. The Explanation to the said clause (46) enables the Central Government to notify the nature and extent of the income of the body or authority or Board or Trust or Commission which shall constitute the specified income.

Sub-clause (c) also proposes to insert a new clause (47) in the said section 10 so as to enable the Central Government to notify any infrastructure debt fund which is set up in accordance with the guidelines as may be prescribed and the income of such notified fund will be exempt from income-tax.

Clause 6 of the Bill proposes to amend section 35AD of the Income-tax Act relating to deduction in respect of expenditure on specified business.

The proposed amendment seeks to insert a new clause (ad) in the said sub-section (5) so as to provide that the date of commencement of operations shall be on or after the 1st day of April, 2011 where a business is in the nature of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed.

The proposed amendment further seeks to insert a new sub-clause (vi) in clause (c) of sub-section (8) so as to include within the scope of "specified business", the business of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed.

Clause 12 of the Bill seeks to amend section 92C of the Income-tax Act relating to computation of arm's length price.

The second proviso to sub-section (2) of section 92C provides that if the variation between the arm's length price as determined and price at which the international transaction has actually been undertaken does not exceed five per cent. of the latter, the price at which the international transaction has actually been undertaken shall be deemed to be the arm's length price.

It is proposed to amend the second proviso to sub-section (2) of section 92C so as to provide that the allowable variation will be such percentage as may be notified by the Central Government in this behalf.

Clause 14 of the Bill seeks to insert a new section 94A in the Income-tax Act relating to special measures in respect of transactions with persons located in notified jurisdictional area.

Sub-section (1) enables the Central Government to notify any country or territory outside India, having regard to lack of effective exchange of information by it, as a notified jurisdictional area.

Sub-section (3) of the proposed new section provides that notwithstanding anything contained in the Income-tax Act, no deduction in respect of any payment made to any financial institution located in the notified jurisdictional area shall be allowed unless the assessee furnishes an authorisation in the prescribed form authorising the Board or any other income-tax authority acting on its behalf to seek relevant information from the said financial institution and no deduction in respect of any other expenditure or allowance (including the depreciation) arising from the transaction with a person located in a notified jurisdictional area shall be allowed under any provision of the Act unless the assessee maintains such other documents and furnishes the information as may be prescribed.

Clause 18 of the Bill seeks to insert a new Chapter XII-BA (consisting of new sections 115J, 115JD, 115JE and 115JF) in the Income-tax Act containing special provisions relating to certain limited liability partnerships.

The proposed new section 115J provides that every limited liability partnership to which that section applies shall obtain a report, in such form as may be prescribed from an accountant certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of filing of return under sub-section (1) of section 139.

Clause 21 of the Bill seeks to amend section 131 of the Income-tax Act relating to power regarding discovery, production of evidence, etc.

It is proposed to insert a new sub-section (2) in the aforesaid section to provide that for the purpose of making an inquiry or investigation in respect of any person or class of persons in relation to an agreement referred to in section 90 or section 90A, it shall be competent for any income-tax authority not below the rank of Assistant Commissioner of Income-tax, as notified by the Board in this behalf, to exercise the powers conferred on the income-tax authorities, notwithstanding that no proceedings with respect to such person or class of persons are pending before it or any other income-tax authority.

Clause 23 of the Bill seeks to amend section 139 of the Income-tax Act relating to return of income.

The proposed amendment seeks to insert a new sub-section (1C) which empowers the Central Government to exempt by notification in the Official Gazette any class or classes of persons from the requirement of furnishing a return of income having regard to such conditions as may be specified in that notification.

Clause 31 of the Bill seeks to insert a new section 285 in the Income-tax Act relating to the submission of statement by a non-resident having liaison office.

The proposed new section 285 provides that every person, being a non-resident having liaison office in India, set up in accordance with the guidelines issued by the Reserve Bank of India under the Foreign Exchange Management Act, 1998, shall in respect of its activities in a financial year, prepare and deliver or cause to be delivered to the Assessing Officer having jurisdiction, within sixty days from the end of such financial year, a statement in such form and containing such particulars as may be prescribed.

Clause 37 of the Bill seeks to substitute a new section for section 17 of the Customs Act. Sub-section (6) of the said section empowers the Board to prescribe by regulations the manner of auditing the assessment of duty of imported goods or export goods including at the office of the proper officer or premises of the importer or exporter.

Clause 45 of the Bill seeks to amend section 75 of the Customs Act with a view to empower the Central Government to make rules to provide for the circumstances and conditions under which the drawback of duty shall not be recovered even if the sale proceeds are not realised by the exporter.

Sub-clause (N) of clause 70 of the Bill seeks to amend the proviso to section 96A of the Finance Act, 1994 with a view to empower the Central Government to make rules to provide for the circumstances and conditions under which the Central Government may recover or adjust the amount of rebate which shall be deemed never to have been allowed.

The matters in respect of which notifications may be issued or rules or regulations may be made in accordance with the provisions of the Bill are matters of procedure and detail and it is not practicable to provide for them in the Bill itself.

EXPLANATORY MEMORANDUM

FINANCE BILL, 2011 PROVISIONS RELATING TO FINANCE BILL, 2011

Introduction

The provisions of the Finance Bill, 2011 relating to direct taxes seek to amend the Income-tax Act, 1961, *inter alia*, in order to,—

- increase the basic exemption limit in the case of individual taxpayers;
- lower the qualifying age of senior citizens from 65 years to 60 years and also to increase the current exemption limit in such cases;
- provide a higher exemption limit to very senior citizens above the age of 80 years;
- reduce the surcharge on tax in the case of companies;
- provide impetus to overseas borrowings by facilitating setting up of infrastructure debt funds;
- rationalise the taxation of income distributed by debt mutual funds;
- vi) levy Minimum Alternate Tax (MAT) on developers of SEZ and units operating in them;
- (viii) levy Alternate Minimum Tax (AMT) in the case of Limited Liability Partnerships;
- (ix) provide a set of counter-measures in relation to jurisdictions with which there is a lack of effective exchange of information;
- (x) provide a concessional rate of tax on dividends received by Indian companies from their foreign subsidiaries during 2011-12.

2. The Finance Bill, 2011 seeks to prescribe the rates of income-tax on incomes liable to tax for the assessment year 2011-12; the rates at which tax will be deductible at source during the financial year 2011-12 from interest (including interest on securities), winnings from lotteries or crossword puzzles, winnings from horse races, card games and other categories of income liable to deduction or collection of tax at source under the Income-tax Act; rates for computation of "advance tax"; deduction of income-tax from, or payment of tax on, "Salaries", and charging of income-tax on current incomes in certain cases for the financial year 2011-