

TAX

AGRICULTURE

FDI

DIGITAL
INDIA

MSME

EDUCATION

IT

BUDGET 2015

VIEWS OF

**AGARWAL &
DHANDHANIA**

CHARTERED ACCOUNTANTS



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AVOID DEFORESTATION - THINK GREEN



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Foreword

Dear Reader,

Though expected, Budget 2015 is not a revolutionary budget, but the finance minister has certainly tried to fix the nuts and bolts that were irritants in the current political and economic scenario. In the presence of few major challenges like poor agricultural income, decline in manufacturing and the need for fiscal discipline, the Finance Minister is trying to aim at raising India's global competitiveness, the push to cut down red tape for increasing the ease of doing business, not just a fat cat corporate but certain takeaways for "*Daridra Narayan*", States to be equal partners in economic growth, move to making India cashless society and social sector programmes to continue.

FM's strategy would be to slow down the pace of cutting the fiscal deficit to boost investment and ensure that ordinary people benefit. Fiscal deficit is seen at 3.9 % of GDP in 2015/16. GDP growth is expected at between 8 to 8.5 % in coming fiscal year and aiming double digit growth rate soon.

Tackling black money – but whether a palpable threat of prosecution will turn in to compliance? Will the new gold scheme take off as past efforts to attract idle gold into the local market and lower imports have failed (however the same has worked in other countries like Turkey)? Good to see the government's target of achieving 175 GW power by 2022. In the last 25 years, India has done 34 GW and in the next 7 years, now we have a target of 175 GW including 60GW wind energy. Good to see the focus on providing impetus to R&D, incubation and entrepreneurship vide Make in India vision by giving clarity on taxes, definitive measures to ease of doing business in India and encouraging domestic and foreign direct investment. Further, innovative financing measures such as infrastructure bond, creation of mudra bank for MSME sector also augurs well for Make in India. The effort to promote technology-based entrepreneurship is laudable in this Budget – this would be a big boost to the graduates of the engineering and technology institutions of the country. The announcement that the much awaited GST will be introduced on 1st April 2016, will definitely rejuvenate the industry.

Welcome step is that the investment cycle has to restart with public investment. There are not too many companies with strong balance-sheets and bankable funding proposals to take up large infrastructure projects in a meaningful way. GAAR postponed, wealth tax abolished, Tax free infrastructure bonds for projects in Railways and roads, Cashless transactions through RuPay card to help pushing the e-commerce sector towards that growth trajectory, Tap leakages in subsidy rather reducing subsidy, focus on individual insurance are few other focus areas of this budget.

FM started with blaming the previous governments with few lines...

***Kuch to phool khilaye humne, aur kuch phool khilane hai
Mushkil yeh hai bag me ab tak, kaante kai purane hai***

But overcome the same by ending his speech with Upanishad-inspired mantra:

***Om Sarve Bhavantu Sukhinah, Sarve Santu Nir-Aamayaah
Sarve Bhadraanni Pashyantu, Maa Kashcid-Duhkha-Bhaag-Bhavet
Om Shaantih Shaantih Shaantih***

(OM! May All Be Happy, May All Be Free From Illness, May All See What is Beneficial,
May No One Suffer)

28 February 2015

Publication Team

Agarwal & Dhandhan

Overview of Economic Survey 2014-15

(Commentary on the flagship annual document of the Ministry of Finance, Government of India, Economic Survey 2014–15. Useful for policymakers, economists, policy analysts, business practitioners, government agencies, students, researchers, the media and all those interested in the development in the Indian economy. This document reviews the developments in the Indian economy over the previous 12 months, summarizes the performance on major development programmes and highlights the policy initiatives of the government and the prospects of the economy in the short to medium term. This document is presented to both houses of Parliament during the Budget Session.)

A political mandate for reform and a benign external environment have created a historic moment of opportunity to propel India onto a double-digit growth trajectory. Decisive shifts in policies controlled by the Centre combined with a persistent, encompassing and creative incrementalism in other areas could cumulate to Big Bang reforms.

The Economic Survey has projected a growth of 8.1- 8.5 % for FY16 and growth rate for the current fiscal at 7.4 percent. The Survey says that Indian economy is likely to grow in the range of 5.4 to 5.9 % in 2014-15 overcoming the sub-5 % GDP growth of past two years, even as poor monsoon and disturbed external environment remain a cause for concern.

The biggest worry is that if agriculture sector that engages 49 percent of the workforce of the country grows at 1.1 percent in 2014-15, as the Economic Survey suggests, it should ring alarming bells for the government. Yes, it was almost a drought year with monsoon rains (June-September) being deficient by 12 percent from its long period average, but it should not be any excuse to justify such low rates of growth in agriculture.

The Survey, penned by Chief Economic Advisor Arvind Subramanian, acknowledges the need to kickstart the investment cycle. Private investment will be the primary driver of growth in the long run but public investment is required in the short run.

Macroeconomic Review And Outlook : Macroeconomic fundamentals have dramatically improved for the better, reflected in both temporal and cross-country comparisons.

Macro-economic management and policy reforms : Reforms have been initiated in a number of areas and major ones are on the horizon. The macroeconomic response to the favourable terms of trade shock has led to an appropriately prudent mix of increased government savings and private consumption.

Outlook For Growth : In the short run, growth will receive a boost from lower oil prices, from likely monetary policy easing facilitated by lower inflation and lower inflationary expectations, and forecasts of a normal monsoon. Medium-term prospects will be conditioned by the “balance sheet syndrome with Indian

characteristics," which has the potential to hold back rapid increases in private sector investment.

Inflation And Money : Structural shifts in the inflationary process are underway caused by lower oil prices and deceleration in agriculture prices and wages. These are simultaneously being reflected in dramatically improved household inflation expectations. The economy is likely to overperform on the RBI's inflation target by about 0.5-1.0 percentage point, opening up the space for further monetary policy easing.

External Sector : The outlook is favourable for the current account and its financing. A likely surfeit, rather than scarcity, of foreign capital will complicate exchange rate management. Risks from a shift in US monetary policy and turmoil in the Eurozone need to be watched but could remain within control.

The Growth-Fiscal Policy Challenge : India can balance the short-term imperative of boosting public investment to revitalize growth with the need to maintain fiscal discipline. Expenditure control and expenditure switching, from consumption to investment, both in the upcoming budget and in the medium term will be key.

Wiping Every Tear From Every Eye: The Jam Number Trinity Solution : The debate is not about whether but how best to provide active government support to the poor and vulnerable. Cash-based transfers based on the JAM number trinity—Jan Dhan, Aadhaar, Mobile—offer exciting possibilities to effectively target public resources to those who need it most. Success in this area will allow prices to be liberated to perform their role of efficiently allocating resources and boosting long-run growth.

The Banking Challenge : Banking is hobbled by policy, which creates double financial repression, and by structural factors, which impede competition. The solution lies in the 4 Ds of deregulation (addressing the statutory liquidity ratio (SLR) and priority sector lending (PSL)), differentiation (within the public sector banks in relation to recapitalisation, shrinking balance sheets, and ownership), diversification (of source of funding within and outside banking), and disinterring (by improving exit mechanisms).

Manufacturing, Services And The Challenges Of "Make In India" :

Transformational sectors could be in registered manufacturing or services. Raising economy-wide skills must complement efforts to improve the conditions for manufacturing.

The Trade Challenge : Trade outcomes have been stagnating. The trading environment is becoming more challenging as the buoyancy of Indian exports has declined with respect to world growth, and as the negotiation of mega regional trading arrangements threatens to exclude India.

Empowering Women: Unleashing Naari Shakti : Improving the status and treatment of women is a major development challenge. In the short run, family planning targets and the provision of incentives are leading to an undesirable focus on female sterilization

Cooperative Federalism And The Recommendations Of The Fourteenth Finance Commission (Ffc) : Far-reaching changes for sharing of revenues between the Center and the States, on the one hand, and between the States, on the other, have been recommended by the FFC. Successful implementation will advance the cause of cooperative federalism that the new government has enthusiastically embraced.

IMPORTANT INDICATORS				
Indicator	2011-12	2012-13	2013-14	2014-15
GDP growth (constant market price, new series, %)	NA	5.1	6.9	7.4*
GVA growth at basic prices (2011-12 prices, %)	-	4.9	6.6	7.5*
Per-capita net national income (factor cost, current prices) in Rs	64,316	71,593	80,388	88,533*
Foodgrain production (mt)	259.3	257.1	265.6	257.1
IIP growth** (%)	2.9	1.1	-0.1	2.1#
Electricity generation growth (%)	8.1	4	6	9.9#
WPI-based inflation (average, in %)	8.9	7.4	6	3.4#
CPI-based inflation (average, in %)	8.4	10.4	9.7	6.2#
Exports (\$ terms, % change)	21.8	-1.8	4.7	4.0#
Imports (\$ terms, % change)	32.3	0.3	-8.3	3.6#
Current account balance (% of GDP)	-4.2	-4.7	-1.7	-1.9
Forex reserves (\$ bn) (a)	294.4	292	304.2	328.7

Broad money (M3, annual, % change)	13.5	13.6	13.2	11.5#
Scheduled commercial bank credit (% change)	17	14.1	13.9(b)	10.7#
Gross fiscal deficit (% of GDP)	5.7	4.8	4.5(b)	4.1BE
Revenue deficit (% of GDP)	4.4	3.6	3.2(b)	2.9BE
Primary deficit (% of GDP)	2.7	1.8	1.2(b)	0.8BE

* Advance estimates ** Base (2004-05 = 100) #: April-Dec 2014 Current account balance for 2015-16: April September 2014 a. Indicative rates announced by Foreign Exchange Dealers Association of India (FEDAI) and from May 2012 onwards are RBI reference rates. Fiscal indicates for 2013-14 are based on the provisional actual.

Budget Highlights

Direct Tax

- Net effect of direct tax proposal is revenue loss of Rs 8,315 crore
- Abolition of Wealth Tax but same is counter effected by Additional 2% surcharge for the super rich with income of over Rs. 1 crore
- Rate of corporate tax to be reduced to 25% from current 30% over next four years starting from next financial year.
- No change in tax slabs for individuals
- Total exemption of up to Rs. 4,44,200 can be achieved
- 100% exemption for contribution to Swachh Bharat, apart from CSR, in section 80G.
- Transport allowance doubled to Rs 1600 from existing Rs. 800 pm.
- PAN number quoting made compulsory for transaction for more than Rs 1 lakh
- Rs. 2 lakh accidental insurance to the poor for a monthly premium of Rs. 1
- Income Tax (TDS) on Royalty Fees For Technical Reduced To 10%
- Modification of permanent establishment norms so that the mere presence of a fund manager in India would not constitute a permanent establishment of the offshore fund, resulting in adverse tax consequences
- Limit of deduction of health insurance premium increased from Rs. 15000 to Rs. 25000, for senior citizens limit increased from Rs. 20000 to Rs. 30000.
- Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of Rs. 30000 towards medical expenditures.
- Deduction limit of Rs. 60000 with respect to specified disease of serious nature enhanced to Rs. 80000 in case of senior citizen.
- Additional deduction of Rs. 25000 allowed for differently abled persons.
- Limit on deduction on account of contribution to a pension fund and the new pension scheme increased from Rs. 1 lakh to Rs. 1.5 lakh.
- Additional deduction of Rs. 50000 for contribution to the new pension scheme u/s 80CCD.
- Payments to the beneficiaries including interest payment on deposit in Sukanya Samridhi scheme to be fully exempt.

