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Anand Mehta & Co.
(CONSULTANTS) PRIVATE LIMITED



Dear Friends,

In his first full Budget, FM. Mr. Arun Jaitley is full of Bang on all fronts.

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On "**Make in India**", we have Additional Depreciation, Investment allowance, phase wise lowering of Corporate Tax from 30% to 25% over next 4 years (though coupled with reduction in incentives), Special Tax Regime for Alternative Investment Fund with permission for FDI (though loaded with a TDS of 10%), distinction between different types of Foreign Investments, especially the Foreign Portfolio Investment and Foreign Direct Investment to be done away, reduction in rate of Income Tax on royalties and FTS from 25% to 10%, proposal to introduce a Comprehensive Bankruptcy Code, an India Financial Code to be introduced and a clarification that retro tax will apply only to few cases. There are innovative financial measures such as Infrastructure Bonds, Creation of the Mudra Bank for MSME. However, the widened definition of Residence of Companies and Associated Enterprises, applicability of Indirect Transfer Provisions to dividends paid by Foreign Companies, rationalisation of MAT for FIs and members of AOP could come in the way.

On "**Clean India**" or the Swachh Bharat Abhiyaan", we have a separate cess.

On **Minimum Government and Maximum Governance**, we have abolition of Wealth Tax (However, replaced by a surcharge of 2% on High Income Tax Payers), burial of the DTC, increase in the share of the States, increase in the threshold for Domestic Transfer Pricing from Rs.5Cr. to Rs.20Cr. deferment of the GAAR by 2 years, though still a long way for GST.

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We also have "Gold Monetisation Scheme" and Sovereign Gold Bonds and a separate Black Money Act with a One Time Compliance Settlement Scheme window coupled with Benami Transactions (Prohibition Act). In a first such moves on International front, India signed Model I Inter-Government Agreement (IGA) with the US IRS for implementation of FATCA. India also signed with OECD the Common Reporting Standard and Multi Lateral Competent Authority Agreement .

We have pleasure in presenting Highlights and Comments on various budget proposals for your kind consideration.,

Thanks and regards

Anand Mehta
Director

A copy is also available on our website <http://www.amcount.in> This material is prepared by Smart Consultants Pvt. Ltd., a Company established under the Indian Companies Act, 1956. The focus is on analysis of the Direct and Indirect taxes, especially on the fine print which is reflected more in the comments. The Company chooses not to comment on politics, economics and business. While due care has been taken, no warranty, express or implied, is being made, by the Company as regards the accuracy and adequacy of the information contained herein. The information in this material is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. This material is intended only for the use of the entity / person to whom it is addressed and the others authorized to receive it on their behalf. The recipient is strictly prohibited from further circulation of this material.



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WE LOOK BEFORE YOU LEAP

Union Budget 2015-16

FINANCE BILL, 2015

HIGHLIGHTS AND COMMENTS

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Major Amendments Direct and Indirect Taxes

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I- DIRECT TAXES

No change in corporate tax structure for the F.Y. 2015-16. However, proposal for reduction of corporate tax rate from 30% to 25% will take place in a phased manner over a period of 4 years.

BUSINESS INCOME

Sr. No.	Subject	
1a	Deduction for generation of employment of new workmen	
	Amended	
Sec.	+/-	w.e.f.
80JJAA	(+)	AY 2016-17

Highlights

1. Earlier deduction was available to only corporate assessee having manufacturing units and the quantum of deduction was equal to 30% of additional wages paid to new regular workmen in excess of 100 workmen employed during the previous year.

2. Now the Benefit of deduction for additional wages paid to new workmen extended to all assessee having manufacturing units instead of corporate assessee only. Further in order to enable the smaller units to claim this incentive, the number of workmen employed during the previous year has been reduced to 50 instead of 100 regular workmen.

Comment

1. This deduction is now extended to non corporate entities also and thus expanding the scope.

Sr. No.	Subject	
1b	Additional Depreciation Balance	

	Amended	
Sec.	+/-	w.e.f.
32(1)(ii), 32(1)(ia)	(+)	AY 2016-17

Highlights

1. A clarification has been provided on availability on balance of additional depreciation (i.e. 10%) granted to manufacturing companies in case where the assets are put to use for less than 180 days. Thus the remaining 10% additional depreciation does not lapse and can be claimed in the succeeding year where assets have been purchased and put to use for less than 180 days in the year of purchase.

