Highlights
On Direct & Indirect Tax Proposals

BUDGET 2015

CRK & ASSOCIATES

Chartered Accountants

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Insight

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The Union Budget of 2015-16 was the first full budget to be presented by the Modi led government and was preceded by sky high expectations of reform. The budget clearly did not disappoint as it gave due importance to all sections of the economy and tried to enhance the ease-of-doing business while keeping its focus on infrastructure development. It is important to note that the macro backdrop for the Indian economy has probably never been as favourable and presents a rare opportunity to bring about the necessary changes needed to propel India towards double digit growth.

Optimism and improved macro parameters in the economy have increasingly aligned over the past one year. One of the biggest challenges, inflation, has seen a decline at a time when growth is on the rise, giving freedom to the government to bring about structural change, while making space for the monetary authority to aid growth. The global commodity price crash, while negative for some emerging economies, has been a boon for the domestic economy and that is evident from an ever-improving external account. Under these circumstances, the Finance Minister presented a very credible budget rather than one filled with big bang announcements.

Importantly, the budget was not short on substance as it provided a balanced policy framework aimed at supporting the common man to the corporate. Acknowledging the fact that the Indian economy had entered a sweet spot, the need for aggressive reduction of the fiscal deficit was no longer present, Finance Minister presented a new fiscal framework by establishing new targets for fiscal consolidation.

This was important given that the fiscal space had been diminished with the acceptance of the recommendations of the 14th Finance commission. Importantly, this increased fiscal space is being used for productive purposes as the government has increased capital expenditure by 0.2% while reducing subsidies by 0.4% of GDP in line with expectations of expenditure switching towards higher quality spending.

The budget has also tried to restart the investment cycle by incentivizing more money in the direction of infrastructure – roads, ports and railways by using tax free bonds, plans to revitalize PPP models by reducing risk faced by the private sector and by creating a National Investment and Infrastructure fund. These proposals were complimented by important incremental steps towards ensuring the success of the ‘Make in India’ campaign by bringing down some tax rates to make manufacturing more competitive. These steps were further supported by a promotion of the ‘Skill India’ initiative wherein the finance minister provided money to aid the employability of the youth. There were also schemes introduced to bring about the culture of entrepreneurship in India.

Insight

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On the Taxation front, there were important developments on both the direct and indirect taxes. There was a twofold thrust here, the first was to enhance the ease of doing business while at the same time make the industry more competitive.

On the direct taxes front, one of the important developments was the postponement of GAAR and the prospective implementatio from 2017. This move sends a very clear message to investors that the government is willing to take their concerns in account in creating a more robust taxation regime. The budget also included a proposal wherein it would bring down corporate taxes in a phased manner to 25% from the current 30% over the next four years. Making Indian markets more attractive it was also announced that MAT will not be applied to FIIs. The issue of black money was also tackled in a credible manner by introduction of new law with stringent penalties.

On the indirect tax front, changes have been made keeping in mind the transition to the goods and services tax with measures aimed at widening the tax base by pruning negative list of services and achieving tax buoyancy. The focus of tax proposals also seems to be
facilitating easier compliance and removing unnecessary complications that have been major hindrances for companies. The subsuming of cess in the tax rates of Excise and Service Tax, recognizing digitally signed invoices and electronic records and speeding up the process of obtaining registrations go a long way in ease of doing business at ground level. Exempting most items from levy of Special Additional Duties and correcting inverted duty rates on certain items not only addresses problems of CENVAT credit accumulation but also reduces working
capital needs.

Key Policy Proposals

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- Setting up National Investment and Infrastructure Fund (NIIF), with an annual flow of Rs. 20,000 crores to it to encourage private investment.
- Proposal of an increase in investment in infrastructure by Rs. 70,000 crore in the year 2015-16 over the year 2014-15 from the Centre's funds and resources of CPSEs.
- Proposal of tax free infrastructure bonds in rail, roads and irrigation has as well as setting up of the national investment infrastructure fund.
- To ensure faster project implementation in roads, railways and infrastructure, the budget proposed a 'plug and play' model.
- 5 new Ultra mega Power Projects each of 4000MW to be set up through the 'plug and play' model.
- 8.5 lakh crore of agricultural credit during the year 2015-16 as well as setting up a National Agriculture Market for the benefit of farmers.
- Monetary Policy Framework Agreement with RBI, in an effort to keep inflation below 6%.
- To address the supply side bottlenecks, the government has alloted Rs. 5,300 crore, to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'.
- Rs. 25,000 crore for Rural Infrastructure Development Fund (RIDF) set up in NABARD in 2015-16.
- Proposal for Forward Markets commission to be merged with SEBI.
- Amendment of Section-6 of FEMA to provide control on capital flows as equity will be exercised by government in consultation with RBI.
- Creation of a Task Force to establish financial redressal agency that will address grievance against all financial service providers.
- Furthering deepening of bond markets by setting up a Public Debt Management Agency which will bring both India's external borrowings and domestic debt under one roof

