

Key Highlights of Budget 2015-16

Direct Taxes

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Rates of Income Tax

- ▶ No change in the rate of personal income tax and rate of corporate tax for assessment year 2016-17
- ▶ Rate of surcharge for non-corporate taxpayers will be 12% in case income exceeding Rs. 1 crore
- ▶ Rate of surcharge for domestic companies will be 7% (income exceeding Rs.1 crore but not exceeding Rs.10 crore) or 12% in case income exceeding Rs.10 crore.
- ▶ No change in surcharge for foreign companies
- ▶ Maximum marginal rate of tax will be as follows:
 - Non-corporate taxpayers :34.608%
 - Domestic companies : 34.608%
 - Foreign companies :43.26%
 - MAT / AMT : 21.3416%
 - Dividend Distribution Tax :20.3576%

Corporate Tax

- ▶ Proposed to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year
- ▶ Deferment of provision relating to General Anti Avoidance Rules (GAAR) by 2 years making it applicable from assessment year 2018-1. Further investment upto 31/3/2017 are proposed to be kept outside the applicability of GAAR.
- ▶ Additional investment allowance and higher rate of depreciation for incentivising industrial development in the state of Andhara Pardesh and Telangana w.e.f. assessment 2016-17 at 15% and at 35% respectively.
- ▶ Cost of acquisition and period of holding period of capital asset in the hands of resulting company in demerger now clarified.



- ▶ Tax neutrality on merger of various schemes of mutual fund has now been proposed to exempt transfer of a unit in a consolidated scheme of mutual fund.
- ▶ Residency criteria of companies have now been widened. Now foreign company can also be treated as Indian company if it has place of effective management at any time in that year in India. With new proposal even foreign company can be subject to tax in India if it is proved that effective control for even few days was in India during any particular financial year



Measure to curb black money

- ▶ Acceptance or repayment of an advance in excess of Rs.20,000 in cash for purchase of immovable property is now prohibited. The aim is to discourage cash transactions in real estate
- ▶ Following measures are proposed for concealment of foreign income or foreign assets
 - Prosecution with punishment with rigorous imprisonment upto 10 years
 - Offence will be non compoundable
 - Offenders will not be allowed to approach the Settlement Commission
 - Penalty at 300% of tax

Non-filing of return or filing with inadequate disclosure would attract prosecution with punishment of rigorous imprisonment upto 7 years. It is now mandatory for every assessee to disclose correct facts relating to foreign asset and foreign income in the return of income. Non-disclosure of these facts would constitute inadequate information.

New Benami Transaction Prohibited Act would be introduced

Benefits for Individual Tax Payers

- ▶ Deposit made by parent or legal guardian of girl child under Sukanya Samriddhi Account Scheme would be eligible for deduction u/s 80C. However, overall outer limit is Rs.1,50,000
- ▶ U/s 80CC contribution made to certain pension fund would now be eligible for deduction upto Rs.1,50,000 as against existing limit of Rs.1,00,000
- ▶ Limit of deduction of health insurance premium u/s 80D increased from Rs.15,000 to Rs.25,000. For senior citizen the limit increased from Rs.20,000 to Rs.30,000. Senior citizen above age of 80 years were not covered by health insurance, to be allowed deduction of Rs.30,000 towards medical expenses.
- ▶ Limit of deduction u/s 80DD and 80U for person with disability and severe disability has been increased to Rs.75,000 and Rs.1,00,000 respectively

- ▶ Contribution made to following funds would now be eligible for 100% deduction
 - National Fund for Control of Drug Abuse (w.e.f. AY 2016-17)
 - Swach Bharat Kosh (w.e.f. AY 2015-16)
 - Clean Ganga Fund (w.e.f. AY 2015-16)
- ▶ Enabling of filing of Form 15H/15G for payment made under life insurance in case where tax on total income would likely to be nil during the year. This provision is with effect from 1st June 2015.



For Non-resident

- ▶ It is proposed to reduce withholding tax provided u/s 115A on royalty and Fees for Technical Services (FTS) payments made to non-residents to 10% from the existing limit of 25%
- ▶ CBDT to notify rules for giving foreign tax credit of income tax paid outside India.
- ▶ Interest paid by Indian branch to foreign banking companies now taxable in India and liable to withholding tax
- ▶ Concessional rate of tax u/s 194LD relating to income by way of interest on certain securities now extended upto 30/06/2017.



Charitable Institutions

- ▶ Time limit now specified to intimate Assessing Officer about accumulated funds not applied for charitable or religious purpose. It would be now mandatory for any charitable trust to file income tax return before the due date mentioned in section 139(1) to avail the benefit of accumulation
- ▶ Mandatory filing of return of income by universities and hospitals referred to in section 10(23C)
- ▶ It is proposed to include Yoga within the ambit of activities in nature of charitable purpose.

Procedural & Rationalization Measure

- ▶ Abolition of wealth tax w.e.f. assessment year 2016-17. However, to track the wealth held by individual and entities, it is proposed that information relating to asset which is currently required to be furnished in the wealth tax return, need to be disclosed in income tax return.
- ▶ Withdrawal of exemption from TDS on payment to transport contractors owing more than ten goods carriage w.e.f. 1/6/2015
- ▶ Widening the scope of filing application before settlement commission. Now the Assessee can approach settlement commission where return has been filed but notice u/s 148 has not been issued
- ▶ It is also proposed that settlement commission will now have to record reasons in writing while granting immunity from penalties and prosecution

- ▶ It is proposed to allow seized assets to be adjusted towards assessee's tax liability under settlement application in search cases.
- ▶ Commissioner / Principal Commissioner has been given wide power to reopen completed assessment u/s 263, if any assessment order passed without making inquiries or verification and or passed without following directions and instructions of Board and without considering decision favourable to Revenue of Jurisdictional High Court and Supreme Court
- ▶ Amendments in Definition of "Amount sought to be evaded" in section 271(1)(c) which deals with levy of concealment penalty. More disallowance would now come within the ambit of concealment as the computation of penalty will be made according to formula.
- ▶ Deemed income taxable in India– provision clarified [Sec 9(1), 47(viab), 47(vicc), 271GA and 285A] w.e.f. assessment year 2016-17

- ▶ Rationalization of MAT provisions for members of an AOP and FIIs (Sec. 115JB)
- ▶ TDS applicable at 10% on withdrawal of Rs.30,000 or more by an employee from recognized Provident Fund.



Thank You.



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