

Budget Circular 2015-16
Finance Bill, 2015

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CHARTERED ACCOUNTANTS

DIRECT TAX

The Hon'ble Finance Minister has presented The Finance Bill 2015 on 28.02.2015. The broad proposals under direct taxation applicable for income earned during the financial year 2015-16, assessable in the assessment year 2016-17 are as below:

- **Rates of tax**

There will be no change in the rate of personal income-tax and the rate of tax for companies. It was however stated by the Finance Minister during his budget speech that Corporate Tax rate shall be brought to 25% over a period of 4 years.

- **Surcharge**

Rate of Surcharge will be enhanced by 2% for all assessees having income exceeding ₹ 1 crore. However, there will be no change in the rate of surcharge for foreign companies.

Additional surcharge of 2% will be levied on additional income-tax payable by companies on distribution of dividends and buyback of shares, or by mutual funds and securitization trusts on distribution of income.

- **Definition of Charitable Purpose**

Provisions of section 2(15) of the Income-tax Act will be amended to include 'yoga' as a specific category of activity in the definition of 'charitable purpose' and also to provide relief for activities in the nature of business undertaken by genuine charitable organizations subject to the condition that aggregate receipts from such activity is less than 20% of the total receipts.

- **Amendment in Section 9 of the Income-tax Act**

Clarifications under this section are further added vide insertion of Explanations and are as below:

The share or interest shall be deemed to derive its value substantially from the assets located in India, if on the specified date, the value of such assets represents at least fifty per cent of the fair market value of all the assets owned by the company or entity. However, the indirect transfer provisions would not apply if the value of Indian assets does not exceed ₹ 10 crore. Further, the principle of proportionality will apply to the taxation of gains arising from indirect transfer of Indian assets.

The Indian entity shall be obligated to furnish information relating to the offshore transactions having the effect of directly or indirectly modifying the ownership structure or control of the Indian company or entity. In case of non-compliance, a penalty is also proposed.

The indirect transfer provisions shall not apply in a case where the transferor of share or interest in a foreign entity, along with his associated enterprises, neither holds the right of control or management nor holds voting power or share capital or interest exceeding five percent (5%) of the total voting power or total share capital in the foreign company or entity, directly or indirectly, holding the Indian assets.

The capital gains shall be exempt in respect of transfer of share of a foreign company deriving its value, directly or indirectly, substantially from the shares of an Indian company, under a scheme of amalgamation or demerger.

▪ **Transport allowance to salaried person**

Limit for exemption in respect of Transport Allowance is enhanced to ₹ 1600 per month from ₹ 800 per month

▪ **Additional Depreciation for Investment in Backward Areas** (w.e.f 1st April 2015)

If an assessee sets up an undertaking or enterprise for manufacture or production of any article or thing, on or after 1st Day of April, 2015 in any backward area notified by the Central Government in this behalf, in the State of Andhra Pradesh or in the State of Telangana, and acquires and installs any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the 1st Day of April, 2015 and ending before the 1st Day of April, 2020 in the said backward area then they will be eligible for additional depreciation @ 15% will be provided under section 32(iia).

▪ **Investment allowance in Backward Areas** (w.e.f 1st April 2015)

If an assessee sets up an undertaking or enterprise for manufacture or production of any article or thing, on or after 1st Day of April, 2015 in any backward area notified by the Central Government in this behalf, in the State of Andhra Pradesh or in the State of Telangana, and acquires and installs any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the 1st Day of April, 2015 and ending before the 1st Day of April, 2020 in the said backward area then they will be eligible for Investment allowance @ 15% of the actual cost incurred under section 32AD.

▪ **Deductions under section 80C**

Sukanya Samriddhi Scheme will be eligible for deduction u/s 80C also and any payment from the scheme shall not be liable to tax.

▪ **Deductions under section 80CCC**

Limit of deduction u/s 80CCC of the Income-tax Act on account of contribution to a pension fund of LIC or IRDA approved insurer will be enhanced from ₹ 1 lakh to ₹ 1.5 lakh.

▪ **Deductions under section 80CCD**

Limit of deduction u/s 80CCD of the Income-tax Act on account of contribution by the employee to National Pension Scheme (NPS) will be enhanced from ₹ 1 lakh to ₹ 1.50 lakh.

However, Deduction under section 80C, Section 80 CCC and Section 80 CCD(1) shall not in any case exceed ₹ 1.5 Lakh

▪ **Deductions under section 80D**

Limit of deduction u/s 80D enhanced from ₹15,000 to ₹ 25,000 on health insurance premium (in case of senior citizen from ₹ 20,000 to ₹ 30,000). Deduction of expenditure of ₹ 30000 in case of a very senior citizen will allowed.

▪ **Deductions under section 80DD**

Limit of deduction u/s 80DD of the Income-tax Act in respect of maintenance, including medical treatment of a dependent who is a person with disability, from ₹ 50,000 to ₹ 75,000. It is also proposed to increase the limit of deduction from ₹ 1 lakh to ₹ 1.25 lakh in case of severe disability.

▪ **Deductions under section 80DDB**

Limit of deduction in case of very senior citizens u/s 80DDB of the Income-tax Act on expenditure on account of specified diseases enhanced from ₹ 60,000 to ₹ 80,000.

▪ **Deduction U/s 80G for donation to Swachch Bharat Kosh and Clean Ganga Fund**

Donations (other than the CSR contributions made in accordance with section 135 of the Companies Act, 2013) made to Swachch Bharat Kosh (by both resident and non-resident) and Clean Ganga Fund (by resident) shall be eligible for 100% deduction under section 80G of the Income-tax Act. Donation made to National Fund for Control of Drug Abuse (NFCDA) shall also be eligible for 100% deduction under section 80G of the Income-tax Act.