ECONOMIC GROWTH

Key Policy Proposals

- Scheme for gold monetisation to allow the depositors of gold to earn interest in their metal accounts.
- As an alternative to purchasing metal gold, a proposed scheme to developed Sovereign Gold Bond.
- A gold coin with Ashok Chakra on its face to encourage domestic trade and curtail gold imports.
- Commitment towards rationalising of subsidies and achieve efficiency in disbursement of subsidies by avoiding subsidy leakage.
- Direct Transfer of Benefits to be extended to cover 10.3 crore people, a significant rise from the current coverage of 1 crore.
- Commitment to achieve targets of 3.9%, 3.5% and 3.0% in FY 2015-16, 2016-17 and 2017-18, respectively.
- Tax pass through to be allowed to both category I and category II alternate investment funds.
- To facilitate technology inflow, tax on royalty and fees from technical services reduced from 25% to 10%.
- Proposal to reduce corporate tax from 30% to 25% over the next four years.
- With regards to own assets, rental income of REITs to have pass through facility.
- For the MSME sector, a separate 7.5% sub limit created under priority sector lending.
- Deen Dayal Upadhyay Gramin Kaushal Yojana to improve employability of rural youth.
- With an aim to monitor scholarships proposal to set up Financial Aid Authority. It will also monitor Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.
- Employees will be given the choice of opting out of EPF and going into NPS instead.
- Proposal for launch of Low Cost Pension & Insurance Schemes including Atal Pension Yojana and Universal Social Security scheme. Thereby making india a “Pensioned Society” from a “Pension Less Society”.

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Key Policy Proposals

- Setting up of institutions such as IIM in Karnataka as well as All India Institute of Medical Science (AIIMS) in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam to further improve access to quality education.
- Setting up of 3 new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan and Chattisgarh.
- Domestic transfer pricing threshold limit increased from Rs. 5 crores to Rs. 50 crores.
- Within the regulatory framework, in terms of a case to be heard in the ITAT by a single member bench, the monetary limit is increased from Rs. 5 lakhs to Rs. 15 lakhs.
- Wealth tax has been replaced by an additional surcharge of 2% on citizens with a taxable income of over 1 crore annually.
- Online central excise and service tax registration to be done in 2 working days.
- Bring a comprehensive Bankruptcy Code in fiscal 2015-16, which will meet global standards, and provide necessary judicial capacity.
- To Introduce Indian Financial Code "*sooner rather than later*".
- A 'MUDRA Bank' which will be a PSU, which will refinance micro finance institutions.
- Regulation-making power on equity related capital flows to shift to Government.
- Build out GIFT as an International Financial Services Centre (IFSC).

