



# BUDGET 2016

## KEY HIGHLIGHTS

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## *Key Highlights of Union Budget 2016*

### INTROUCTION

- ✓ Growth of Economy accelerated to 7.6% in 2015-16.
- ✓ India hailed as a 'bright spot' amidst a slowing global economy by IMF.
- ✓ Robust growth achieved despite very unfavorable global conditions and two consecutive years shortfall in monsoon by 13%
- ✓ Foreign exchange reserves touched highest ever level of about 350 billion US dollars.
- ✓ Despite increased devolution to States by 55% as a result of the 14th Finance Commission award, plan expenditure increased at RE stage in 2015-16 – in contrast to earlier years



## “Amendments proposed in the Direct Taxation”

- ✓ No changes have made to existing income tax slab rate.
- ✓ Deduction for Rent paid under section 80GG increased from existing Rs. 24,000 to Rs. 60,000 per annum.
- ✓ Rebate u/s 87A has been increased from Rs. 2,000 to Rs. 5,000 provided the taxable income does not exceeding Rs. 5,00,000
- ✓ Increase in the turnover limit under Presumptive taxation scheme under section 44AD of the Income Tax Act to Rs. 2 crores from the existing Rs. 1 crore.
- ✓ Extension of the presumptive taxation scheme to professionals with gross receipts upto Rs. 50 Lacs, now 50% will be deemed taxable profits.



## “Amendments proposed in the Direct Taxation”

- ✓ Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 01.04.2017.
- ✓ Benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020
- ✓ Changes in TDS threshold limits & rates
  - Payments to Contractors – Limit increased from Rs. 75000 to Rs. 100000
  - Insurance commission – Limit reduced from Rs. 20000 to Rs. 15000 @ 5%
  - Commission or brokerage - Limit increased from 5000 to 15000 @ 5%



- ✓ Deduction of extra 30% u/s 80JJAA extended to all assessee without any limit of 10 employees
- ✓ Threshold limit for tax audit u/s 44AB increased to Rs 50 lacs for professionals
- ✓ Under section 24(b) the limit of 3 years increased to 5 years
- ✓ Time limit reduced for assessments U/s 143 / U/s 144 / U/s 147
  - U/s 143/ U/s 144 – reduced to 21 months from 24 months
  - U/s 147 - reduced to 9 months from 1 year
- ✓ Individuals to pay advance tax in 4 instalments except presumptive tax u/s 44AD

- ✓ Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
- ✓ The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020.
- ✓ New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail investment allowance and accelerated depreciation.
- ✓ Lowered the corporate tax rate for the next financial year for relatively small enterprises, i.e, companies with turnover not exceeding Rs. 5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.



- ✓ 100% deduction of profits for 3 out of 5 years for start ups setup during April, 2016 to March, 2019, however MAT will apply in such cases.
- ✓ 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident.
- ✓ Complete pass through of income-tax to securitization trusts including trusts of ARCs. Securitisation trusts required to deduct tax at source.
- ✓ Period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.
- ✓ Non-banking financial companies (NBFCs) shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.





- ✓ Determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.
- ✓ Commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.
- ✓ Withdrawal up to 40% of the corpus at the time of retirement to be tax exempt in the case of National Pension Scheme (NPS). Annuity fund which goes to legal heir will not be taxable.
- ✓ In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made on or from 1.4.2016.
- ✓ Limit for contribution of employer in recognized Provident and Superannuation Fund of Rs. 1.5 lakh per annum for taking tax benefit.



- ✓ 100% deduction for profits to an undertaking in housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019 and completed in three years. MAT to apply
- ✓ Deduction for additional interest of Rs.50,000 per annum for loans up to Rs.35,00,000 sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs. 50,00,000.
- ✓ Distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax, in respect of dividend distributed after the specified date.





- ✓ Additional tax at the rate of 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of Rs. 10,00,000 per annum.
- ✓ Surcharge to be raised from 12% to 15% on persons, other than companies, firms and cooperative societies having income above Rs. 1 crore.
- ✓ Tax to be deducted at source at the rate of 1 % on purchase of luxury cars exceeding value of ten lakh and purchase of goods and services in cash exceeding two lakh.
- ✓ Securities Transaction tax in case of 'Options' is proposed to be increased from 0.017% to 0.05%.



- ✓ Equalization levy of 6% of gross amount for payment made to non- residents exceeding Rs. 1,00,000 a year in case of B2B transactions.
- ✓ Domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5 %, which is a total of 45% of the undisclosed income. Declarants will have immunity from prosecution.
- ✓ Surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy.
- ✓ New Dispute Resolution Scheme to be introduced. No penalty in respect of cases with disputed tax up to Rs. 10 lakh. Cases with disputed tax exceeding Rs. 10 lakh to be subjected to 25% of the minimum of the imposable penalty. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty and tax interest on quantum addition.

- ✓ Penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts.
- ✓ Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.
- ✓ Mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals)





## “Amendments proposed in the Indirect Taxation”

11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

### Amendments in Excise Law:

- ✓ Basic excise duty on refrigerated containers reduced to 6%
- ✓ Changes in excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.
- ✓ Extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work to Ready Mix Concrete
- ✓ Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles 13 and SUVs. No credit of this cess will be available nor credit of any other tax or duty be utilized for paying this cess.

- ✓ Excise duty of 1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs. 6 crores and Rs. 12 crores respectively.
- ✓ Excise on readymade garments with retail price of Rs. 1000 or more raised to 2% without input tax credit or 12.5% with input tax credit.
- ✓ 'Clean Energy Cess' levied on coal, lignite and peat renamed to 'Clean Environment Cess' and rate increased from Rs.200 per tonne to Rs.400 per tonne.
- ✓ Excise duties on various tobacco products other than beedi raised by about 10% to 15%.
- ✓ Revision of return extended to Central Excise assesseees.





## “Amendments in Custom Law”

- ✓ Basic custom on refrigerated containers reduced to 5%
- ✓ Changes in custom duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard.
- ✓ Customs Act to provide for deferred payment of customs duties for 15 importers and exporters with proven track record
- ✓ Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year
- ✓ Increase in free baggage allowance for international passengers. Filing of baggage only for those carrying dutiable goods

## “Amendments in Service Tax Law”

- ✓ Exemption of service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development
- ✓ Exemption of Service tax on general insurance services provided under ‘Niramaya’ Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability
- ✓ Exemption from service tax for Annuity services provided by NPS and Services provided by EPFO to employees
- ✓ Reduced service tax on Single premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases







- ✓ Exemption from service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.
- ✓ Krishi Kalyan Cess, @ 0.5% on all taxable services, w.e.f. 1 June 2016. Proceeds would be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers. Input tax credit of this cess will be available for payment of this cess
- ✓ Assignment of right to use the spectrum and its transfers has been deducted as a service leviable to service tax and not sale of intangible goods
- ✓ Additional options to banking companies and financial institutions, including NBFCs, for reversal of input tax credits with respect to non- taxable services
- ✓ Services by an advocate to another advocate or firm to be taxed at 14% service tax
- ✓ Time limit to issue notice u/s 73 of ST increased from 18 months to 30 months



**THANK YOU**