▪ **Deduction u/s section 80JJAA available to all assessee**

Provisions of Section u/s 80JJAA will be amended to enhance the benefits to all assesses, earlier it was available only to an Indian Company. The eligibility threshold of minimum 100 workmen is proposed is to be reduced to 50.

▪ **Deductions under section 80U**

Limit of deduction u/s 80U of the Income-tax Act in case of a person with disability enhanced from ₹ 50,000 to ₹ 75,000. It is also proposed to increase the limit of deduction from ₹ 1 lakh to ₹ 1.25 lakh in case of severe disability.

▪ **Domestic Transfer Pricing**

Provisions of section 92BA of the Income-tax Act will be amended to increase the threshold limit for applicability of transfer pricing regulations to specified domestic transactions from ₹ 5 crore to ₹ 20 crore.

- **General Anti Avoidance Rule (GAAR)**

It is proposed to defer applicability of General Anti Avoidance Rule (GAAR) by 2 years.

- **Tax rate on Royalty Income of Non Residents and Foreign Company**

Provisions of section 115A of the Income-tax Act will be amended to reduce the rate of tax from 25% to 10% on royalty Income and fees for technical services earned by non-residents and Foreign Company.

- **TDS on Contractors**

Benefit of TDS provisions under section 194C previously available to all transporters is now limited only to the contractors owning ten or less goods carriages subject to furnishing declaration of the same.

- **Income of foreign investors (FIIs and QFIs) from corporate bonds and government securities**

Provisions of section 194LD of the Income-tax Act regarding deduction of tax on Income of foreign investors (FIIs and QFIs) from corporate bonds and government securities will be amended to extend the period of applicability of reduced rate of tax at 5% from 31st day of May, 2015 to 30th day of June, 2017.

- **Mode of acceptance or repayment of loans and deposits (w.e.f. 1st June, 2015)**

Amendment to the provisions of Section 269SS and 269T of the Income-tax Act will prohibit acceptance or re-payment of advance of any transaction in immovable property in cash amounting to ₹ 20,000 or more, whether or not the transfer takes place.

- **Penalty for failure to furnish information under section 195**

Failure to furnish information or furnishing inaccurate information under section 195 will attract penalty amounting to ₹ 1,00,000.

- **Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (IINVTs)**

The sponsor will be given the same treatment on offloading of units at the time of listing as would have been available to him if he had offloaded his shareholding of special purpose vehicle (SPV) at the stage of direct listing. Further, the rental income arising from real estate assets directly held by the REIT is also proposed to be allowed to pass through and to be taxed in the hands of the unit holders of the REIT.

WEALTH TAX

Wealth Tax Act will be abolished with effect from 1st April, 2016.

SERVICE TAX

- Service Tax rate is being increased from 12.36% to 14%.
- Swachh Bharat Cess @2% on the value of taxable service will be charged with effect from the date to be notified.
- Reimbursable expenditure and cost incurred and charged by the service provider would be included in the valuation of Taxable Service.
- Services provided for transport of export goods by road from the place of removal to a land customs station has been exempted.
- Exemption to transportation of food stuff by rail, or vessels or road will be limited to food grains including rice and pulses, flour, milk and salt.
- Service tax shall be payable on 30% of the value of services by goods transport agency.
- Service provided by aggregator shall be liable to service tax.
- Manpower supply and security services provided by an individual, HUF, or partnership firm to a body corporate are being brought to full reverse charge.
- Service provided by a commission agent located outside India to an exporter located in India is being rescinded with immediate effect.

EXCISE DUTY

- Standard ad valorem rate of duty has been increased from 12% to 12.50%.
- Tariff rate of excise duty on Portland cement has been increased from ₹900 per ton to ₹ 1,000 per ton.
- Tariff rate of excise duty on sacks and bags (including cones) of plastics is being increased from 12% to 18%.
- Excise duty structure of 2% without CENVAT credit or 12.5% with credit is being extended to tablet computers.
- Excise duty on sacks and bags of polymers of ethylene, other than for industrial use, is being increased to 15%.
- Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being fully exempted.
- Penalty under section 37(4) & (5) has been increased from ₹ 2,000 to ₹ 5,000.
- Water including mineral waters and aerated water, containing added sugar or other flavor is being increased from 12% to 18%.

CUSTOM DUTY

▪ **EnergySector**

- The tariff rate of basic customs duty on bituminous coal is being reduced from 55% to 10%.

▪ **Iron and Steel**

- The tariff rate of basic customs duty on goods falling under all the tariff items of Chapters 72 and 73 that is iron and steel and articles of iron or steel, is being increased from 10% to 15%. However, there is no change in the existing effective rates of basic customs duty on these goods.

▪ **Ores and Metals**

- Export duty on upgraded ilmenite is being reduced from 5% to 2.5%.
- Basic Customs Duty on metallurgical coke is being increased from 2.5% to 5%.
- SAD on melting scrap of iron & steel including stainless steel scrap for melting, copper scrap, brass scrap and aluminium scrap is being reduced from 4% to 2%.
- The tariff rate of basic customs duty on goods falling under all the tariff items of Chapters 72 and 73 that is iron and steel and articles of iron or steel, is being increased from 10% to 15%. However, there is no change in the existing effective rates of basic customs duty on these goods.

▪ **Electronics/Hardware**

- Excise duty structure for mobile handsets including cellular phones is being changed from 6% with CENVAT credit to or 12.5% with CENVAT credit.

▪ **Automobiles**

- The tariff rate of Basic Customs Duty on Commercial Vehicles is being increased from 10% to 40%. The effective Basic customs duty on such Vehicles is being increased from 10% to 20%.

THANK YOU

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