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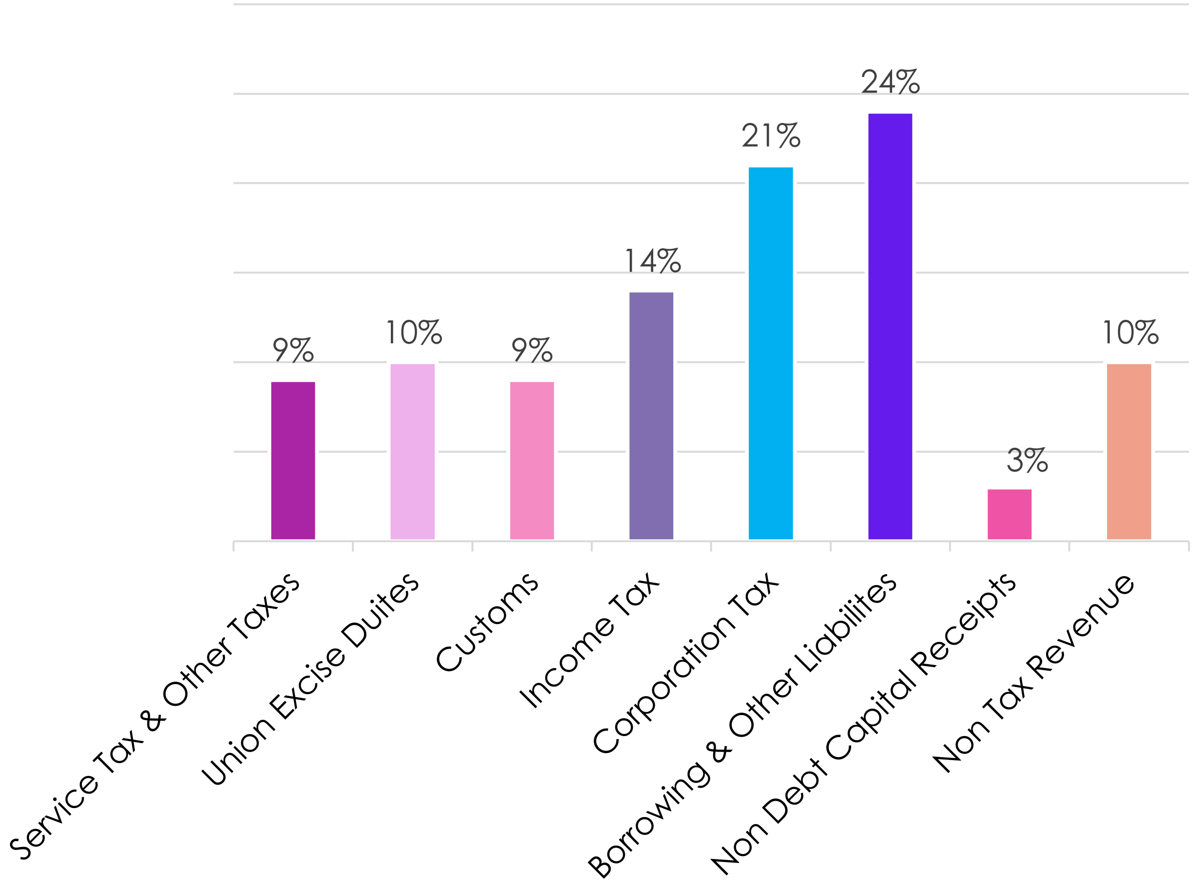
Budget Financials

How Rupee Is Received



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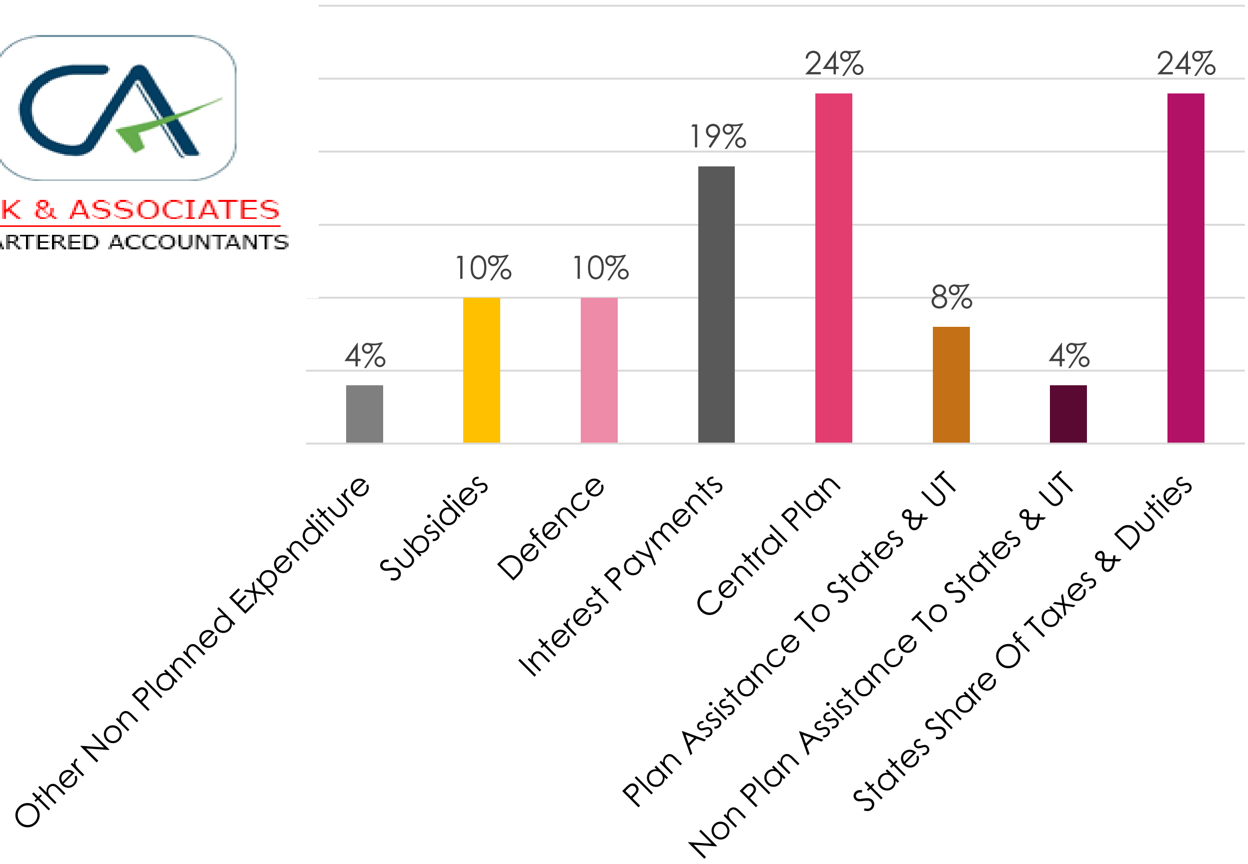
How Rupee Is Spent