Indirect Taxation

- Net effect of Indirect Tax proposal would yield a revenue of Rs 23,383 crore.
- To increase Exise Duty to 12.5% from existing 12.36%
- Service tax increased to 14 per cent from 12.36 per cent. Further to levy Swachh Bharat cess at a rate of 2% or less on all or certain services, if need arises.
- No service tax on YOGA classes.

- Online excise and service tax registrations in 2 working days.
- Service Tax exemption for Varishta Bima Yojana
- Excise duty on leather upper shoes cut to 6%
- Tariff rate on iron and steel and articles of iron and steel increased from 10% to 15%.
- To Exempt SAD on all Items
- To reduce custom duty on 22 items
- Basic custom duty on commercial vehicle doubled to 20 percent
- Raises excise duty on cigarettes by 25 percent for cigarettes of length not exceeding 65 mm
- Raises excise duty by 15 percent for cigarettes of other length
- Time limit for taking CENVAT credit on inputs and input services increased from 6 months to 1 year.
- 14 Service-tax exemption:
 - Services of pre-conditioning, pre-cooling, ripening etc. of fruits and vegetables.
 - Life insurance service provided by way of Varishtha Pension Bima Yojana.
 - All ambulance services provided to patients.
 - Admission to museum, zoo, national park, wild life sanctuary and tiger reserve.
 - Transport of goods for export by road from factory to land customs station.

Others:

- GST to be in place by April 1, 2016
- To Allocate Rs.20,000 Cr For Mudra Bank For SMEs
- Transfer to States to be 62% Of Total Receipts of Central & states.
- NBFCs With Size Of Over Rs 500 Cr Will Get Access To SARFAESI
- 5 Ultra mega power projects each of 4000 MW announced
- Sukanya Samrithi Scheme : Interest on Deposit will be fully exempted from TAX
- FEMA Act to be amended to incorporate Black Money provisions
- Benami property transaction bill to tackle black money transaction in real estate.
- Income of Rs 9000 crore from additional 2% surcharge for the super rich with income above Rs 1 crore.
- Tax free infrastructure bonds for projects in Railways and roads
- Propose the 'Nayi Manzil' scheme for the youth minorities.
- To boost tourism, propose to raise visa on arrival facilities to 150 countries from the current 43.
- Acceptance or re-payment of an advance of ` 20,000 or more in cash for purchase of immovable property to be prohibited.

- Atal Pension Yojana to provide a defined pension, Government to contribute 50% of the beneficiaries' premium limited to `1,000 each year, for five years, in the new accounts opened before 31st December 2015.
- Balance of 50% of additional depreciation @ 20% for new plant and machinery installed and used for less than six months by a manufacturing unit or a unit engaged in generation and distribution of power is to be allowed immediately in the next year.
- Additional investment allowance (@ 15%) and additional depreciation (@35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana
- Seized cash can be adjusted towards assessee's tax liability.
- Special assistance to Bihar & West Bengal to be provided as in the case of Andhra Pradesh.

Key features of new law on black money

- Evasion of tax in relation to foreign assets to have a punishment of rigorous imprisonment upto 10 years, be non-compoundable, have a penalty rate of 300% and the offender will not be permitted to approach the Settlement Commission.
- Non-filing of return/filing of return with inadequate disclosures to have a punishment of rigorous imprisonment upto 7 years
- Undisclosed income from any foreign assets to be taxable at the maximum marginal rate
- Mandatory filing of return in respect of foreign asset
- Entities, banks, financial institutions including individuals all liable for prosecution and penalty
- Concealment of income/evasion of income in relation to a foreign asset to be made a predicate offence under PML Act, 2002
- PML Act, 2002 and FEMA to be amended to enable administration of new Act on black money

Swachh Bharat

- 50,000 toilets constructed under Swachh Bharat Abhiyan.
- 100% deduction for contributions, other than by way of CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund.
- Clean energy cess increased from Rs. 100 to Rs. 200 per metric tonne of coal, etc. to finance clean environment initiatives.
- Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.
- Enabling provision to levy Swachh Bharat cess at a rate of 2% or less on all or certain services, if need arises.

- Services by common affluent treatment plant exempt from Service-tax.
- Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016.

Swachh Bharat Cess

Swachh Bharat Cess, as service tax shall be levied on all or any of the taxable services at the rate of **two per cent** on the value of such services for the purposes of financing and promoting Swachh Bharat initiatives or for any other purpose relating thereto in addition to any cess or service tax leviable on such taxable services.

All the provision in relating to refunds and exemptions from tax, interest and imposition of penalty of Service tax shall, inter alia, apply in relation to the levy and collection of the Swachh Bharat Cess on taxable services.

Public Debt Management Agency

Applicability: This Chapter extends to the whole of India except State of Jammu and Kashmir..

Establishment: The general superintendence, direction and management of the affairs and business of the Agency shall vest in the Board of Agency. The Board shall consist of a Chairperson who shall be the Chief Executive Officer of the Agency having the powers of general direction and control in respect of all administrative matters of the Agency.

The Board shall consist of such number of executive and nominee members, as may be appointed and notified by the Central Government in the Official Gazette.

Functions & Powers: The said agency has different functions such as collecting & publishing information about public debt, including borrowing by the central government, purchasing, re-issuing & trading in government securities, carrying out such other transactions as may be required for management of public debt & many more as defined in Part-III.

Miscellaneous: The Members and employees of the Agency, or any other person who has been delegated any function by the Agency, shall be deemed, when acting or purporting to act in pursuance of any of the provisions of this Chapter, to be public servants within the meaning of section 21 of the Indian Penal Code.

Senior Citizens' Welfare Fund

Preliminary: The Central Government shall establish a Fund to be called the "Senior Citizens' Welfare Fund". Any credit balance in any of the accounts under the following schemes **remaining unclaimed for a period of seven years** from the date of its declaration as an inoperative account shall be transferred by the respective Institutions holding them to the Fund:

- Small Savings and other Savings Schemes
- Accounts of Public Provident Fund
- such other amounts, in any accounts or schemes **as may be prescribed.**
- The Fund shall be utilised for promoting welfare of senior citizens and for such other purposes as may be prescribed.
- The Central Government shall, from time to time, notify the eligible rate of interest for money lying in the Fund.

Accounts & Audit: The Fund shall prepare, in such form and at such time for each financial year as may be prescribed, its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government. The accounts of the Fund shall be audited by the Comptroller and Auditor General of India

Miscellaneous: The Central Government may, by notification, make rules for carrying out the provisions of this Chapter such as utilisation of fund, composition of committee, manner of administration of fund & other rules as required.

Sector wise Proposals

Agriculture

- Major steps taken to address the two major factors critical to agricultural production, that of soil and water.
- 'Paramparagat Krishi Vikas Yojana' to be fully supported.
- 'Pradhanmantri Gram Sinchai Yojana' to provide 'Per Drop More Crop'.
- Rs. 5,300 Crore to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'.
- Rs. 25,000 Crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs. 15,000 Crore for Long Term Rural Credit Fund; Rs. 45,000 Crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs. 15,000 Crore for Short Term RRB Refinance Fund.
- Target of Rs. 8.5 Lakh Crore of agricultural credit during the year 2015-16.
- Focus on improving the quality and effectiveness of activities under MGNREGA.
- Need to create a National Agriculture Market for the benefit farmers, which will also have the incidental benefit of moderating price rises. Government to work with the States, in NITI, for the creation of a Unified National Agriculture Market.

Banking And Insurance Sector

Banking

- Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs. 20,000 Crores, and credit guarantee corpus of Rs. 3,000 Crores to be created.
- In lending, priority will be given to SC/ST enterprises.
- MUDRA Bank will be responsible for refinancing all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana.
- A Trade Receivables discounting System (TREDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
- Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- Postal network with 1,54,000 points of presence spread across villages to be used for increasing access of the people to the formal financial system.
- NBFs registered with RBI and having asset size of Rs. 500 Crore and above may be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002 from Jan Dhan to Jan Suraksha.
- Government to work towards creating a functional social security system for all Indians, specially the poor and the under-privileged.
- An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank.

Insurance

- Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of Rs. 2 Lakh for a premium of just Rs. 12 per year.
- Pradhan Mantri Jeevan Jyoti Bima Yojana to cover both natural and accidental death risk of Rs. 2 lakh at premium of Rs. 330 per year for the age group of 18-50 years.
- A new scheme for providing Physical Aids and Assisted Living Devices for senior citizens, living below the poverty line.

Small Savings

- Atal Pension Yojana to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries premium limited to Rs. 1,000 each year, for five years in the new accounts opened before 31st December 2015.
- Unclaimed deposits of about Rs. 3,000 Crores in the PPF, and approximately Rs. 6,000 Crores in the EPF corpus. The amounts to be appropriated to a corpus, which will be used to subsidize the premiums on these social security schemes through creation of a Senior Citizen Welfare Fund in the Finance Bill.

Infrastructure

- Government committed to the on-going schemes for welfare of SCs, STs and Women Infrastructure.
- Sharp increase in outlays of roads and railways. Capital expenditure of public sector units to also go up.
- National Investment and Infrastructure Fund (NIIIF), to be established with an annual flow of Rs. 20,000 Crores to it.
- Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.
- PPP mode of infrastructure development to be revisited and revitalized.
- Rs. 70,000 crores to Infrastructure sector
- Rs. 150 crore allocated for Research & Development
- To build additional 1 lakh KM of roads.
- Part of Delhi-Mumbai Industrial Corridor (DMIC); Ahmedabad-Dhaurera Investment region and Shendra-Bidkin Industrial Park are now in a position to start work on basic infrastructure.
- Proposal to introduce a regulatory reform Bill that will bring about a cogency of approach across various sectors of infrastructure Skill India.

Investment

- Atal Innovation Mission (AIM) to be established in NITI to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation , research and development. A sum of Rs. 150 Crore will be earmarked.
- Concerns of IT industries for a more liberal system of raising global capital, incubation facilities in our Centres of Excellence, funding for seed capital and

growth, and ease of Doing Business etc. would be addressed for creating hundreds of billion dollar in value.

