



Perspective on Union Budget 2010

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Presentation overview

- 💧 Expectations
- 💧 Highlights
- 💧 Concerns
- 💧 What now?

Major Expectations

Regulatory -

- ❑ Transparent Subsidy Sharing Mechanism
- ❑ Decontrol of Auto Fuel prices

Major Expectations

Direct Taxes -

- ❑ Removal of anomalies regarding E&P tax holiday
- ❑ Implementation date for DTC
- ❑ Extension of tax holiday period to 10 years
- ❑ Weighted deduction for E&P expenditure
- ❑ Phasing out of Surcharge & Education Cess

Major Expectations

Indirect Taxes -

- ❑ Implementation date for GST
- ❑ Exemption from service tax on input services for E&P activities
- ❑ Set-off of tax paid on input services against OID Cess
- ❑ Withdrawal of Notification extending Service Tax to Installations, Structures & Vessels in CS & EEZ

Major Expectations

Indirect Taxes -

- ❑ Declared Goods status for Natural Gas & LNG
- ❑ Abolition of NCCD
- ❑ Reduction in CST from 2% to 1%

Highlights

Regulatory -

- ❑ No time-frame for implementing Kirit Parikh Committee report
- ❑ No decision on Subsidy Sharing mechanism
- ❑ Cash Subsidy in place of Oil Bonds

Highlights

Direct Taxes -

- ❑ Introduction of DTC from April 2011 welcome. Hope irritants are ironed out by then
- ❑ Reduction in Surcharge welcome
- ❑ Increase in MAT not understandable
- ❑ Welcome higher weighted deduction for R&D expenditure

Highlights

Direct Taxes -

- ❑ Removal of condition for 1/3rd spare pipeline capacity for sec 35AD welcome. Hope PNGRB takes realities into account
- ❑ Increase in threshold limits for TDS welcome
- ❑ Retrospective amendment to sec 9 to overcome IHHI decision & overriding of sec 44BB provisions by sec 44DA, a concern for non-resident taxation

Highlights

Indirect Taxes -

- ❑ Restoration of 5% Basic Customs Duty on Crude Oil
- ❑ Increase in Customs Duty on Petrol & Diesel from 2.5% to 7.5 %
- ❑ Increase in Customs Duty on other refined products from 5% to 10%
- ❑ Excise duty on MS & HSD increased by Re. 1 per litre
- ❑ Increase in MS & HSD prices
- ❑ Across the board increase in Excise duty from 8 % to 10 %

Highlights

Indirect Taxes -

- ❑ Service Tax extended to whole of CS & EEZ of India bringing all activities pertaining to E&P sector under service tax net
- ❑ Renting of immovable properties used for commercial activities covered under the definition of taxable service
- ❑ No change in existing rate of service tax i.e. 10.30%

Concerns

Regulatory -

- ❑ Ad Hoc Subsidy Sharing
- ❑ No clear roadmap on action on Kirit Parikh committee report
- ❑ Impairment of Government capacity to increase MS & HSD prices to contain under-recoveries of OMCs

Concerns

Direct Taxes -

- ❑ Non-redressal of tax holiday issues - Undertaking & Gas
- ❑ Retrospective amendments to overcome judicial decision favourable to assesseees
- ❑ Lack of clarity on addressing concerns on Direct Tax Code

Concerns

Indirect Taxes -

- ❑ Increase in E&P costs due to extension of service tax provisions to CS & EEZ, and increase in excise duty by 2%
- ❑ 5% Customs duty on Crude Oil, increase in excise duty on MS & HSD offset by increase in MS & HSD retail prices. This has impaired Government's ability to increase retail prices to contain OMCs' under-recoveries

What now?

- ❑ Need to await Government stand on Kirit Parikh Committee report. Hope for early implementation
- ❑ Need to continue pursuing tax holiday issues
- ❑ Hope Direct Tax Code is implemented after addressing taxpayer concerns
- ❑ Look forward to GST implementation from April 2011 covering crude, natural gas & petroleum products
- ❑ Hope GST subsumes all existing levies including OID Cess & NCCD.



Thank You