Budget Financials

- The annual financial statements of the government for 2014-15 are set to reflect a fiscal deficit of 4.1% of GDP(which is same as budget estimate). The target fiscal deficit for 2015-16 is 3.9%. Revenue deficit for 2015-16 is estimated at 2.8% as against the revised estimate of 2.9% for 2014-15.
- Net market borrowings(adjusted for repurchases/switches in 2015-16) of Rs. 4564.05 billion have been budgeted to finance 82.1% of gross fiscal deficit. The net market borrowings projection shows an increase of 2.1% over the previous year.
- As per the revised estimates, the interest outgo as a percentage of the revenue receipts is set to marginally decrease from 36.88% in 2013-14 to 36.52 in 2014-15. However, the same is estimated to increase to 39.96% in 2015-16.
- As per Union Budget 2015-16
  - Gross tax revenues estimated at Rs. 14,494.90 billion, representing an increase of approximately 15.83% over the revised estimates of Rs. 12,513.91 billion for 2014-15.
  - Non-Tax revenue is estimated at Rs. 2217.33 billion, representing a marginal increase of 1.79% over revised estimates of Rs. 2178.31 billion for 2014-15.
  - Capital receipts are estimated at Rs. 6,238.61 billion against revised estimate of Rs. 5,705.35 billion for 2014-15, showing an increase of 9.35%.
  - Plan expenditure is estimated at Rs. 4652.77 billion, representing a decline of approximately 0.57% over the revised estimates of Rs. 4,679.34 billion for 2014-15. As a proportion of the total expenditure, plan expenditure is estimated to increase to Rs. 13,122 billion representing an increase of 8.16% over the revised estimates for 2014-15.

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Direct Tax Proposals

By these tax proposals, government wants to drive investments in Pension System & Health Security for Individuals.

Personal Taxation (Exemptions, Deductions & Incentives)

- There are No change's in income slabs or tax rates. In the absence of PAN, tax to be deducted at 30%.
- Additional surcharge at 2% to be levied on individuals having income exceeding Rs.1 crore (New Rate is 12%).
- Exemption for transport allowance to be increased from Rs. 800 per month to Rs.1,600 per month.
- The limit of eligible deduction for investment in LIC Annuity Plan or any other Pension Fund of an insurer is proposed to be increased to Rs. 1,50,000 from the existing Rs. 1,00,000. Subject to overall limit of upto 10% of salary.
- Contributions/ investments made by an individual in the name of girl child to notified securities/schemes will be eligible for deduction under section 80C. Interest earned on Sukanya Samriddhi account will also be exempt.
- Health insurance premia increased from Rs. 15,000 to Rs. 25,000 and for senior citizens(Above 60 Years Of Age), deduction enhanced from Rs. 20,000 to Rs. 30,000.
- Medical expenditure in the case of very senior citizens(Above 80 Years of Age), up to Rs. 30,000 deductable provided there is no health insurance coverage taken.
- Medical treatment of persons with disability increased from Rs. 50,000 to Rs. 75,000 & in case of persons with severe disability from Rs. 1,00,000 to Rs. 1,25,000.
- Medical treatment of very senior citizens(Above 80 Years of Age) with chronic/protracted diseases deductible up to Rs. 80,000.
- Payment to notified pension scheme(National Pension System) will be available up to Rs. 50,000 under section 80CCD(1B). This is in addition to the deduction available for contribution to pension fund of insurers upto 10% of salary within an overall limit of INR 150,000.
- Limit for deduction under section 80CCC increased from Rs. 100,000 to Rs. 150,000; however overall limit for deduction under section 80C, 80CCC and 80CCD(1) remains at Rs. 150,000.
- Contribution to "Clean Ganga Fund" , "Swachh Bharat Kosh" (other than CSR contributions by companies) and "National Fund for Control of Drug Abuse" eligible for 100% deduction under section 80G.