- (SETU) Self-Employment and Talent Utilization) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business. Rs. 1,000 Crore to be set aside as initial amount in NITI.
- Ports in public sector will be encouraged, to corporatize, and become companies under the Companies Act to attract investment and leverage the huge land resources.
- An expert committee to examine the possibility and prepare a draft legislation where the need for multiple prior permission can be replaced by a pre-existing regulatory mechanism. This will facilitate India becoming an investment destination.

Financial Market

- Public Debt Management Agency (PDMA) bringing both external and domestic borrowings under one roof to be set up this year.
- Enabling legislation, amending the Government Securities Act and the RBI Act included in the Finance Bill, 2015.
- Forward Markets commission to be merged with SEBI.
- Section-6 of FEMA to be amended through Finance Bill to provide control on capital flows as equity will be exercised by Government in consultation with RBI.
- Proposal to create a Task Force to establish sector-neutral financial redressal agency that will address grievance against all financial service provide.
- India Financial Code to be introduced soon in Parliament for consideration.
- Vision of putting in place a direct tax regime, which is internationally competitive on rates, without exemptions.
- Government to bring enabling legislation to allow employee to opt for EPF or New Pension Scheme. For employees below a certain threshold of monthly income, contribution to EPF to be option, without affecting employees contribution.

Monetizing Gold

- Gold monetization scheme to allow the depositors of gold to earn interest in their metal accounts and the Jewellers to obtain loans in their metal account to be introduced.
- Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.
- Commence work on developing an Indian gold coin, which will carry the Ashok Chakra on its face.

Foreign Direct Investment

- Foreign investments in Alternate Investment Funds to be allowed.
- 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.

- A project development company to facilitate setting up manufacturing hubs in CMLV countries, viz. Cambodia, Myanmar, Laos and Vietnam.

Tourism

- Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled, visitors amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites.
- Visas on arrival to be increased to 150 countries in stages.

Energy

- Target of renewable energy capacity revised to 175000 MW till 2022, comprising 100000 MW Solar, 60000 MW Wind, 10000 MW Biomass and 5000 MW Small Hydro.
- 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode.
- Renewable energy target for 2022: 100K MW in solar; 60K MW in wind; 10K MW in biomass and 5K MW in small hydro

Youth Affairs

- Less than 5% of our potential work force gets formal skill training to be employable. A national skill mission to consolidate skill initiatives spread across several ministries to be launched.
- Deen Dayal Upadhyay Gramin Kaushal Yojana to enhance the employability of rural youth.
- A Committee for 100th birth celebration of Shri Deen Dayalji Upadhyay to be announced soon.

Health And Education

- In spite of large increase in devolution to state sufficient fund allocated to education, health, rural development, housing, urban development, women and child development, water resources & cleaning of Ganga.
- A student Financial Aid Authority to administer and monitor the front-end all scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.
- An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad to be upgraded in to a full-fledged IIT.
- New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar.
- A post graduate institute of Horticulture Research & Education is to be set up in Amritsar.
- 3 new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan & Chattisgarh and one institute of Science and Education Research is to be set up in Nagaland & Orissa each.
- Kerala to have University of Disability Studies.

- IIM for Jammu and Kashmir and Andhra Pradesh.

Defence

- Allocation of Rs. 2,46,726 Crore; an increase of 9.87 per cent over last year.
- Focus on Make in India for quick manufacturing of Defence equipment.
- Made in India and the Buy and the make in India policy are being carefully pursued to achieve greater self-sufficiency in the area of defense equipment including aircraft.

Welfare Schemes

- Two other programmes to be introduced- GST & JAM Trinity. GST will be implemented by April 2016
- MUDRA bank will refinance micro finance orgs. to encourage first generation SC/ST entrepreneurs
- Housing for all by 2020
- Upgradation 80,000 secondary schools
- DBT will be further be expanded from 1 crore to 10.3 crore
- For the Atal Pension Yojna, govt. will contribute 50% of the premium limited to Rs. 1000 a year
- New scheme for physical aids and assisted living devices for people aged over 80
- Govt to use Rs. 9000 crore unclaimed funds in PPF/EPF for Senior Citizens Fund
- Rs. 5,000 crore additional allocation for MGNREGA.
- Govt. to create universal social security system for all Indians
- Rs. 1,000 Crores to the Nirbhaya Fund.

Direct Tax Proposals

Tax Rates

(A) Individual/ HUFs/ AOPs/ BOI/ Artificial Juridical person

(I) The Tax Slabs for Individuals/ HUFs/ AOPS/ BOI, whether incorporated or not, or every artificial juridical person will be continued to be the same as those specified for Assessment year 2016-17.

Slab Rates	
Income	Tax Rate
Upto Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	10%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(II) In case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year:

Slab Rates	
Income	Tax Rate
Upto Rs. 3,00,000	Nil
Rs. 3,00,001 to Rs. 5,00,000	10%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(III) In case of very individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year:

Slab Rates	
Income	Tax Rate
Upto Rs. 5,00,000	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(B) Co-operative Societies:

In case of Co-operative Societies, the rates of income-tax are as given below. The rates will be continued to be the same as those specified for Assessment year 2016-17.

Slab Rates	
Income	Tax Rate
Upto Rs. 10,000	10%
Above Rs. 10,000-Rs. 20,000	20%
Above 20,000	30%

(C) Firms:

The rate of income-tax in case of firm is @ 30% which will further be increased by Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

(D) Local Authorities:

The rate of income-tax in case of local authority is @ 30% which will further be increased by Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

The amount of income-tax computed in accordance with all above the preceding provisions shall be increased by a surcharge at the rate of **twelve percent** of such income-tax in case of all the above assesses having a total income exceeding one Crore rupees.

However, the total amount payable as income-tax and surcharge on total income exceeding one Crore rupees shall not exceed the total amount payable as income-tax on a total income of one Crore rupees by more than the amount of income that exceeds one Crore rupees.

(E) Companies:

Rate of corporate tax to be reduced to 25% from current 30% over next four years starting from next financial year.

Income Tax Slab Rate		Surcharge Rate	
Income	Tax Rate	Total Income	Rate
In Case of Domestic Company (On the whole of the total income)	30%	Above 1 Crore but not exceed 10 Crore	7%
		Above 10 Crore	12%
In case of Company other than a domestic company	40%	Above 1 Crore but not exceed 10 Crore	2%
		Above 10 Crore	5%

In other cases (including sections 115-O, 115QA, 115R or 115TA) the surcharge shall be levied at the rate of twelve percent.

For Assessment year 2016-17, additional surcharge called the "Education Cess on income-tax" and "Secondary and Higher Education Cess on income-tax" shall continue to be levied at the rate of two percent and one per cent. Respectively, on

the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such Cess.

Section wise Proposals

Determination of residential status for a member of the crew of a foreign bound ship leaving India

Section 6(1) :- Residence in India in respect of Individual

Existing Provisions:

Determination of residential status is based, *inter alia*, on the number of days during which such individual has been in India during a previous year. In the case of foreign bound ships where the destination of the voyage is outside India, there is uncertainty with regard to the manner and basis of determination of the period of stay in India for crew members of such ships who are Indian citizens.

Proposed Provisions:

It is proposed to amend the Act to provide that in the case of an Individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period or periods of stay in India shall, in respect of such voyage, be determined in the manner and subject to such conditions as may be prescribed.

Implication:- Assessee may have to bear extra tax burden subject to the condition prescribed by CBDT.

W.E.F: 1st April, 2015

Definition widened for Residence in India in respect of Companies.

Section 6(3) :-

Existing Provisions:

A company is said to be resident in India in any previous year, if-

- (i) it is an Indian company; or
- (ii) during that year, the control and management of its affairs is situated wholly in India.

Proposed Provisions:

In view of the above, it is proposed to amend the provisions of section 6 to provide that a person being a company shall be said to be resident in India in any previous year, if-

- (i) it is an Indian company; or
- (ii) its place of **effective management**, at any time in that year, is in India

Further, it is proposed to define the place of effective management 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.

Implication:- Widen the tax base for assessee.

W.E.F:- 1st April, 2016, A.Y-2016-17

Exemption on interest accruing under the Sukanya Samriddhi Account Scheme

Section 10(11A)

Existing A special small savings instrument for the welfare of the girl child has been introduced under the Sukanya Samriddhi Account Rules, 2014. Certain tax benefits like investments made under this Scheme will be eligible for deduction under section 80C of the Act, interest accruing on deposits in such account will be exempt from income tax, and withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax.

Proposed A new clause (11A) is proposed to be inserted in section 10 of the Act so as to provide that any payment from an account opened in accordance with the Sukanya Samriddhi Account Rules, 2014 shall not be included in the total income of the assessee.

Implication: Interest accruing on deposits in, and withdrawals from any account under the scheme would be exempt, results into exemption to the assessee from his total income.

W.E.F: 1st April, 2015 i.e. AY 2015-16 & subsequent assessment years.

Tax exemption for contribution in Swachh Bharat Kosh and Clean Ganga Fund

Section 10(23C)

Existing : As per section 10(23C) of the Act provide for exemption from tax in respect of the income of certain specified charitable funds or institutions like the Prime Minister's National Relief Fund ; the Prime Minister's Fund (Promotion of Folk Art); the Prime Minister's Aid to Students Fund; the National Foundation for Communal Harmony.

Proposed : Considering the importance of Swachh Bharat Kosh and Clean Ganga Fund, it is proposed to exempt the contribution made in Swachh Bharat Kosh and Clean Ganga Fund from income-tax.

Implication : Exemption benefit to the assessee for amount contributed in such fund.

W.E.F: Retrospective amendment from 1st April, 2015 and will, accordingly, apply in relation to assessment year 2015-16 and subsequent assessment years.

Filing Form 10 now mandatory before filing of return u/s 139(1) for charitable trusts and institutions to take tax exemption

Section 11

Existing Accordance to the Section 11 of the Act, the primary condition for grant of exemption to trust or institution is that the income derived from property held under trust should be applied for the charitable purposes in India. 85% of income can only be accumulated for a period not exceeding 5 years subject to the conditions that such person submits the prescribed Form 10 to the assessing Officer.

Proposed It is proposed that to remove the ambiguity regarding the period within which the assessee is required to file Form 10, and to ensure due compliance of the above conditions within time, it is proposed that the said Form shall be filed before the due date of filing return of income specified under section 139 of the Act for the fund or institution.

Implication: It imposes burden on the charitable trust or the institution to file Form 10 before filing of return u/s 139(1) otherwise the accumulated income will be taxable.