Comment

1. Non availability of of full 100% of additional depreciation may motivate the assessee to defer the investment in the next year.

2. This is now a legislative clarification and hence we believe it should be retrospectively applied.

3. The Tribunal decisions in *Brakes India Ltd. V. Dy. CIT 2013Tax Pub (DT) 2485 (Chenn- Trib) : (2014)56 (II) ITCL 183 (Chenn-Trib) : (2013) 96 DTR 144 ITD 403(Chenn-Trib)* are nullified and decisions in case of *Dy. CIT v. Cosmo Films Lyd. 2012 TaxPub (DT) 1094 (Del-Trib)* have been approved.

Sr. No.	Subject	
1c	Place of Effective management (POEM)	
	Amended	
Sec.	+/-	w.e.f.
	(+/-)	AY 2016-17



Highlights

1. This provision is in regards to Residential status of a Company. A Company will be considered as a resident in India if the place of effective management is in India.

2. Now effective management will also include the place where important decisions are taken, place where Board of Directors meeting take place, or may be a foreign company having a branch in India. In all these cases, the status of foreign companies will be treated as Indian Company and will be subjected to tax on global income in India subject to DTAA.

Comment

1. It means 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.

2. Now, there is a possibility where Companies which were earlier being considered as Foreign Companies may be treated as Indian Companies and consequentially it widens the scope of taxability of such Companies.

Sr. No.	Subject
1d	Alternative Investment Funds (AIF)
Amended	
Sec.	+/- w.e.f.
10 (23FBA), 10(23FBB), 115UB and 197A(1F)	(+/-) AY 2016-17

Highlights

1. All income (other than business income) earned by AIF would be taxable in the hands of the investor as if the investment was made directly by them, whereas entire business

income would be taxed in the hands of the AIF.

2. AIF will deduct 10% on all incomes distributed to unit holders (Except business income since already taxed). Thus no DDT on income distributed to unit holders of AIF.

Comment

1. This is a clarificatory amendment.

Sr. No.	Subject
1e	Special incentive for States of Andhra Pradesh and Telangana
Amended	
Sec.	+/- w.e.f.
32(1)(ia)	(+) AY 2016-17

Highlights

1. The Finance Act 2015 allowed a deduction of 15% of the cost of new assets acquired and installed by the assessee for manufacture or production of article or thing in any notified backward areas in the State of Andhra Pradesh and Telangana and such new assets acquired and installed during the period beginning from 1st April 2015 to 31st March 2020. The lock in period for transfer of such asset is 5 years but this would not be applicable in case of amalgamating or demerged company. This deduction shall be available over and above the existing deduction available for investment in new Plant and Machinery as per section 32AC i.e. 15% of the cost of Plant and Machinery exceeding INR 100 crore.

2. Now, the higher additional depreciation for the plants and machinery will be available @ 35% (instead of 20%) in respect of the actual cost of new plant or machinery acquired and installed by a manufacturing undertaking or enterprise which is set up in backward area of the State of Andhra Pradesh or the State of



Telangana on or after 1st day of April, 2015. Such benefit would be extended up to 1st April 2020.

a. Additional conditions prescribed to be fulfilled by the approved in-house R&D facility :Section 35(2AB) provides for 200% weighted deduction in relation to expenditure incurred on approved in-house R&D facility subject to conditions.

b. It is proposed that to avail the benefit, the company shall have to fulfill such conditions with regard to maintenance of accounts and audit thereof and furnishing of reports in such manner as may be prescribed.

Comment

1. Manufacturing sector plays significant role in economic growth. This will encourage the setting up of industrial undertaking in backward areas in the state of Andhra Pradesh and Telangana.

BUSINESS TRUSTS

Sr. No.	Subject	
2a	Business Trusts	
	Amended	
Sec.	+/-	w.e.f.
2(13A), 10 (23FCA) 10(38), 111A, 194-I and 194LBA	(+/-)	AY 2016-17

Highlights

Taxation relating to REITs and IITs

1. At the time of disposal of the units, the sponsor of Infrastructure Investment Trust or Real Estate Investment Trusts (REITs) would get the benefit of concessional tax regime @ 15% on STCG and exemption on LTCG under section 10(38) at par with other investors.