Direct Tax Proposals

- Rules will be prescribed for determining the period of stay in India of an Indian citizen, being a member of crew of foreign bound ship leaving India.
- Employer will have to obtain documentation, based on rules to be specified, in support of Deductions/exemptions such as house rent allowance, interest on self-occupied house property loan, etc.
- Payment of accumulated provident fund balance to suffer tax deduction at 10% provided it is taxable in the individual hands (based on the conditions laid down in Rule 8 of Part A of the Fourth Schedule). No such deduction to be made if the payment is less than Rs. 30,000.
- It is proposed that individuals not having taxable income and receiving payments under LIC upto Rs. 100,000 can claim relief of non-deduction of tax at source by submitting Form 15G / 15H.
- Wealth Tax stands abolished and the information regarding the assets which were previously being shown in wealth tax return now to be shown in the Income Tax Return.

Direct Tax Proposals

By these Tax Proposals, Govt wants to be tuff on Tax Evaders and at the same time attract Investors.

Corporate Taxation

- The corporate tax rate of an Indian company will be reduced from 30% to 25% over a period of 4 years. Above reduction to be accompanied by rationalization and removal of various tax exemptions and incentives available to Indian companies. These changes will start from financial year 2016-17.
- Surcharge increased by 2% and to be levied at 12% on additional income tax payable by companies on distribution of dividends and buyback of shares, by mutual funds and securitisation trusts on distribution of income.
- Foreign tax credit rules and procedures for granting credit for any income-tax paid in any country or specified territory outside India to be notified.
- Amendment made under section 271(1)(c) to clarify that penalty would also apply where the provisions of section 115JB and 115JC (MAT and AMT) apply.

Transfer Pricing

- Under the current provisions, the tax payers having aggregate specified domestic transactions in excess of Rs. 5 crore in a previous year would need to comply with transfer pricing provisions. The threshold limit has now been proposed to be increased to Rs. 20 crore with an intention to reduce the compliance burden on small businesses. The proposed amendment will be applicable for the assessment year 2016-17 and subsequent assessment years.

Capital Gains

- Cost of acquisition of capital asset transferred pursuant to demerger by demerged company to resulting company to be the cost (including cost of improvement) of such assets in the hands of demerged company. Period of holding of such capital asset in hands of resulting company to include the period for which such capital asset was held by demerged company.
- Tax neutrality provided in respect of indirect transfers by way of overseas amalgamations and demergers, involving any transfer of a capital asset, being a share of a foreign company which derives, directly or indirectly, value as stipulated from share(s) of an Indian company.

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Direct Tax Proposals

- Tax neutrality provided to investors upon consolidation or merger of similar schemes of mutual fund under the SEBI (Mutual Funds) Regulations, 1996. The cost of acquisition and period of holding of the consolidated scheme to be the cost and period of holding of the consolidated scheme.

GAAR

- GAAR to be applicable from financial year 2017-18; GAAR provisions to be implemented as part of a comprehensive regime to deal with OECD's recommendation on BEPS and aggressive tax avoidance. GAAR would apply prospectively to investments made on or after 1 April 2017.

Taxation Of REITs & Invits

- As per the existing tax regime, taxation of capital gains for Sponsor on transfer of shares of Special Purpose Vehicle (SPV) in lieu of units of the business trust was deferred till divestment of units by the Sponsor. The Sponsor was not eligible for preferential capital gains tax regime available to other unit holders (consequential to levy of Securities Transaction Tax (STT)) on divestment of the units. This results in a disadvantageous tax position for a Sponsor vis-a-vis Initial Public Offer (IPO) of the SPV. Now At the time of disposal (under an IPO listing or sale thereafter) of the units of the REIT/Invit (i.e. Business Trust), the sponsor of REITs/Invit would be eligible for concessional STT-based capital gains tax regime on par with other investors (i.e. LTCG on transfer of units would be exempt and STCG would be taxable at the rate of 15% provided STT at 0.2% is paid on the sale of such units).
- The rental income arising to REIT from the real estate property directly held by the REIT eligible for pass through status. Accordingly, such income will be exempt for the REIT and chargeable to tax in the hands of the REIT unit holders on distribution. The tenant or lessee is not required to withhold tax on payment of rent to the REIT, but the REIT in turn would withhold tax at 1% on distribution of such income to the resident unit holders and at applicable rates on the distribution to the non-resident unit holders.

