

Key Highlights of Indian Budget 2014-15

10 July 2014

FDI (Foreign Direct Investment)

In this issue:

- To hike FDI in Defense Sector to 49%.
- The composite cap in the insurance sector to be increased up to 49 per cent from 26 per cent with full Indian management and control through the FIPB route.
- Requirement of the built up area and capital conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities.
- The manufacturing units to be allowed to sell their products through e-Commerce platform.
- NDA Policy to encourage FDI in selective sectors.

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Direct Tax

- Investment limit under section 80C of the Income-tax Act raised from 1 lakh to 1.5 lakh.
- Conducive tax regime to Infrastructure Investment Trusts and Real Estate Investment Trusts to be set up in accordance with regulations of the Securities and Exchange Board of India.
- Income arising to foreign portfolio investors from transaction in securities to be treated as capital gains.
- Concessional rate of 15 percent on foreign dividends without any sunset date to be continued.
- Introduction of range concept for determination of arm's length price in transfer pricing regulations
- Income and dividend distribution tax to be levied on gross amount instead of amount paid net of taxes.

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Indirect Tax

- To boost domestic manufacture and to address the issue of inverted duties, basic customs duty (BCD) reduced on certain items.



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- To encourage new investment and capacity addition in the chemicals and petrochemicals sector, basic customs duty reduced on certain items
- To encourage exports, pre-forms of precious and semi-precious stones exempted from basic customs duty
- To develop renewable energy, various items exempted from excise duty

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Bank Capitalization

- Capital of banks to be raised by increasing the shareholding of the people in a phased manner.
- Requirement to infuse 2,40,000 crore as equity by 2018 in our banks to be in line with Basel-III norms

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Real Estate

- Incentives for Real Estate Investment Trusts (REITS). Complete pass through for the purpose of taxation.
- A modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS).

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Micro small and Medium Enterprise Sector

- Fund of Funds with a corpus of `10,000 crore for providing equity through venture capital funds, quasi equity, soft loans and other risk capital specially to encourage new startups by youth to be set up.
- Entrepreneur friendly legal bankruptcy framework will be developed for SMEs to enable easy exit.

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Infrastructure

- An institution to provide support to mainstreaming PPPs called 4PIndia to be set up with a corpus of ` 500 crores.

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Energy

- Comprehensive measures for enhancing domestic coal production are being put in place.
- An exercise to rationalize coal linkages to optimize transport of coal and reduce cost of power is underway.

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New & Renewable Energy

- A Green Energy Corridor Project is being implemented to facilitate evacuation of renewable energy across the country.
- Allocation of 500 crores provided for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh.
- Allocation of 100 crore provided for the development of 1 MW Solar Parks on the banks of canals.

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Petroleum & Natural Gas

- Production and exploitation of Coal Bed Methane reserves will be accelerated
- Usage of PNG (Petroleum and Natural Gas) to be rapidly scaled up in a Mission mode.
- Proposal to develop pipelines using appropriate PPP models.

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Mining

- Changes, if necessary, in the MMDR Act, 1957 to be introduced to encourage investment in mining sector and promote sustainable mining practices.

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Capital Market

- Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector.
- Introduce one single operating demat account
- Uniform tax treatment for pension fund and mutual fund linked retirement plan
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- Liberalization of ADR, GDR to allow permissible securities.

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Banking and Insurance Sector

- Banks to be encouraged to extend long term loans to infrastructure sector with flexible structuring.
- Banks to be permitted to raise long term funds for lending to infrastructure

sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL).

- RBI to create a framework for licensing small banks and other differentiated banks.
- For venture capital in the MSME sector, a `10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity , quasi equity, soft loans and other risk capital for start-up companies with suitable tax incentives to participating private funds to be established.

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