2. The rental Income arising to REIT from real estate held directly by REIT will be exempt in the hands of REIT and charged as tax in the hands of unit holder on distribution of such income.

3. Further, on account of pass through to REITs, the tenant or the lessee will not have to deduct any TDS on rental payment to the REIT. However, tax shall be deducted @ 10% on distribution of income to the resident unit holder and at a rate notified later to non resident unit holders.

Comment

1. This is a clarificatory amendment.

CAPITAL GAINS

Sr. No.	Subject	
3a	Taxability in case of indirect transfers	
	Amended	
Sec.	+/-	w.e.f.
9, 47, 49, 271G and 285A	(+/-)	AY 2016-17

Highlights

1. Clarity relating to provisions pertaining to indirect transfer of assets has been given by explaining the meaning of substantial interest. A foreign entity is said to be deriving substantial value of its shares from assets located in India if the value of Indian assets held directly / indirectly by it exceeds INR 10 Crores and represent at least 50% of the value of all the assets owned by it. Further, the value of assets shall mean the market value of assets without reducing the liabilities.

Comment



1. This provision is a welcome move for the foreign investors community as it provides the much needed clarity by removing the uncertainty and litigation surrounding the issue of taxability of indirect transfer of shares. This puts to rest many cases which were affected on account of Vodafone judgment. *DIT v. Copal Research Ltd, Mauritius [2014] 49 taxmann 125/ 226 taxmann 226(Delhi).*

Sr. No.	Subject	
3b	Cost of capital assets in demerger.	
	Amended	
Sec.	+/-	w.e.f.
49	(+/-)	AY 2016-17

Highlights

1. In case of domestic demerger, it is now expressly provided that cost of capital assets transferred to the resulting company should be the cost of such assets to the demerged company.

2. Further the period of holding of such assets by the resulting company shall include the period of holding of the demerged company for classification of long term and short term capital asset.

Comment

1. This is a clarificatory amendment.

CONCEALMENT PENALTY

Sr. No.	Subject	
4a	Concealment Penalty when tax is required to be paid under MAT	
	Amended	
Sec.	+/-	w.e.f.
Section 271(1)(C)	(+/-)	AY 2016-17

Highlights

1. Penalty will be charged in respect of additions made in regular assessment even though tax is payable under MAT

Comment

1. It was decided in the case of *CIT v. Jindal Polyester and Steel Ltd. [2014] 52 taxmann 259(All.)* that if assessee is required to pay tax under MAT in spite of additions made under regular assessment, then no penalty under sec. 271(1)(c) can be charged. The amendment seeks to overrule the said decision.

MINIMUM ALTERNATE TAX

Sr. No.	Subject	
5a	MAT	
	Amended	
Sec.	+/-	w.e.f.
115JB	(+)	AY 2016-17

Highlights

1. As per the current provisions, the share of income from AOP to the company was taxable under MAT provisions.

2. Now, this anomaly has been resurrected and while computing the MAT, the income of the AOP which is credited to Profit and Loss account shall be reduced from the Book Profits while computing MAT of the Company. Consequentially, the corresponding expenditure debited to the Profit and Loss account shall be added back.

Comment

1. This results in to double taxation as Income was already being subject to tax in an AOP. In



case of Asstt. CIT v. Seenaiah and Co. Projects Ltd. [2013] 37 taxmann .com 241/ [2014] 150 ITD 189 (Hyd- Trib) it was held that share of income from AOP to the company was taxable under MAT provisions.

2(15), 11, 13	(+)	1 st June 2015
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Highlights

1. The yoga activities are also covered in the definition of charitable purpose.

2. In respect of a charitable trust, when activities in the nature of trade, commerce or business does not exceed 20% of the total receipts of the trust (total receipts derived by carrying on by advancement of objects of general public activity), then all the activities of the trust to be considered as activities for charitable purpose. Earlier the capping limit for activities in nature of trade commerce and business was kept at INR 25 lakhs.

3. To remove the ambiguity of filing Form 10 (i.e. Form pertaining to application for accumulation of funds by charitable trusts), it has been provided that Form 10 shall be filled on or before the due date of filling return. Further the benefit of 15% accumulation would not be available if return of income is not furnished before the due date of filling return.