W.E.F: 1st April 2016 i.e. AY 2016-17

Mandatorily filing of return of income to avail benefit under section 11(2)

Existing: Newly inserted

Proposed: It is proposed that benefit of Application of fund (u/s 11(2)) shall not benefited if concern entity has not furnished statement and return of income on or before the due date specified under sub-section (1) of section 139 for furnishing the return of income for the previous year

W.E.F :- 1st April 2016

Additional Incentives for the State of Andhra Pradesh and the State of Telangana

(A) Additional Investment Allowance

Section 32AD

Existing Provision: Newly Inserted

Proposed Provision:

It is proposed to insert a new section 32AD in the Act to provide for an additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee after complying specified conditions.

- (a) Sets up an undertaking or enterprise for manufacture or production of any article after 1st April, 2015 in any notified backward areas in the **State of Andhra Pradesh and the State of Telangana**; and
- (b) the new assets are acquired during the period beginning from the 1st April, 2015 to 31st March, 2020.
- (c) This deduction shall be available over and above the existing deduction available under section 32AC.

Implications:

Assessee conducting manufacturing business in such states can benefited additional investment allowance.

W.E.F: 1st April, 2015

(B) Additional Depreciation at the rate of 35%

Section 32 (1)(iia)

Existing:

To incentivize investment in new plant or machinery, additional depreciation of 20% is allowed under the existing provisions of section 32(1)(iia) of the Act in respect of the cost of plant or machinery acquired and installed by certain assessee.

Proposed:

In order to incentivize acquisition and installation of plant and machinery in the notified backward area in the State of Andhra Pradesh or the State of Telangana, it is proposed to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new machinery or plant with the same condition mentioned in section 32AD.

Implication:

The proposed depreciation rate of 35% will be beneficial to the assessee conducting specified manufacturing business in the state of Andhra Pradesh and Telangana.

W.E.F.: 1st April 2015

(C) Benefit of Depreciation in next succeeding year.

Section:32(1)

Existing:

Under the second proviso to section 32(1), the depreciation allowed to an assessee is reduced to 50% of the depreciation allowable in the year of acquire or installation only, in cases where the asset is put to use for less than 180 days in a year

Proposed:

It is proposed to make consequential amendments in the second proviso to section 32(1) of the Act for applying the existing restriction of the allowance to the extent of 50% for assets used for the purpose of business for less than 180 days in the year of acquisition and installation. However, the balance 50% of the allowance is also proposed to be allowed in the immediately succeeding financial year.

Implication:

Assessee can claim the balance depreciation in next succeeding financial year.

W.E.F.: 1st April, 2016.

Now report can be submitted to CCIT or PCCIT in addition to DG (IT)**Section:35(2AA)**

Existing: Under Section 35(2AA) weighted deduction of 175% is allowed to a company where the assessee pays any sum to a National Laboratory or a specified person with a specific direction and shall submit its report to the Director General.

Proposed: Its is proposed that the report is to be submitted to either of the Director General or Principal Chief Commissioner or Chief Commissioner.

Implication: Smoothing the administrative regime.

W.E.F.: 1st April, 2016

Now report on maintenance of accounts and audit can be submitted to CCIT or PCCIT in addition to DG (IT)**Section:35(2AB)**

Existing: Under Section 35(2AB) weighted deduction of 200% is allowed to a company where the assessee pays any sum to company engaged in the business of bio-technology or in any business approved by the prescribed authority and audit of the accounts maintained for that facility and shall submit its report to the Director General.

Proposed: It is proposed that maintenance of accounts and audit thereof and furnishing of the report is to be submitted to the either of Director General or Principal Chief Commissioner or Chief Commissioner.

Implication: Smoothing the administrative regime.

W.E.F.: 1st April, 2016

Few Transactions excluded from the ambit of definition of “Transfer”.

Section: 47(viab) , 47(vicb). 47(xviii)

Existing: New sub-clause inserted.

Proposed:

47(viab)	Any transfer in a scheme of amalgamation of a capital asset, being share of a foreign company, which derive directly or indirectly, Its value substantially from the share or shares of an Indian company held by the amalgamating foreign company to the amalgamated foreign company . If a) At least 25% of the share holders the amalgamating foreign company continues to remain share holder of the amalgamated foreign company. b)Such transfer does not attract capital gain in the country in which amalgamating company is incorporated.
47(vicb)	Any transfer in a demerger of a capital asset, being a share of a foreign company, which derive directly or indirectly, its value substantially from the share or shares of an Indian company held by the demerged foreign company to the resulting foreign company . If, a) the shareholders , holding not less than three-fourths in value of the shares of the demerged foreign company , continue to remain share holder of the resulting foreign company. b) Such transfer does not attract capital gain in the country in which demerged foreign company is incorporated.
47(xviii)	Any transfer by a unit holder of a capital asset, being a unit or units held by him in the consolidating scheme of mutual fund , made in consideration of the allotment to him of a capital asset , being a unit or units, in consolidated scheme of mutual fund.

Implication: The above newly inserted clauses do not attract capital gains to the assessee.

W.E.F.: 1st April, 2016

Now deduction under Health Insurance Premium Rs. 20000 for individuals and Rs. 30000 for Sr. citizens. For Super Sr. citizens (age 80 plus), deduction of Rs. 30000 even without insurance.

Section 80D:

Existing Provision:

Section 80D of Income Tax Act provided for tax deduction upto Rs.15000 to an assessee, being an individual, child, spouse in respect of health insurance premium, paid by any mode other than Cash. In case of Senior Citizen deduction is allowed upto Rs.20000.

Proposed Amendment:

It is proposed that the deduction be increased upto Rs.20000 from Rs.15000 for an individual assessee.

For senior citizens the limit is proposed to be increased to Rs.30,000 from the existing Rs.20,000.

In order to provide additional benefit to Super Senior (Aged above 80), the deduction allowed upto Rs 30,000 for health treatment expenses who are not covered under any other Health Insurance scheme.

Implication:

It will encourage the Individuals to get medically more insured.

W.E.F: 1st April 2016 i.e. AY 2016-2017.

Deduction to Differently abled / severely differently abled individuals increased from Rs. 50000/100000 to Rs. 75000 / 125000.

Section:80U

Existing Provision:

Deduction of Rs 50,000 allowed to a Differently abled Individual himself for Medical Expenses and those who are severe Differently able, can claim deduction of Rs 100,000.

Proposed Amendment:

It is proposed to increase deduction to Rs 75000 to a Differently abled Individual himself for Medical Expenses and to Rs. 125000 to those who are severe Differently abled.

Implication:

Additional deduction of Rs. 25,000 is a welcome move.

Deduction for medical expenses for Differently abled dependable family member increased from Rs. 50000 to Rs. 75000.

Section:80DD

Existing Provision:

Deduction of Rs. 50000 provided for medical expenses incurred on dependent family member of any individual who is differently abled person.

Proposed Amendment:

It is proposed to increase this deduction to Rs 75000 for medical expenses incurred on dependent family member who is Differently abled.

Implication:

Additional deduction of Rs.25,000 is a welcome move.

Deduction limit to Super Sr. citizen for Medical Treatment increased from Rs. 40000 to Rs. 80000

Section:80DDB

Existing Provision:

Super Senior Citizen aged above 80 are allowed the deduction of Rs 40,000 for medical treatment from neurologist, an oncologist, urologist, a hematologist, an immunologist or such other specialist, as may be prescribed.

Proposed Amendment:

It is proposed to increase deduction to Rs. 80000 to a super senior citizen for medical treatment under this section.

Implication:

It will benefit to Super Senior Citizen in medical treatments.

W.E.F: 1st April 2016 i.e. AY 2016-2017.

Deduction on contribution for Swachh Bharat Kosh and Clean Ganga Fund.

Section : 80G

Existing provision: Donations to certain institutions / trusts is allowed as deduction up to 50% to 100% to individuals.

Proposed provision:

Now A new sub section (2), in clause (a) is inserted. This is in order to provide 100 % deduction benefit for contribution given for **Swachh Bharat Kosh and Clean Ganga Fund**. Here this is the contribution other than by the way of Corporate Social Responsibility under sub section(5) of section 135 of the Companies Act 2013.

Implication:

It will encourage and enhance people's participation in the national effort to improve sanitation facilities and rejuvenation of river Ganga and assessee will be provided financial tax benefit.

W.E.F. 1st April 2016 i.e. AY 2016-2017.

100% deduction for contribution given in Sukanya Samridhi Account Scheme for girl child by parent or legal guardian. Interest thereon is also tax free.**Section:80C**

Existing Provision: Insurance premiums, tuition fees etc are many deductions available to an individual.

Proposed Provision: A new sub section (4) after clause (b) is inserted. Now the parent or legal guardian of the girl child is eligible for deduction of a sum paid or deposited during the year in the Sukanya Samridhi Account Scheme in the name of any girl child of the individual.

Further the interest accruing on deposits in such account will also be exempt from income tax.

Implication:

Allowing Tax benefit to individual assessee will improve the welfare of Girl Child.

W.E.F: 1st April 2016 i. e. AY2016-2017.

Deduction in respect of Investment in any annuity Plan of LIC India or any Pension Scheme increased from Rs. 100000 to Rs. 150000.**Section 80CCC****Existing Provision:**

Deduction sub limit of Rs. 100000 to individual assessee in the computation of his total Income for amount invested for any annuity Plan of LIC India or any Pension Scheme.

Proposed Amendment:

This is proposed to increase this sub limit to Rs. 150,000.

Implication:

Will give extra tax benefit to assessee in case of investment in any annuity Plan of LIC India or any Pension Scheme.

W.E.F:1st April 2016 i.e. AY2016-2017.

Deduction in respect of Investment in National Pension Scheme notified by Central Government increased from Rs. 100000 to Rs. 150000.

Section:80CCD

Existing Provision:

Deduction sub limit of Rs. 100000 to individual assessee other than HUF in the computation of his total Income for amount contributed under notified Pension Scheme of Central Government i.e. National Pension Scheme.

Proposed Amendment:

It has been proposed to increase this sub limit to Rs 150,000 for contribution made by Individual assessee in NPS.

Implication:

Additional tax benefit will get to Individual by doing more investment in NPS.

W.E.F:1st April 2016 i.e AY 2016-2017.

Threshold limit for specified domestic transaction increased from Rs. 5 cr to 20 cr.

Section: 92BA

Existing provision:

The existing provisions of section 92BA of the Act define "specified domestic transaction" in case of an assessee to mean any of the specified transactions, not being an international transaction, where the aggregate of such transactions entered into by the assessee in the previous year exceeds a sum of **five crore rupees** which is exempted from the purview of Transfer pricing provision subject to fulfillment of certain conditions.

Proposed:

It is proposed that the threshold limit of above transaction to be increased to **twenty crore rupees**.

Implication:

Govt. has attempted to the issue of compliance of cost on account of low threshold limit of five crore rupees for the small businesses.

W.E.F.: 1st April 2016.