Non Resident Taxation

- The basic rate of taxing income of non-residents in the nature of royalty and FTS reduced from 25% on gross basis to 10% on gross basis.
- Apart from an Indian company, any company whose POEM at any time during the year is in India, it shall be considered to be resident of India.
- POEM defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance, made.

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Direct Tax Proposals

- To bring clarity relating to taxation of non-residents in cases of indirect transfers (i.e. transfer of shares of foreign company deriving substantial value from shares of an Indian company/assets located in India),the following key amendments are proposed:
  - The share or interest of foreign company / foreign entity is deemed to derive its value substantially from Indian assets, if on the specified date (date of transfer or last day of accounting year as stipulated), the value of such Indian assets exceeds Rs. 100 million and it represents at least 50% of the value of all the assets owned by the foreign company or entity.
  - The value of the assets to be its FMV (without reduction of corresponding liabilities) and the underlying aggregate gains to be apportioned proportionately to Indian assets as per methods to be prescribed.
  - Indirect transfer provisions would not apply to the transferor shareholder of the foreign company holding the Indian assets directly and whose shares/ interest are getting transferred if the transferor (along with the AEs) has neither the right to control or manage the foreign company nor holds voting power or share capital or interest exceeding 5% therein.
  - Indirect transfer provisions would not apply to the transfer or shareholder of the foreign company holding the Indian assets indirectly and whose shares/interest are getting transferred if the transfer or (along with AEs) has neither the right to control or manage the foreign company or the direct holding company nor holds voting power or share capital or interest exceeding 5% in the direct holding company by virtue of holding in the foreign company.
  - Reporting obligation casted on Indian concern, through or in which the Indian assets, are held by the foreign company or the foreign entity and any non-compliances to attract penal consequences.
- Income from transaction in securities (other than STCG arising on which STT is not chargeable) arising to FII excluded from the ambit of MAT by excluding both, the income and corresponding expenses, in the computation.
- Section 195 has been amended to provide that prescribed information on payments to non-residents / foreign companies must be provided whether or not tax has been deducted thereon by the payer.

Direct Tax Proposals

- To facilitate location of fund managers in India of offshore funds, it is proposed that fund management activity undertaken in India by an eligible fund manager on behalf of an eligible offshore fund will not constitute a business connection for the offshore fund in India.

Key qualifying criteria for an eligible fund are as follows:

- The fund is a non-resident of India (location of the fund manager in India, in itself, will not result in the offshore fund being regarded as a resident in India).
- The fund must be resident of a tax treaty country.
- Indian residents cannot own/participate in (directly or indirectly) more than 5% of the corpus of the fund
- The fund must be subject to investor protection regulations in the relevant overseas jurisdiction.
- The fund must have at least 25 investors who are not connected persons (as defined).
- No individual investor (including connected person) can hold 10% or more in the fund
- The aggregate participation interest of 10 or less members along with their connected persons shall be less than 50 per cent of the fund.
- The fund cannot invest more than 20% of its corpus in any entity.
- The fund cannot invest in any associate entity.
- The monthly average corpus of the fund cannot be lower than Rs.1 billion (newly incorporated fund to satisfy the condition at the end of the financial year).
- The fund cannot carry on or control and manage any business in or from India.
- The fund does not undertake any other activity in India, which can result into a business connection in India.
- The fund must remunerate the fund manager on an arm's length basis.

Direct Tax Proposals

Key qualifying criteria for an eligible fund manager are as follows:

- The fund manager cannot be an employee or a connected person of the fund.
- Registration with SEBI under the applicable regulations.
- The fund manager is acting in ordinary course of his business.
- The fund manager is not entitled to more than 20% profits earned by the fund from the transactions carried out by the fund through the fund manager.

- Every eligible investment fund must comply with an annual filing requirement, and non-compliance thereof will attract penalty.
- Concessional rate of tax of 5% applicable to FII and QFI on interest income from rupee bonds of Indian companies and government securities, which was applicable till 31 May 2015 extended to 30 June 2017.
- Pass-through status granted to SEBI registered Category-I and Category-II AIF, *Subject to following key conditions:*
  - All income earned by AIF (except business income) would be taxable on pass through basis in the hands of the investors as if he had made the investment directly.
  - Any business income earned by the AIF would be taxable at the fund level. Such business income would be tax exempt in the hands of the investors.
  - Any income credited or paid by the AIF to its investors would be deemed to be of the same nature and in the same proportion in the hands of the investors as the AIF.
  - AIF to deduct tax at 10% on all income (except business income) payable to investors at the time of credit or payment, whichever is earlier. No DDT or tax on distributed income would be applicable to the income paid by AIF to its investors.