Comment

1. It was affirmed in the case of *Divya Yog Mandir Trust v. Jt. CIT [2013] 37 taxmann.com 227/60 SOT 154 (Delhi - Trb) URO* that imparting yoga training would fall under the category of imparting education, which is one of the object defined under section 2(15) which led to the said amendment.

TDS AND TCS PROVISIONS

Sr. No.	Subject	
7a	TDS on interest paid to members of Co operative Bank	
	Amended	
Sec.	+/-	w.e.f.

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Sr. No.	Subject	
5b	No Payment of MAT by Companies on income arising on any security held by a Foreign Institutional Investor	
	Amended	
Sec.	+/-	w.e.f.
115JB	(+)	AY 2016-17

Highlights

1. Capital gain income of FII and Foreign Company (other than short-term capital gain not subject to securities transaction tax) to be excluded from levy of minimum alternate tax (MAT).

2. Further, expenditure, if any, corresponding to such income shall also be added back to the book profit for computation of MAT.

Comment-

1. In case of *Timken Co, [2010] 193 Taxman 20, Castleton Investment Ltd [2012] 24 Taxmann 150* it was held that the foreign companies were liable to pay MAT even on that income which was exempt from tax by virtue of DTAA's or Income Tax Act. Now this position has been mitigated.

CHARITABLE TRUSTS AND INSTITUTIONS

Sr. No.	Subject	
6a	Charitable Trusts	
	Amended	
Sec.	+/-	w.e.f.



194A	(+/-)	AY 2016-17
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Highlights

1. Earlier, it was possible for a member of co-operative bank to claim exemption from TDS in respect of interest received from the Bank as a member.
2. Now as per the amendment, TDS will have to be made in respect of such deposits.

Comments

1. The Co-operative banks avail the exemption by making their depositors as members which led to the amendment.
2. Decisions in case of *Bhagani Nivedita Sah. Bank Ltd v. Asst. CIT [2003] 87 ITD 569* Contra *Bagalkot District Central Co-op Bank v. Jt. CIT [2014] 48 taxmann.com 117 (Bang-Trib)* are no longer good in law.

Sr. No.	Subject	
7b	TDS on payments made to Transporters:	
	Amended	
Sec.	+/-	w.e.f.
194C	(+/-)	AY 2016-17

Highlights

1. At present, if a payment is made to a transport operator then there is no liability of TDS under Section 194C. Now, it is proposed to provide that no TDS liability will arise in cases where the transport operator issues a certificate that he is not the owner of more than 10 vehicles / fleet.

Comments

1. Now various procedural issues may arise on account of claiming the benefit of not making TDS as mentioned under this section.

Sr. No.	Subject	
7c	TCS Provisions Rationalised:	
	Amended	
Sec.	+/-	w.e.f.
220(2C)	(+/-)	1 st June 2015

Highlights

1. TCS provisions are rationalised and brought in part with the TDS provisions.
2. Further delay in payment of TCS will attract only a singly levy of interest.

Sr. No.	Subject	
7d	Levy of late filing fees for delay in submission of TDS returns u/s. 234E	
	Amended	
Sec.	+/-	w.e.f.
234E	(+/-)	AY 2016-17

Highlights

1. Under the existing provisions, if there has been delay in submission of quarterly TDS returns; then additional filing fee (which is penal in nature) was imposed which is INR 200 per day till the time the return is being filed with the Tax department.
2. Now, this Bill has put at rest this matter and affirms the collection of the levy.

Comments

The said levy was found to be very harsh across the industry players and the constitutional validity of the said provision had been challenged in the Courts of Law.

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INTEREST PAYABLE

Sr. No.	Subject	
8a	Computation of Interest in case of Re- assessment.	
	Amended	
Sec.	+/-	w.e.f.
234B	(+/-)	AY 2016-17

Highlights

1. Currently, interest under 234B is chargeable from the date of regular assessment upto the date of re-assessment. Amendment has been made to provide that the period for which the interest is to be computed will begin from the 1st day of April next following the financial year and end on the date of determination total income under section 147 or section 153A.