Tax on short term capital gain on the units of business trust transferred in exchange of special purpose vehicle to the business trust.

Second Proviso Section 111A (1)

Existing Provision:

Second Proviso of Section 111A (1), this sub-section shall not apply, when short term capital gain arises in the hands of the assessee by the transfer of units of business trust and STT paid thereupon if such units were acquired under a transaction u/s47(xvii) (units of business trust acquired against share in a special purpose vehicles).

Proposed:

It is proposed to be omitted.

Implication:

Now benefit of section 111A is also available on the short term capital gain in respect of any income arising from transfer of units of a business trust which were acquired by the assessee in consideration of a transfer as referred to in clause (xvii) of section 47.

W.E.F.: 1st April, 2016

TDS rate from 25% to 10% on payment of Royalty or Technical Services to Non Resident

Section 115A

Existing Provision:

In case of a non-resident taxpayer, where the total income includes any income by way of Royalty and Fees for technical services (FTS) received by such non-resident, TDS is deducted at the rate of 25% on such payments.

Proposed:

It is proposed that to decrease the rate of TDS to 10%.

Implication:

Reduction of hardship faced by small entities.

W.E.F.: 1ST April, 2016

**Elaborating the term Global depository receipts u/s 115ACA.
Explanation to Section 115ACA**

Existing Explanation:

“Global Depository Receipts” means any instrument in the form of a depository receipt or certificate (by whatever name called) created by the overseas depository bank outside India and issued to non-resident investors against the issue of ordinary shares of foreign currency convertible bonds by issuing company.

Proposed Explanation:

It is proposed to amend the meaning as any such instrument created by the overseas depository bank outside India and issued to investors against the issue of ordinary shares being a company listed on a **recognized stock exchange** and foreign currency convertible bonds by issuing company.

Implication:

Extending the coverage of meaning of GDR encompassing Resident also.

Exclusion of income and expenses from AOP/BOI for calculating Minimum Alternate Tax (MAT)

Section 115JB(f)

Existing provision:

If the company is a member of AOP/BOI, then incomes or expenses included in the Profit and Loss A/c of the company from such AOP/BOI are also considered for the calculation of Book profit u/s 86. Meanwhile income of AOP/BOI is not taxable in the hands of members of AOP other than company.

Proposed :

It is proposed that no income or expenses in the Profit and Loss A/c of company shall be considered for the purpose of calculation book profit u/s 86.

W.E.F.:1st April, 2015

Treatment of income from the investment made in VCC or VCF from VCU.

Chapter XII-FB Section 115U & 115UB

Existing Provision:

The existing provisions of section 10(23FB) of the Act provide that any income of a Venture Capital Company (VCC) or a Venture Capital Fund (VCF) from investment in a Venture Capital Undertaking (VCU) shall be exempt from taxation. Section 115U of

the Act provides that income accruing or arising or received by a person out of investment made in a VCC or VCF shall be taxable in the same manner, on current year basis, as if the person had made direct investment in the VCU.

Proposed :

It is proposed that only the income arising under the head Profit and Gains from Business and Profession to the VCU shall be exempt from taxation u/s 10(23FB). Section 115U of the Act provides that income accruing or arising or received by a person other than the head PGBP out of investment made in a VCC or VCF shall not be taxable in the hands of VCU. But such income received by the investor is taxable in the hands of investor in current year basis.

Implication:

This amendment is made to ensure the main objective of VCU and to curb the probable tax planning to get tax free income.

W.E.F.: 1st April, 2016

Now seized assets can be adjusted against liability created under Settlement Commission also.

Section:132B

Existing Provision: The existing provision provides that the asset seized under section 132 or requisitioned under section 132A may be adjusted against the amount of existing liability under the Income-tax Act, the Wealth-tax Act etc. and the amount of liability determined on completion of assessment.

Proposed: It is proposed to amend section 132B to enhance the adjustment of liability created under Settlement Commission against the asset seized under section 132.

W.E.F : 1st April,2015 AY 2016-17.

Mandatorily furnishing of return of income by certain universities and hospitals

Section: 139

Existing Provision: This section provides that all entities whose income is exempted under section 10(23C) (Charitable or religious trusts/institutions), other than specified educational institution and medical institution, are mandatorily required to file their return of income.

Proposed Provision: It is proposed to amend the Act in order to extend the coverage of educational institution and medical institution entities (covered under Sub Section (iiib & iiic) of Section 10(23C), to file the return of income mandatorily.

Implication: Now, it is mandatory for such educational institution and medical institution to file their return of income, which has been earlier exempted.

W.E.E. : 1st April,2016 AY 2016-17.

Now notice for re-assessment only with approval of CCIT

Section: 151

Existing Provision: As per section 151, notice u/s 148 can be issued by assessing officer below the rank of assistant commissioner or deputy commissioner only after satisfaction of joint commissioner on the reasons recorded by such AO. Further provided that in the case of reassessment after 4 years, satisfaction of chief commissioner or commissioner is required instead of joint commissioner as stated above.

Proposed Provision: To bring simplicity, it is proposed to provide that no notice should be issued under section 148 by an assessing officer

- Upto four years from the end of relevant assessment year without the approval of Joint Commissioner.
- After four years from the end of relevant assessment year without the approval of the **Principal Chief Commissioner** or Chief Commissioner or **Principal Commissioner** or Commissioner.

W.E.F.: 1st June 2015

Increase burden on assessee to disclose evidence

Section: 192 (2D)

Newly Inserted section

Proposed: It is proposed to insert a new section (2D) in section 192 of the Income-tax Act, after sub-section (2C) which states that the person responsible for making the payment referred to in sub-section (1) shall, for the purposes of estimating income of the assessee or computing tax deductible under sub-section (1), obtain from the assessee the evidence or proof or particulars of prescribed claims (including claim for set-off of loss) under the provisions of the Act in such form and manner as may be prescribed.

Implication: The proposed provision will enhance the transparency of the prescribed claims but at the same time it will increase the procedural burden of assessee.

W.E.F.: 1st day of June, 2015

TDS on payment of Employee provident fund

Section: 192A

Newly Inserted section

Proposed: It is proposed to insert a new section 192A in Income-tax Act 1961, wherein, the trustees of the Employees' Provident Fund Scheme 1952 or any person authorised under the scheme to make payment of accumulated balance. In a case where participating in a recognised provident fund is includible in his total income and if it is not covered under rule 8 of Part A of Fourth Schedule, at the time of payment deduct income-tax thereon at the rate of 10%. Provided that no deduction under this section shall be made where the amount of such payment or the aggregate amount of such payment is less than Rs.30000 and if any person entitled to receive any amount on which tax is deductible under this section shall furnish his PAN to the person responsible for deducting such tax, failing which tax shall be deducted at the maximum marginal rate.

Implication: Tax to be deducted @10% on accumulated balance of EPF and Maximum marginal rate on non submission of PAN.

W.E.F.: 1st day of June, 2015

Benefit provided on adaption of Core banking solution.

Section: 194A

Newly Inserted proviso

Existing Clause: TDS on income upto Rs 10000 credited or paid by bank or banking institution or co- operative society engaged in carrying on the business of banking need not to be deducted.

Proposed: It is proposed to insert a new proviso after the proviso in clause (i):— The above shall also be applicable to banking company or cooperative society or public company who have adopted core banking solution.

Implication: Relaxation has been provided on adaption of CBS system.

W.E.F.: 1st day of June, 2015

Eligibility for TDS under section 194c(6)

Section: 194C (6)

Existing: No deduction shall be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor during the

course of business of plying, hiring or leasing goods carriages, on furnishing of his Permanent Account Number, to the person paying or crediting such sum.

Proposed: It is proposed that for the words “on furnishing of”, shall be substituted by “where such contractor owns ten or less goods carriages at any time during the previous year and furnishes a declaration to that effect along with”.

Implication: The benefit of sub section will be restricted to contractors having Ten or less carriages and TDS will be applicable for others.

W.E.F.: 1st day of June, 2015

Relaxation to real estate investment by business unit.

Section: 194I

Insertion of new proviso

Proposed: It is proposed that no deduction (TDS) shall be made under this section where the income by way of rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in clause (23FCA) of section 10, owned directly by such business trust.

Implication: Relaxation has been provided to real estate investment by business trust.

W.E.F.: 1st day of June, 2015

TDS on payment to unit holder and business trust

Section: 194LBA

Newly Inserted provision

Proposed: It is proposed to insert new section in which person responsible for the making payment shall at the time of credit of payment to the account of the payee or at the time of payment in cash, cheque or draft whichever is earlier. deduct TDS at the rate in force.

Implication: Levy of Tax Deduction at source on payment by any payable unit or business trust.

W.E.F.: 1st June 2015

TDS on income in respect of Units of Investment Fund

Section: 194LBB

Newly Inserted provision

Proposed: This is proposed that in which person responsible for the making payment to an units of an Investment Fund shall at the time of credit of payment to the account of the payee or at the time of payment in cash, cheque or draft, deduct TDS at the rate of 10%.

Implication: Levy of Tax Deduction at source on payment to units of Investment Fund.

W.E.F.: 1st june 2015

Income by way of interest on certain bonds and Government securities.

Section:194LD

Newly Inserted provision

Proposed provision: Any person who is responsible for paying to a person being a Foreign Institutional Investor or a Qualified Foreign Investor, any income by way of interest referred to in sub-section (2), shall, at the time of credit of such income to the account of the payee or at the time of payment of such income in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of 5 %

Implication: Levy of Tax Deduction at Source at Bonds and Government Securities.

W.E.F.: 1st day of June 2017

TDS on Non resident Payment under section 195

Section :195

Newly Inserted provision

Proposed Provision: The person responsible for paying to a non-resident, (not being a company), or to a foreign company, any sum, whether or not chargeable under the provisions of this Act, shall furnish the information relating to payment of such sum, in such form and manner, as may be prescribed.”.

Implication: Individual have to furnish the information related to payment of such Amount.

W.E.F:1st day of June 2015.

Define the responsibility of specified persons for payment of tax u/s 192(1A) through book entry and TCS.

Section 200(2A) & Section 206C(3A)&(3B)

Existing :

Newly Introduced

Proposed :

In case of an office of the Government, where the sum deducted in accordance with the foregoing provisions of this Chapter has been paid to the credit of the Central Government without the production of a challan, the Pay and AO/TO/DDO or any other person, who is responsible for crediting such sum or tax to the credit of the Central Government, shall deliver to the IT authority, TDS statement within time period.

Implications :

Improve the reporting of payment of TDS/TCS , by PAO/TO/CDDOs to file Form 24G in prescribed time made through book entry and to make existing mechanism enforceable.