Direct Tax Proposals

- Any loss at AIF level would not be allowed to be passed through to the investors but would be carried over at fund level to be set-off against income of the next year.
- Income of the AIF would not be subject to withholding tax requirements (per notification to be issued).
- AIF would mandatorily be required to file their return of income and also furnish the details of Components of income, etc. in a prescribed form to the investors and the income-tax department.

- The existing tax pass-through regime would continue to apply to VCFs registered under the SEBI (VCF) Regulations, 1996.

Not For Profit Organisations

- An activity in the nature of trade, commerce or business, or rendering of any service in relation thereto undertaken by a trust or institution to be considered as 'charitable purpose' only if:

  — such activity is undertaken in the course of actual advancement of its object of general public utility;

  — aggregate receipts from such activities during the previous year do not exceed twenty per cent of the total receipts.

- "**Yoga**" included as a specific category in the definition of charitable purpose.
- Income of charitable trust/organisation in excess of fifteen per cent can be accumulated for exemption only if the prescribed Form is filed by it on or before the due date of income tax return. Further, even the return of income would need to be filed by such charitable trust/organisation within the relevant due date.

Tax Deduction At Source (TDS) & Tax Collection At Source (TCS)

- The exemption from deduction of tax at source from payments to contractors engaged in the business of transport by submitting PAN to be eligible only if the contractor does not own more than 10 goods carriages at any time during the year.

Direct Tax Proposals

- TCS provisions rationalised and brought on par with TDS provisions. Delay in payment of TCS to attract only single levy of interest. Levy of fee for default relating to delay in filing of TDS/TCS quarterly statement to be determined during processing of such statement.
- TAN requirement to be relaxed for notified deductors.
- Threshold limits for TDS on interest payable to depositors to be applied at an entity level for banking company/co-operative society/public company where core banking solutions have been adopted instead of branch level.
- TDS applicable in respect of any payment of interest on time deposits by the co-operative bank to its member.
- TDS on interest on the compensation awarded by the Motor Accident Claim Tribunal Compensation, applicable only at the time of payment where such payments exceeds Rs. 50,000 in the financial year.
- All the above amendments are proposed to take effect from 1 June 2015.

Settlement Commission, Assessment Procedures & Tax Administration

- Currently, the application to the Settlement Commission could be made for a case where proceedings are pending before an AO. The taxpayer becomes eligible to approach the Settlement Commission only after notice for reassessment has been issued for the particular AY and not any other AY. It is now proposed that where a reassessment notice is issued for any AY, the taxpayer can approach the Settlement Commission for other AYs as well even if notice for such other AYs has not been issued. However, a return of income for such other AYs should have been furnished.
- Settlement Commission is empowered for granting immunity from prosecution to taxpayer who has co-operated in the proceedings and made full and true disclosure of his income and the manner in which such income has been derived Settlement Commission shall be now required to record reasons in writing for granting such immunity.
- Proceedings before the Settlement Commission shall abate if an order has been passed without providing for the terms of settlement.

Direct Tax Proposals

- Restriction to approach the Settlement Commission is strengthened so as to provide that any person related (as defined) to the person who has already approached the Settlement Commission once cannot approach the Settlement Commission subsequently.
- These amendments are proposed to take effect from 1 June 2015.
- To ensure independence of the Chartered Accountant in case of any client, eligibility and Disqualifications have been prescribed in respect of his services excluding representation services.
- The AO empowered to hand over seized assets belonging to or seized books of accounts or documents pertaining to any other person, to AO having jurisdiction over such other person.
- To bring parity with recourse available to the taxpayers, in cases where the Department is in appeal SLP before the Supreme Court on a question of law for an earlier year, the AO, subject to acceptance by the taxpayer, can file an application to the Appellate Tribunal within 60 days from the date of receipt of order of the Commissioner (Appeals) stating that an appeal on the same question of law arising in the relevant case may be filed when the decision on the question of law becomes final in the earlier case. This would avoid repetitive appeals.
- On Revision of assessments under section 263, it has been clarified that an order shall be deemed to be erroneous in so far as it is prejudicial to the interests of revenue if, in the opinion of Principal Commissioner or Commissioner –

  (a) the order is passed without making inquiries or verification which should have been made;

  (b) the order is passed allowing any relief without inquiring into the claim;

  (c) the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or

  (d) the order has not been passed in accordance with any decision, prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.
- These amendments are proposed to take effect from 1 June 2015.