Comment

1. This is a clarificatory amendment.

INCOME TAX AUTHORITIES AND THEIR POWERS

Sr. No.	Subject	
9a	Furnishing of Information	
	Amended	
Sec.	+/-	w.e.f.
195 and 271-I	(+/-)	1st June 2015

Highlights

- 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 in this matter shall attract a penalty of INR 1 lakh per transaction.

Comment

1. This is a clarificatory amendment.

Sr. No.	Subject	
9b	Reassessment cases made difficult	
	Amended	
Sec.	+/-	w.e.f.
151	(+/-)	1 st June 2015

Highlights

1. The Bill provides that when the original assessment is completed (even if u/s 143(1) i.e. summary assessment) then such assessment cannot be reopened after the period of 4 years without taking prior approval of Chief Commissioner who has to form the opinion that condition specified u/s 147 is satisfied.

2. For reopening of cases within a period of 4 years only the permission of Joint Commissioner is required.

Comment

1. This is a clarificatory amendment.

Sr. No.	Subject	
9c	Revision by Commissioner for orders passed by Assessing Officer	
	Amended	
Sec.	+/-	w.e.f.
263	(+/-)	1 st June 2015

Highlights

1. At present, the Commissioner of Income Tax has power to revise the order passed by the Assessing Officer within a period of 2 years, provided the assessment order is erroneous so far as it is prejudicial to the interest of revenue. The judicial opinion was unanimous, i.e., to



revise an assessment order two conditions must be fulfilled:

- a.The order is erroneous and
- b.It is prejudicial to the interest of revenue

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2. Thus, the matter in relation to “erroneous so far as prejudicial to the interest of the revenue” was considered to be highly contentious. The provisions in this budget have tried to put at rest this litigation, by clarifying that Commissioner has a right to revise the order and error can be considered under one or more of the following circumstances:

- a. Order passed without making inquiries or verification
- b. Order not made in accordance with the CBDT directions
- c. Order allowing certain reliefs without corresponding inquiries about the claim
- d. Any order made which is prejudicial to the interests of the revenue

Comment

1. These amendments give vast powers to the Commissioner of Income Tax to revise any order under section 263 and are prejudicial to the interest of assessee's time and monies.

2. In case of *Sahara India Mutual Benefit Co. Ltd. V. Asstt CIT [2002] 74 TTJ 67 (All)* it was held that an order of the AO can be said to be erroneous so far as it is prejudicial to the interest of the revenue, if such order has been passed in disregard to the legal provisions or as a result of failure to make enquiries which is in *Cotra to Saw Pipes Ltd v. Addl CIT 2005 3 SOT 237 (Delhi)* which said that merely because proper enquiry was not conducted by AO , it could not be said erroneous.

Sr. No.	Subject	
9d	Assessment of person not searched	
	Amended	
Sec.	+/-	w.e.f.
153C	(+/-)	1 st June 2015

Highlights

1. Section 153 C of the Act relates to assessment of income of any other person.

2. At present during the course of a search operation, if the books of accounts or documents or any other assets belonging to any other person are seized, then the assessment of such other person to whom such documents belong to will be made for 6 years.

3. Thus the current provisions of Income tax refer to the books of accounts or documents belonging to other person.

4. The judicial opinion was that the books of accounts or documents should be owned by that other person in view of interpretation of the words belonging to any other person.

5. Now, the bill provides that if assessing officer is satisfied that any documents, books of accounts, bullion, jewellery, etc. seized pertains to any other person, then even such person can be subjected to assessment for 6 years irrespective of the fact that such documents are owned by the other person or not.

Comment

1. In the cases of *Tanveer Collections (P) Ltd v. Asstt. CIT [2015] 54 taxmann.com 379 (Delhi Trib)* and *Pepsico India Holdings (P) Ltd. V. Asst. CIT [2014] 50 taxmann 299/[2015] 228 Taxmann 116 (Delhi)(Mang.)* it was held that recording of satisfaction by the AO that articles or recordings which are seized belong to other



person is the precondition for initiating assessment against such other person u/s 153C. Now such decisions are no more relevant.