W.E.F. 1st June 2015

Relaxing the requirement of obtaining TAN for certain deductors

Section 203A(3)

Existing :

Newly Introduced

Proposed :

This provision will relax the requirement of obtaining TAN for certain deductors. This is applicable to such person, as may be notified by the Central Government in this behalf. This is to reduce the burden of compliance for individuals & HUFs who are not liable for Tax audit u/s 44AB of the Act.

W.E.F. 1st June 2015

No default interest charged on filing of correction statement of TCS Return

Section 220(2B)

Existing :

Newly Introduced

Proposed :

No interest shall be charged under subsection (2) on the amount of tax specified in the intimation issued under sub-section (1) of section 206CB for any period (correction in TCS return).

Implications :

Clarification on TCS statement filing procedure & no interest on filing correction return as like TDS return.

W.E.F. 1st June 2015

Additional liability to pay interest amount at the time of application of settlement case.

Existing :

Newly Introduced

Proposed :

At the time of application of settlement of case, assessee shall be liable to pay interest at the rate of 1% per month commencing on 1st April of such Assessment year to the date of filing of application of settlement case and on the final settlement of case, if there is any increase in the income disclosed, same way interest will be charged.

Implications :

Now for filing any case for settlement need to pay interest in advance lead to extra financial burden to assessee.

W.E.F. 1st June 2015

Interest liability in respect of shortfall in advance tax on reassessment/re computation u/s 147 or 153A.

Section 234B(3)

Existing : Newly Introduced

Proposed :

At the time of order of reassessment or re computation u/s 147 for income escaping assessment or 153A assessment in case of search or requisition, assessee shall be liable to pay interest at the rate of 1% per month commencing in respect of shortfall

in advance tax on 1st April of such Assessment year to the date on completion of reassessment/re computation u/s 147/153A.

Implications:

Provisions on non paying advance tax become more stricter and liable to pay interest during search and assessment on the same.

W.E.F. 1st June 2015

Various changes related to provisions of Settlement Commission cases

Section 245A, 245D, 245H, 245HA, 245K

Existing : substitution & insert sub sections/explanations

Proposed :

1. Define the assessment year as any assessment year for the purpose of settlement of cases.
2. In the same way notice can be issued for any assessment year with respect to above amendment.
3. Define the period of 6 months for rectification of any apparent mistake from the end of the month in which an application for rectification has been made.
4. Settlement commission officer has now to record the reason in writing to grant immunity from prosecution and penalty.
5. Bar on subsequent application for the settlement by not only assessee but also related person.

Implications : Procedures are now more defined and remove the ambiguity.

W.E.F. 1st June 2015

Rights to Educational Instructions and Medical Instructions to Appeal before the Appellate Tribunal

Section: 253(1)

Existing: The existing provisions contained in sub-section (1) of section 253 of the Income-tax specify orders that are appealable before ITAT. Further, under a comparable provision an order for refusal to register a charitable trust is appealable before the Appellate Tribunal.

Proposed: It is proposed to amend the said sub-section (1) of section 253 so as to provide an assessee aggrieved by the order passed by the prescribed authority under sub-clause (vi) or (via) of section 10(23C) may appeal to the Appellate Tribunal.

Implication: The decision of the prescribed authority to refuse to grant approval can have significant implications for the educational or medical institution under the Income-tax Act.

W.E.F.: 1st June 2015

Limit of total income increased from Rs 5 lacs to Rs. 15 lacs for constitution of bench

Section: 255

Existing:

The existing provision contained in sub-section (3) of section 255 of the Income-tax Act provides for constitution of a single member bench and a Special Bench. It provides that single member bench may dispose of any case which pertains to an assessee whose total income as computed by the Assessing Officer does not exceed five hundred thousand rupees.

Proposed: It is proposed to provide that a bench constituted of a single member may dispose of a case where the total income as computed by the Assessing Officer does not exceed fifteen lakh rupees.

Implication: Higher benches would devote more time to large cases.

W.E.F.: 1st June 2015

Specification/ Limitation to the powers of the Principal Commissioner

Section: 263

Existing:

The existing provisions explain that if the Principal Commissioner or Commissioner considers that any order passed by the assessing officer is erroneous or is prejudicial to the interests of the Revenue, he may, after giving the assessee an opportunity of being heard and after making an enquiry pass an order modifying the assessment made by the assessing officer or cancelling the assessment and directing for fresh assessment.

Proposed:

Earlier the commissioner had a power to pass order to any of the order passed by the assessing officers without any specific verification and investigation but now the commissioner can pass the order only if in his opinion :

- (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 which is prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.”.

Implication:

The commissioner should have to make proper inquiry before issuing the order.

W.E.F.: 1st June 2015

Specified Advance to be included in Section 269SS & 269T

Section: 269SS & 269T

Existing:

In section 269SS of the Act, No person shall take or accept from any other person any loan or deposits or any specified sum, otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system, if the amount of such loan or deposits or aggregate of such loans and deposits exceeds 20,000 or more.

Similarly, the existing provisions of section 269T of the act, *inter alia* provides that no loan or deposit shall be repayed otherwise than by account payee cheque or account payee bank draft or use of electronic clearing system, if the amount of such loan or deposits together with the interest or the aggregate of such loans and deposits together with the interest If any payable thereon exceeds 20,000 or more.

Proposed: It is proposed that the word after the word "repay any loan or deposit ", the words "or specified advance received by it" shall be inserted.

"The aggregate amount of the specified advances received by such person either in his own name or jointly with other person together with the interest, if nay, payable on such specified advances"

Implication: This will result in widening the scope of disallowance under this section.

W.E.F.: 1st June 2015

Penalty for concealment of particulars or inaccurate particulars of income or fringe benefits

Section: 271(1)C

Existing:

Penalty for concealment of income or furnishing inaccurate particulars of income is levied on the "amount of tax sought to be evaded" arrived at by computation of amount of tax sought to be evaded where the concealment of income or furnishing inaccurate particulars of income occurs in the computation of income under provisions of section 115JB or 115JC of the Act and general provisions.

Tax paid under the provisions of section 115JB or 115JC over and above the tax liability arising under general provisions is available as credit for set off against future tax liability. Understatement of income and the tax liability thereon under general provisions results in larger amount of such credit becoming available to the assessee for set off in future years.

Proposed:

It is proposed that

- 1) The amount of tax sought to be evaded shall be the summation of tax sought to be evaded under the general provisions and the tax sought to be evaded under the provisions of section 115JB or 115JC.
- 2) If an amount of concealment of income on any issue is considered both under the general provisions and provisions of section 115JB or 115JC then such amount shall not be considered in computing tax sought to be evaded under provisions of section 115JB or 115JC.
- 3) If the provisions of section 115JB or 115JC are not applicable, the computation of tax sought to be evaded under the provisions of those sections shall be ignored. No penalty is imposed when the Assessee proves that there was reasonable cause under section 273B.

Implication:

Improving & widening the base of calculation of penalty.

W.E.F.: 1st April,2016

Penalty for failure to comply with the provisions of Section 269SS

Section: 271D

Existing:

If a person takes or accepts any loan or deposit in contravention of the provisions of section 269SS, he shall be liable to pay, by way of penalty, a sum equal to the amount of the loan or deposit so taken or accepted.

Proposed:

It is proposed to add words "or specified sum" after the words "loan or deposits" i.e the penalty liability shall be an amount equal to the amount of loan or deposit or specified sum. However, no penalty is imposed when the Assessee proves that there was reasonable cause under section 273B.

Implication:

There is less scope for the assessee to resort to tax evasion & the base of penalty liability has been widened.

W.E.F.: 1st June,2015

Penalty for failure to comply with the provisions of Section 269T

Section: 271E

Existing: *If a person repays any [loan or] deposit referred to in Section 269T otherwise than in accordance with the provisions of that section, he shall be liable to pay, by way of penalty, a sum equal to the amount of the [loan or deposit so repaid.]*

Proposed: It is proposed to add words "or specified advance" after the words "loan or deposit" i.e the penalty liability shall be an amount **equal to the amount of loan or deposit or specified advance**. However, No penalty is imposed when the Assessee proves that there was reasonable cause under section 273B.

Implication: There is less scope for the assessee to resort to tax evasion & the area of imposing penalty has been widened.

W.E.F.: 1st June,2015

Penalty for failure to furnish statement or information or documents by an eligible investment fund.

Section: 271FAB

Newly proposed provision

Proposed:

It is proposed to insert section 271FAB , where if any eligible investment fund which is required to furnish a statement or any information or documents as required under sub section 5 of section 9A and fails to do so within the prescribed time then they may be imposed up to a penalty of a sum of 5,00,000/- .However, no penalty is imposed when the Assessee proves that there was reasonable cause under section 273B.

Implication: It will provide additional power to the AO to levy penalty.

W.E.F.: 1st April 2016.

Penalty for failure to furnish information or documents under section 285A

Section: 271GA

Newly proposed provision

Proposed: :

It is proposed to insert section 271GA , where if any Indian concern which is required to furnish any information or documents under section 285A (failure to furnish information or documents by non residence) , fails to do so within the prescribed time then penalty imposed shall be ;

i) 2% of value of the transaction in respect of which such failure has taken place where such transaction has effect of directly or indirectly transferring the right of management or control in relation to the Indian concern.

ii) in any other case a sum of Rs 5 lakh.

However, No penalty is imposed when the Assessee proves that there was reasonable cause under section 273B.

Implication:

It will provide additional power to the AO to levy penalty.

W.E.F.: 1st April 2016.

Penalty for failure to furnish information or furnishing inaccurate information under section 195**Section: 271I & 273B****Newly proposed provision****Proposed:**

It is proposed to insert section 271I , where if a person who is required to furnish information under subsection 6 of the section 195 (furnish the information relating to payment to non residence) Payment of fails to do so then they may be imposed to a penalty of Rs. 100,000/-. However, No penalty is imposed when the Assessee proves that there was reasonable cause under section 273B.

Implication: It will provide additional power to the AO to levy penalty.

W.E.F.: 1st April 2016.

Indirect tax proposals

Central Excise Act'1944

Additional factors to be considered by CG to calculate Annual Capacity

Section: 3A

Existing:

The duty of excise on notified goods shall be levied, at such rate, on the unit of production or, as the case may be, on such factor relevant to the production, as the Central Government may, by notification in the Official Gazette, specify, and collected in such manner as may be prescribed.

Provided that, where a factory producing notified goods did not produce the notified goods during any continuous period of fifteen days or more, duty calculated on a proportionate basis shall be abated in respect of such period if the manufacturer of such goods fulfils such conditions as may be prescribed.

Proposed:

It is proposed to insert an explanation 3 to provide that factor relevant to production includes factors relevant to production so as to enable central government to specify more than one factor relevant to production.

Implication:

This explanation provide the wide range of factors of production relating to production which was earlier left out. After this explanation, every factor involve in production will be taken for calculating annual capacity.