Direct Tax Proposals

Other Proposals & Incentives

- Provision for deduction (@ 30% of salary cost) available under section 80JJAA from hiring of new workmen amended. The existing requirement to employ minimum 100 regular workmen has now been reduced to 50 regular workmen, thereby extending the incentive to smaller units. But this benefit will now not be available for any form of business reorganisation.
- Additional depreciation at 20% on new plant and machinery used for less than 180 days in the year of acquisition and installation is allowed at 50% and the balance 50% now eligible for deduction in the immediate succeeding financial year.
- The manufacturing units set up in the notified backward area in the State of Andhra Pradesh or Telangana on or after 1 April 2015 to be eligible for additional depreciation at the rate of 35% of 20% in respect of actual cost of new machinery or plant (other than ship and aircraft) acquired and installed on or after 1 April 2015 and before 1 April 2020. During this eligible period, such manufacturing unit will also be eligible for additional investment allowance at 15% on eligible plant and machinery/assets. Such additional investment allowance to be taxed as income if such asset is sold within a period of five years of its installation.
- The persons responsible for paying any sum to a non-resident to furnish relevant declaration and information irrespective of whether such sum is chargeable to tax or not. Any non-compliance to attract penalty of Rs. 0.1 million. This amendment is proposed with effect from 1 June 2015.
- The concessional tax rate for dividend and long-term capital gains to be restricted only in respect of GDRs issued against underlying listed shares or FCCBs.
- Currently, income of certain charitable funds or institutions like the Prime Minister’s National Relief Fund, the Prime Minister’s Fund (Promotion of Folk Art), etc. is eligible for exemption . This exemption is now extended to the income of “Swachh Bharat Kosh” and “Clean Ganga Fund”.
- The assets seized or requisitioned under the search and seizure may be adjusted against the amount of existing liability under the Income tax Act, the Wealth-tax Act and the liability determined on completion of the assessment. It is now proposed to extend such adjustment for the amount of liability arising on an application made before the Settlement Commission. The amendment shall take effect from 1 June 2015.

Indirect Tax Proposals

GST

- Commitment to introduce nation-wide Goods and Services Tax (GST) from 1 April 2016 re-affirmed.

Central Excise

- Standard ad-valorem rate of excise duty proposed to be increased from the existing effective rate of 12.36% to 12.5%. Education cess and Secondary & Higher Education cess proposed to be subsumed in the ad valorem rate with effect from 1 March 2015.
- The rate of excise duty applicable to goods covered by Medicinal and Toilet Preparations Act, 1955 is increased from 12% to 12.5% ad valorem with effect from 1 March 2015.
- Direct dispatch of goods to premises of customers of a registered dealer/registered importer without bringing the goods to the registered premises allowed subject to conditions.
- Time-limit for availing CENVAT credit on inputs and input services is being extended from six months to one year, from the date of invoice.
- Time-limit for return of capital goods from job workers' premises extended from six months to two years.
- Reversal of proportionate CENVAT credit extended to a manufacturer of non-excisable goods.

Service Tax

- Effective rate of Service Tax to be increased from the existing effective rate of 12.36% to 14%. Education cess and Secondary & Higher Education cess proposed to be subsumed in the said rate.
- Swachh Bharat cess (SB cess) at 2% on value of all or any of the taxable services to be levied from a notified date.
- Abatement rate for transport of goods by road, rail and vessel rationalized at 30% on value of services, with effect from 1 April 2015.

Indirect Tax Proposals

Customs

- Standard ad-valorem rate of Counter Veiling Duty (CVD) proposed to be increased from the existing rate of 12% to 12.5%.
- Education cess and Secondary & Higher Education cess to be applicable on Basic Custom Duty (BCD).

Others

- In case of Customs Duty, Central Excise Duty and Service Tax law, penalty provisions are being rationalized to encourage compliance and early dispute resolution and facility of obtaining advance rulings has been extended to resident firms.
- Central Excise and Service Tax registration process simplified by prescribing documents, time limit and procedure for registration. Single premises registration shall be granted within two working days of filing the application.
- In case of Central Excise Duty and Service Tax, issuance of digitally signed invoices and maintenance of electronic records permissible.
- Clean energy cess to be increased from Rs.100 per tonne to Rs. 200 per tonne on all goods covered under Tenth Schedule of the Finance Act, 2010.

THANKING YOU

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