TRANSFER PRICING

Sr. No.	Subject	
10a	Domestic Transfer Pricing	
	Amended	
Sec.	+/-	w.e.f.
92BA	(+)	AY 2016-17

Highlights

1. Threshold limit for applicability of Provisions of Domestic Transfer Pricing increased from INR 5 Cr to INR 20Cr.

Comments

1. To address the issue of compliance cost in case of small business on account of low threshold of five crore, the limit is increased to 20 Cr.

GENERAL ANTI AVOIDANCE REGULATIONS

Sr. No.	Subject	
11a	General Anti Avoidance Regulations	
	Amended	
Sec.	+/-	w.e.f.
92BA	(+/-)	AY 2018-19

Highlights

General Anti Avoidance Regulations (GAAR) delayed for another two years.

Comment

1. Investors had apprehended that it would impose unnecessary harassment by Tax Authorities. Thus to look into the concerns of investors, it got delayed.

WEALTH TAX

Sr. No.	Subject	
12a	Wealth Tax	
	Amended	
Sec.	+/-	w.e.f.
	(+/-)	AY 2016-17

Highlights

1. Wealth Tax abolished from FY 15-16.

Comment

1. This would reduce the compliance burden associated with maintaining of records and filing of wealth tax returns.

PERSONAL TAXES

We will discuss the following items under the Personal Taxes -

- Tax benefits for a girl child.
- Deduction for assesseees in respect of health insurance premium
- Donation to certain funds, charitable institutions etc
- Contribution to various pension schemes
- Overall ceiling limit
- Persons with disability and severe disability
- Medical treatment of certain chronic diseases



Sr. No.	Subject	
13a	Tax benefits for a girl child.	
	Amended	
Sec.	+/-	w.e.f.
10 (11A) and 80C	(+)	AY 2016-17

Highlights

1. Any amount paid towards Sukanya Samruddhi Account Scheme for the girl child would be allowed as deduction under section 80C.
2. The interest accruing on such deposits and withdrawals from the said scheme would be exempt under section 10(11A). However such amount contributed shall be within the overall limit of section 80 C i.e. INR 1,50,000.

Comment

1. This is a clarificatory amendment.

Sr. No.	Subject	
13b	Deduction for health insurance premium	
	Amended	
Sec.	+/-	w.e.f.
80D	(+)	AY 2016-17

Highlights

1. The limit of deduction for assessees (including family members) in respect of health insurance premium for mediclaim has been increased to INR 25,000 from INR 15,000 and limit of deduction in case of senior citizens (age between 60 years to 79 years) and very senior citizen (age of 80 years and above) has been increased to INR 30,000 from INR 20,000.

Comment

1. Beneficial for middle class tax payers.

Sr. No.	Subject	
13c	Donation to certain funds, charitable institutions etc	
	Amended	
Sec.	+/-	w.e.f.
10 (11A) and 80G	(+)	AY 2016-17

Highlights

1. Donation to certain funds, charitable institutions etc., the taxpayers will now be allowed a deduction of 100% in respect of the sum donated to certain additional projects (other than the sum spent by such assessee in pursuance of Corporate Social Responsibility under the Companies Act, 2013). This clause shall be applicable for donations made for the Financial Year 2014-15 as well. The following funds/projects/trusts shall now be permissible for donations made under section 80 G
 - Swachh Bharat Kosh
 - Clean Ganga Fund (only for residents)
 - The National Fund for Control of Drug Abuse

Comments

1. To encourage and enhance people's participation in the national effort to improve sanitation facilities and rejuvenation of River Ganga.

Sr. No.	Subject	
13d	Contribution to various pension schemes	
	Amended	
Sec.	+/-	w.e.f.
80CCC and 80CCD	(+)	AY 2016-17

Highlights

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1. Any contribution to prescribed annuity/pension plan of life Insurance Corporation or other insurers has gone up from INR 1,00,000 to INR 1,50,000 under section 80CCC i.e. contribution to various pension schemes.

2. Similar provisions are introduced in regards to amounts paid towards new pension scheme notified by central government under section 80CCD.

Comment

1. Beneficial for middle class tax payers.

Sr. No.	Subject	
13e	Overall ceiling limit	
	Amended	
Sec.	+/-	w.e.f.
80CCE	(+/-)	AY 2016-17

Highlights

Overall ceiling limit for these amounts would be governed by section 80 CCE which restricts the limit of deduction towards these contribution made in aggregation under section 80 C, 80 CCC and 80 CCD to INR 1,50,000.