Reduced penalty in case of not levied or not paid or short-levied or short-paid or erroneously refunded

Section: 11A

Existing:

1) Sub-section 5,6 & 7 of section 11A, specifies Where in the course of any audit, investigation or verification, any duty of excise has not been levied or paid or has been short levied or short-paid or erroneously refunded, by the reason of (a) fraud or (b) collusion or (c) any wilful mis-statement or (d) suppression of facts or (e) contravention of any of the provisions of this Act or of the rules made there under with intent to evade payment of duty & the transactions are available in specified records, then CEO shall issue show cause notice to assesses within 5 years from relevant date that why he should not paid the amount specified in notice along with

interest under section 11AA & penalty equivalent to 50% of duty. If assesses have paid duty before serving of show cause notice under sub-section 5, then penalty equal to 1% of such duty per month but not exceeding 25 % of duty. If assesses had paid such duty, then CEO shall not serve show cause notice & proceed for recovery in respect of the amount so paid.

2) sub-section 16 has not in existence.

Proposed:

The above sub-section 5,6 &7 has proposed to omitted from Finance Bill,2015. Amended the provision relating to "Relevant date" to provide definition of relevant date in respect of cases where return is not filled on due date & where only interest is required to be recovered. In clause (b), sub clause(ii) of explanation 1, the word " on due date" shall be omitted. Further, sub-section (16) has been inserted from Finance Bill,2015.

Implication:

In sub-section 8 & clause (b) of sub-section11, the word "or sub-section 5" shall be omitted. Now, assesses will pay penalty equivalent to duty from the date on which return has been filed rather than the return filed on due date. After inserting of sub-section (16), Section 11A shall not applied where the non payment or short payment of duty is reflected in the periodic return filed & that in such cases recovery of duty shall be made in such manner as may be prescribed in rules.

Penalty for short-levy or non-levy of duty in certain cases.

Section: 11AC

Existing:

(1) The amount of penalty for non-levy or short-levy or non-payment or short payment or erroneous refund shall be as follows :—
where any duty of excise has not been levied or paid or short-levied or short paid or erroneously refunded, by reason other than fraud or collusion or any wilful mis-statement or suppression of facts, or contravention of any of the provisions of this Act or of the rules made there under with intent to evade payment of duty, the person who is liable to pay duty as determined under sub-section (10) of section 11A shall also be liable to pay a penalty

A) equal to the amount of duty

B) If details of any such transaction available in the specified records, Than liable to pay a penalty equal to fifty per cent of amount of the duty

(c) where any duty as determined under sub-section (10) of section 11A and the interest payable thereon under section 11AA in respect of transactions referred to in clause (b) is paid within thirty days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty liable to be paid by such person shall be twenty-five per cent of the duty so determined;

(d) where the appellate authority modifies the amount of duty of excise determined by the officer under sub-section (10) of section 11A, then, the amount of penalties and interest payable shall stand modified accordingly and after taking into account the amount of duty of excise so modified, the person who is liable to pay duty as determined under subsection (10) of section 11A shall also be liable to pay such amount of penalty or interest so modified.

Proposed:

It is proposed to make change in the section 11AC (1a), that if reason other than fraud or collusion or willful misstatement, instead of penalty equal to duty, assesses is liable to pay penalty not exceeding 10% of duty or Rs.5000 whichever is higher. Provided that, if assesses have paid all the duty & interest payable u/s 11AA before issue of show cause notice or within 30 days of issue of show cause notice, no penalty is required to be paid by the assesses & all proceeding in respect of same shall be deemed to be concluded.

Section 11AC (1b) for transactions referred in clause (a)- same as Section 11AC (1c) in existing provision.

Section 11AC (c)cases for fraud or collusion or willful misstatement, In respect of cases where the details relating to such transactions are recorded in specified record for the period beginning with 8th April,2011 and upto the date of assent to the finance bill 2015 then the penalty payable shall be 50% of the duty so determined. Section 11AC (1d) If duty and interest payable there on u/s 11AA is paid within 30 days of communication of SCN, the amount of penalty payable shall be 15% of the duty demanded , provided that such reduced penalty is also paid 30 days of communication of SCN.

Section 11AC (1e) for transactions referred in clause (c)- same as Section 11AC (1c) in existing provision.

Implication: Amount of penalty has been reduced for cases involving fraud & other than fraud.

Few cases not applicable for settlement commission

Section: 31

Existing:

In this Chapter, unless the context otherwise requires, -
"case" means any proceeding under this Act or any other Act for the levy, assessment and collection of excise duty, pending before an adjudicating authority on the date on which an application under sub-section (1) of section 32E is made: Provided that when any proceeding is referred back in any appeal or revision, as the case may be, by any court, Appellate Tribunal or any other authority, to the adjudicating authority for a fresh adjudication or decision, as the case may be, then such proceeding shall not be deemed to be a proceeding pending within the meaning of this clause;

Proposed:

In the central excise act, in section 31, in clause (c), in the proviso, the words " in any appeal or revision, as the case may be" shall be omitted.

Implication:

After this omission, when any proceeding is referred back, whether in appeal or revision, or otherwise, by any court, appellate tribunal authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then such case shall not be entitled for settlement.

Increased penalty for breach of rules made by central government**Section: 37**

Existing: Sub-section(4) & (5) specified some circumstances when producer, manufacturer, licenses or other persons who have possession, transporting, removing, depositing, keeping, concealing selling or purchasing, or in any other manner deals with, any excisable goods liable to penalty on breach of rules made by CG in section 9, than Assessee is liable of penalty of equal to duty or Two Thousand rupees, whichever is greater.

Proposed: The above sub-section has been substituted by word" Five Thousand rupees" instead of "Two Thousand rupees".

Implication: Penalty has been increased by Rs.3000/-.

Central Excise Tariff

Product	Existing	Proposed	Remarks
Petrol and High speed diesel oil			
Unbranded Petrol	RS.17.46	RS.17.46	CENVAT decreased from Rs.8.95 to Rs.5.46 , SAED remains same as Rs.6, AED increased from Rs.2 to Rs.6 and EC & SHEC are being exempted.
Branded Petrol	Rs.18.64	Rs.18.64	CENVAT decreased from Rs.10.10 to Rs.6.64 , SAED remains same as Rs.6 , AED increased from Rs.2 to Rs.6 and EC & SHEC are being exempted.
Unbranded Diesel	Rs.10.26	Rs.10.26	CENVAT decreased from Rs.7.96 to Rs.4.26 , AED

			increased from Rs.2 to Rs.6 and EC & SHEC are being exempted.
Branded Diesel	Rs.12.62	Rs.12.62	CENVAT credit was 14% +Rs.5 / Ltr or Rs.10.25 / Ltr Whichever is lower and now it is Rs.6.62 , AED increased from Rs.2 to Rs.6 and EC & SHEC are being exempted.
Food Processing Sector			
All goods falling under chapter sub heading 2101 20 including iced tea	-	Newly added - RSP based	An abatement of 30% with reference to RSP of Central Excise Duty
Lemonade & Other Beverages	-	Newly added - RSP based	An abatement of 35% with reference to RSP of Central Excise Duty
Condensed Milk	-	Newly added - RSP based	ED of 2% without CENVAT credit or 6% with CENVAT credit and An abatement of 30% with reference to RSP of Central Excise Duty
Peanut Butter	-	Newly added	ED of 2% without CENVAT credit or 6% with CENVAT credit
Automobiles			
Chassis for Ambulances	24%	12.5%	ED reduced subject to Actual user condition
Electronics/Hardware			
Wafers for manufacture of integrated Circuit	12%	6%	ED reduced subject to Actual user condition
Inputs used in manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps	12%	6%	ED reduced subject to Actual user condition
Structure for Mobile	1% without	1% without	NCCD of 1% remains unchanged

Phones	CENVAT credit or 6% with CENVAT credit	CENVAT credit or 12.5% with CENVAT credit	
Tablet computers, Parts, Components and accessories	2% without CENVAT credit or 12.5% with CENVAT credit	Exempted	ED exempted subject to Actual user condition
Specified RM used in mfg of pacemakers	-	Exempted	ED exempted subject to Actual user condition
Renewable Energy			
Pig iron SG grade and Ferro-silicon-magnesium	-	Exempted	ED exempted subject to certification by MNRE in this regard
Solar Water Heater & System	-	NIL without CENVAT credit or 12.5% with credit	
Round copper wire & tin alloys for mfg of solar PV ribbon and PV cells	-	Exempted	ED exempted subject to certification by Department of Electronics and Information Technology
Consumer Goods			
Leather Footwear	12%	6%	ED on leather footwear of RSP of more than Rs.1000 per pair
SwachhBharat & Energy sector			
Coal, lignite and peat	Rs.100per tonne	Rs.200 per tonne	Effective rate of Clean Energy cess come into effect immediately owing to declaration under the provisional collection of

			taxes Act,1931
Sacks and Bags of Polymers of ethylene , other than for industrial use	-	15%	ED increased to 15%

Customs

Notice for payment of duties, interest.

Section: 28(a)(2)

Existing Provision:

New Provision Inserted

Proposed Provision:

The new Provision has been inserted to Provided that where notice under clause (a) of sub-section (1) has been served and The proper officer is of the opinion that the amount of duty along with interest payable thereon under section 28AA or the amount of interest, as the case may be, as specified in the notice, has been paid in full within thirty days from the date of receipt of the notice.

No penalty shall be levied and the proceedings against such person or other persons to whom the said notice is served under clause (a) of sub-section (1) shall be deemed to be concluded.

W.E.F : Will come into force on enactment of finance bill.

Reduction in Change in the Interest and Penalty rate

Section : 28(b)

Existing Provision:

When any duty has not been levied or has been short-levied or the interest has not been charged or has been part paid or the duty or interest has been erroneously refunded, the interest payable thereon under section 28AB and penalty equal to twenty-five per cent. of the duty specified in the notice or the duty so accepted by such person within thirty days of the receipt of the notice.

Proposed Provision:

Interest payable thereon under section 28AB and penalty is reduced to fifteen per cent from twenty five of the duty specified in the notice or the duty so accepted by such person is made in full within thirty days from the date on which such assent is received.

W.E.F : Will come into force on enactment of finance bill.

Penalty for improper importation of goods.

Section: 112(b)(ii)

Existing Provision:

In the case of dutiable goods, other than prohibited goods, to a penalty not exceeding the duty sought to be evaded on such goods or five thousand rupees, whichever is the greater.

Proposed Provision: In the case of dutiable goods, other than prohibited goods, to a penalty not exceeding ten per cent. of the duty sought to be evaded or five thousand rupees, whichever is higher.

Provided that where such duty as determined under sub-section (8) of section 28 and the interest payable thereon under section 28AA is paid within thirty days from the date of communication of the order of the proper officer determining such duty, the amount of penalty liable to be paid by such person under this section shall be twenty-five per cent. of the penalty so determined.