Comment

1. Beneficial for middle class tax payers

Sr. No.	Subject	
12f	Persons with disability and severe disability	
	Amended	
Sec.	+/-	w.e.f.
80DD and 80U	(+)	AY 2016-17

Highlights

1. For persons suffering from certain disabilities, the limit of deduction towards amounts expended for such disabilities is raised to INR 75,000 from the previous limit of INR 50,000.

2. Independent persons suffering from severe disability then the limit of deduction will be raised to INR 1,25,000. One needs to refer to the Income Tax Rules to find out whether a particular disability is covered under this particular section or not.

3. In respect of dependent persons suffering from disability, the limit of deduction to the taxpayer for the amount spent after the dependent person is raised to INR 75,000 from the previous limit of INR 50,000 and where such dependent person is a person suffering from severe disability, then the limit has increased to INR 1,25,000.

Comment

1. Beneficial for middle class tax payers.

Sr. No.	Subject	
13g	Medical treatment of certain chronic diseases	
	Amended	
Sec.	+/-	w.e.f.
80ddb	(+)	AY 2016-17

Highlights

1. For very senior citizens the limit of deduction for the medical treatment of certain chronic diseases such as Cancer, AIDS, Thalassemia, etc. (i.e. Section 80ddb) is increased to INR 80,000 from the earlier limit of INR 40,000.

2. Deduction under this section shall not be allowed unless the taxpayer obtains the prescription from a specialist (Government Hospital not mandatory).



Comment

1. Beneficial for middle class tax payers

MISCELLANEOUS AMENDMENTS

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- a. **Section 269SS-** Curbing mechanism by proposing that no person will accept/repay from any person any loan/deposits/advances, in relation to transfer of immovable property, in cash for INR 20,000 or more. This move is intended to curb generation of black money by way of dealing in cash in immovable property.
- b. Withholding Tax rates for Non- Residents on Royalties and FTS has been reduced from 25% to 10%.
- c. **Section 10(14)-** Exemption limit for transport allowance granted to an employee is to be increased to INR 1600 p.m. from INR 800 p.m.
- d. Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- e. Micro Units development refinance agency (MUDRA) bank to be created for SMEs and infrastructure development with an initial corpus of INR 20,000 Crores.
- f. Direct Tax Code has decided to be abolished and necessary provisions that are required shall be clubbed in the Finance Act itself thereby reducing the burden of implementation of a new tax regime.
- g. New laws with stringent conditions and consequences like imprisonment, on black money will be introduced soon (domestic as well as international). Also concealing any kind of income will be very dreadful with the consequences proposed in the

budget. We all are aware about the practical difficulties when it comes to differing views on concealment, as tax officers believe everything under the sun has been concealed by the tax payers. So tackling this will be a very big challenge for the assesseees.

- h. Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with. Replacement with composite caps.
- i. **TDS-** Splitting of deposits will not be allowed for the purpose of computing the permissible limits under TDS provisions. Deposits placed with all/any branches of a particular bank will be clubbed for the purpose of considering the limits under TDS provisions. Thus, TDS will now be deducted on aggregate of interest received by the taxpayer on all the deposits placed at various branches of a particular bank.
- j. **TDS-** Onerous responsibilities have been proposed on Employers making them responsible for obtaining evidence of deductions / exemptions / set-off of certain losses of employees for computing the amount of TDS.
- k. **TDS-** Deduction of tax @10% on premature withdrawal of any amount from the employees share of provident fund where such payment exceeds INR 30,000. Where the employee has not quoted his PAN, the deduction of tax will be required to be made at the applicable maximum marginal rate. (effective from 1st June 2015)

II- INDIRECT TAXES



SERVICE TAX

1. Change in the effective rate of service tax

- a. Effective service tax rate has been changed from 12.36% to 14% (effective from a date to be notified by the Central Government). Education and higher education cess have been absorbed in this revised increased rate of service tax.
- b. A Swachh Bharat cess at the rate of 2% (on all or any of the value taxable services) is proposed to be levied from a date as may be notified by Central Government in this regards.
- c. In respect of services provided by money changers, air travel agents, insurance agents and lottery distributors who were previously paying service tax under special alternative methods shall continue to pay service tax under those options with the proportionate increase in the rate (12.36% to 14% i.e. abatement percentage to be applied on 14%, i.e. the new rate).

2. Following services have been included under the ambit of service tax regime:

- a. Access to amusement facility or admission to entertainment events, if the fees charged for admission to such events is more than INR 500. However, the following entertainment events are yet not included under the purview of service tax:
 - Exhibition of cinematographic films (Theatres or Multiplexes)
 - Circus
 - Recognized sporting events
 - Dance Performances
 - Theatrical performances including drama and ballets

- b. Services provided by way of carrying out any processes for production or manufacture of alcoholic liquor for human consumption (i.e. contract manufacturing or job work for production of liquor).
- c. All Services provided by Government or local authority (Earlier only support services were included in this limb) to any business entity except those services which are specifically exempted or mentioned under the Negative List.
- d. Lottery distributor services to the extent of amount retained by distributor from the gross sale proceeds or the amount of discount received by way of difference between face value of tickets and the price at which the distributor gets such tickets.
- e. Service tax will be charged on the services provided in relation to telephone calls being allowed to be made at the airport and hospitals. Thus airports and hospitals will now have to pay service tax on their telephone bills.
- f. Services in relation to use of public telephone run by department and guaranteed public telephones operating only local calls will also be subject to service tax.
- g. Services rendered to ports or airports in relation to construction, erection, commissioning or installation of original works.
- h. Services rendered to Government and local authority in relation to Construction, erection, commissioning provided the same does not pertain to:
 - Historical Monument or Archaeological sites
 - Canals, Dams or other irrigation works



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- Pipelines or plant for water supply, water treatment or sewerage treatment

- Services provided by any artist performing in folk or classical form of music, dance or theatre, if the amount charged is more than INR 1,00,000.

3. Following services have been specifically excluded from the purview of Service tax:

- Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing or labeling of fruits and vegetables.
- Services provided by a Common Effluent Treatment Plant Operator for treatment of waste.
- Life Insurance services provided by way of Varishtha Pension Bima Yojna.
- Services provided by a clinical establishment by way of transportation of a patient. It includes all the ambulance services.
- Admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve.
- Service provided by a Goods Transport Agency for transportation of goods to be exported from the place of removal (factory) to the land customs station (Earlier only Container depots ports or airports were considered now land stations also covered).

4. Major Changes in Reverse Charge Mechanism Provisions: (with effect from 01-04-2015)

- 100% reverse charge on manpower and security services to be levied as against

present partial reverse charge at 75% of the value of services.

- Asset management companies and Mutual Funds receiving services from mutual fund agents and mutual fund distributors are liable to pay 100% tax under Reverse charge mechanism.

5. Other changes in Service tax Regime:

- Credit of service tax paid under partial reverse charge mechanism can now be claimed by the service receiver on the date of payment without linking it to payment to the service provider. Thus, the credit of partial reverse charge tax paid will be made available irrespective of the fact that the payment to the service provider has been made or not (Rule 4). (with effect from 01-04-2015)
- Time period for receiving capital goods back from the job worker is now 2 years instead of 180 days.
- Credit allowed to be taken on inputs and inputs services is now 1 year from the date of the document as per rule 9, i.e., invoice, challan, etc. instead of 6 months. (with immediate effect from 01-03-2015)
- Abatement in respect of transportation of goods and passengers by way of rail, road and vessel is proposed at a uniform rate of 70%. Service tax is required to be paid on 30% of total value (Effective rate would be 4.2%). In effect, Service tax rate on GTA services has increased from 3.09% to 4.2%.
- Service tax on air transport for passengers travelling in other than economy class shall be payable at 60% (earlier 40%) of the total value of services (Effective rate would be 8.4%).



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f. In respect of services provided under aggregator model e.g. by E-commerce websites, if the aggregator or any of his representative office including his agent is located in India and providing services to the vendors (Who list their products on their websites) for facilitating sales under the brand name of the aggregator; then the aggregator has a liability of paying service tax on the value charged from the

vendor (with immediate effect from 01-03-2015).

g. Digitally signed invoices can be issued along with the option to keep the records in electronic form. Such provisions shall be subject to conditions and procedures to be notified by CBEC. (with immediate effect from 01-03-2015)