W.E.F : Will come into force on enactment of finance bill.

Penalty for attempt to export goods improperly.

Section: 114(ii)

Existing Provision:

In the case of dutiable goods, other than prohibited goods, to a penalty not exceeding the duty sought to be evaded or five thousand rupees, whichever is the greater.

Proposed Provision:

In the case of dutiable goods, other than prohibited goods, subject to the provisions of section 114A, to a penalty not exceeding ten per cent. of the duty sought to be evaded or five thousand rupees, whichever is higher.

Provided that where such duty as determined under sub-section (8) of section 28 and the interest payable thereon under section 28AA is paid within thirty days from the date of communication of the order of the proper officer determining such duty, the amount of penalty liable to be paid by such person under this section shall be twenty-five per cent. of the penalty so determined.

W.E.F : Will come into force on enactment of finance bill.

Application for settlement of cases

Section: 127B(1A)

Existing Provision:

Any importer, exporter or any other person may, in respect of a case, relating to him make an application, filed a bill of entry, or a shipping bill, in respect of import or export of such goods, as the case may be, and in relation to such bill of entry or shipping bill, a show cause notice has been issued to him by the proper officer.

Proposed Provision:

Section 127B(1A) shall be omitted.

W.E.F : Will come into force on enactment of finance bill.

Procedure on receipt of an application for settlement of cases

Section: 127C(6)

Existing Provision:

In respect of an application filed on or before the 31st day of May, 2007, later than the 29th February, 2008 and in respect of an application made on or after the 1st day of June, 2007, after nine months from the last day of the month in which the application was made, failing which the settlement proceedings shall abate, and the adjudicating authority before whom the proceeding at the time of making the application was pending, shall dispose of the case in accordance with the provisions of this Act as if no application under section 127B had been made.

Provided that the period specified under this sub-section may, for reasons to be recorded in writing, be extended by the Settlement Commission for a further period not exceeding three months.

Proposed Provision:

Section 127B(1A) shall be omitted.

W.E.F : Will come into force on enactment of finance bill.

Power of Settlement Commission to reopen completed proceedings.

Section: 127E

Existing provision:

If the Settlement Commission is of the opinion that, for the proper disposal of the case pending before it, it is necessary or expedient to reopen any proceeding connected with the case but which has been completed under this Act before application for settlement under section 127B was made, it may, with the concurrence of the applicant, reopen such proceeding and pass such order thereon as it thinks fit, as if the case in relation to which the application for settlement had been made by the applicant under that section covered such proceeding also.

Proposed Provision:

Section 127E shall be omitted.

W.E.F : Will come into force on enactment of finance bill.

Power of Settlement Commission to grant immunity from prosecution and penalty.

SECTION: 127H(1)

Existing Provision:

The Settlement Commission may, if it is satisfied that any person who made the application for settlement under section 127B has co-operated with the Settlement Commission in the proceedings before it and has made a full and true disclosure of his duty liability, grant to such person, subject to such conditions as it may think fit to impose, immunity from prosecution for any offence under this Act and also either wholly or in part from the imposition of any penalty and fine under this Act, with respect to the case covered by the settlement.

Proposed Provision:

Section 127H(1) shall be omitted.

W.E.F : Will come into force on enactment of finance bill.

Bar on subsequent application for settlement in certain cases.

Section : 127L(1)(i)

Existing Provision:

In order of settlement passed under sub-section (7) of section 127C as it stood immediately before the commencement of section 102 of the Finance Act, 2007(22 of 2007) or sub-section (5) of section 127C provides for the imposition

of a penalty on the applicant under section 127B for settlement, on the ground of concealment of particulars of his duty liability.

Proposed Provision:

The words, brackets, figures and letters "passed under sub-section (7) of section 127C, as it stood immediately before the commencement of section 102 of the Finance Act, 2007 or sub-section (5) of section 127C" shall be omitted.

W.E.F : Will come into force on enactment of finance bill.

Bar on subsequent application for settlement in certain cases.

Section : 127L(1)(ii)

Existing Provision:

After the passing of an order of settlement under said sub-section (7) as it stood immediately before the commencement of section 102 of the Finance Act, 2007 (22 of 2007) or sub-section (5) of section 127C in relation to a case, such person is convicted of any offence under this Act in relation to that case.

Proposed Provision:

the words, brackets, figures and letter "under said sub-section (7), as it stood immediately before the commencement of section 102 of the Finance Act, 2007 or sub-section (5) of section 127C" shall be omitted.

W.E.F : Will come into force on enactment of finance bill.

Service Tax

1. Change in Rate of Service Tax

Section 66B

Existing:

All service providers in India except those in the state of Jammu & Kashmir, are required to pay Service Tax @ 12.36%. (Inclusive of SC & SHEC).

Proposed:

Service Tax rate is being increased to 14% including Education Cess and Secondary and Higher Education Cess. Central Government to impose a Swachh Bharat Cess on all or any of the taxable service at a rate of 2% of the value of taxable services, **if need arises.**

Implication: Effective rate of service tax increased to 14% from 12.36%

W.E.F. : From the date to be notified by the Central Government.

2. Review of the Negative List

Section	Particulars	Existing	Proposed	W.E.F.
66D(j)	Access to Amusement Facilities Service provided by way of access to amusement facility providing fun or recreation by means of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks, theme parks or such other places	Not Taxable	Taxable	From a date to be notified by the Central Government after the enactment of the Finance Bill, 2015
66D(j)	Admission to Entertainment Events 1. Services provided by way of admission to entertainment event of concerts, non-recognized sporting events, pageants, music concerts, award	Not Taxable	Taxable	From a date to be notified by the Central Government after the

	<p>functions, if the amount charged is more than Rs. 500 for right to admission to such an event</p> <p>2. Service by way of right to admission to, (i) exhibition of cinematographic film, circus, dance, or theatrical performances including drama or ballet. (ii) recognized sporting events. (iii) concerts, pageants, award functions, musical or sporting event not covered by the above exemption, if the consideration for such admission is upto Rs. 500 per person.</p>	Not Taxable	Omitted from Negative List (Exempted u/n 25/12)	enactment of the Finance Bill, 2015
66D(f)	<p>Production of alcoholic liquor for human consumption Any process amounting to manufacture or production of goods is being pruned to exclude any service by way of carrying out any process for production of alcoholic liquor for human consumption</p>	Intermediate production of alcoholic liquor for human consumption was not taxable	Intermediate production of alcoholic liquor for human consumption is now taxable	From a date to be notified by the Central Government after the enactment of the Finance Bill, 2015
66D(a)	<p>Support services provided by the government or local authority to a business entity</p>	Not taxable	Taxable	From a date to be notified by the Central Government after the enactment

				of the Finance Bill, 2015
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3.Review of General Exemption extended under Notification No. 25/2012-ST, dated 20.06.2012

W.E.F.: 01- Apr-2015

Mega Exemption List

Sr. No.	Particulars	Existing	Proposed	Implication
1.	<p>Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of</p> <p>(a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;</p> <p>(b)a structure meant predominantly for use as an educational, a clinical, or an art or cultural establishment;</p>	Exempted	Exemption Withdrawn	This service is now covered under service tax regime.

	(c) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the <i>Explanation 1</i> to clause 44 of section 65 B of the said Act;			
2.	Services by way of construction, erection, commissioning, or installation of original works pertaining to an Airport	Exempted	Exemption Withdrawn	This service is now covered under service tax regime.
3.	Services by a performing artist in folk or classical art forms of music or dance or theatre (i) If, amount charged is > Rs. 1,00,000	Exempted	Taxable	This service is now covered under service tax regime.
4.	Services by way of transportation by rail or a vessel from one place in India to another of tea, coffee, jaggery, sugar	Exempted	Taxable	This service is now covered under service tax regime.
5.	Services provided by a mutual fund agent to a mutual fund or assets management company, distributor to a mutual fund or AMC, selling or marketing agent of lottery ticket to a distributor.	Exempted	Exemption Withdrawn, taxable on RCM basis	This service is now covered under service tax regime.
6.	Departmentally run public telephone, Guaranteed public telephone operating	Exempted	Taxable	This service is now covered under

	only local calls; and Service by way of making telephone calls from free telephone at airport and hospital where no bill is issued.			service tax regime.
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New Exemptions:

Existing: NA

Proposed:

- Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables is being exempted.
- Service provided by a Common Effluent Treatment Plant operator for treatment of effluent is being exempted.
- Life insurance service provided by way of Varishtha Pension Bima Yojna is being exempted.
- Service provided by way of exhibition of movie by the exhibitor (theatre owner) to the distributor or association of persons
- consisting of such exhibitor as one of it's members is being exempted.
- Hitherto, any service provided by way of transportation of a patient to and from a clinical establishment by a clinical
- establishment is exempt from service tax. The scope of this exemption is being widened to include all ambulance services.
- Service provided by way of admission to a museum, zoo, national park, wild life sanctuary, and a tiger reserve is being exempted.
- Goods transport agency service provided for transport of export goods by road from the place of removal to an inland container depot, a container freight station, a port or airport is exempt from service tax vide notification No. 31/12-ST dated 20.6.2012. Scope of this exemption is being widened to exempt such services when provided for transport of export goods by road from the place of removal to a land customs station (LCS).

W.E.F.: 01-Apr-2015

4.Valuation of taxable services

Section 67

Existing:

where the gross amount charged by the service provider, for the service provided or to be provided is inclusive of service tax payable, the value of such taxable service shall be such amount with the addition of tax payable, is equal to the gross amount

charged. The gross amount charged for the taxable service shall include any amount received towards the taxable service before, during, or after provision of such service.

Proposed:

It has been specifically prescribed in this section that consideration for service shall include all reimbursable expenditure or costs incurred and charged by service provider. The intention has always been to include reimbursable expenditure in the value of taxable service.

Thus the intention of legislature is being specifically stated by this section

Recovery of Service tax not levied or paid or short levied or short paid or erroneously refunded

Section 73:

Existing:

Where any service tax has not been levied or paid or has been short-levied or short-paid or erroneously refunded, the Central Excise Officer may, within eighteen months from the relevant date, serve notice on the person chargeable with the service tax which has not been levied or paid or which has been short-levied or short-paid or the person to whom such tax refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice :

If during the course of audit, investigation or verification, it is found that any service tax has not been levied or paid or has been short levied or short-paid or erroneously refunded, but the true and complete details of transactions are available in the specified records, the person chargeable to service tax or to whom erroneous refund has been made, may pay the service tax in full or in part, as he may accept to be the amount of tax chargeable or erroneously refunded along with interest payable thereon under section 75 and penalty equal to one per cent. of such tax, for each month, for the period during which the default continues, up to a maximum of twenty-five per cent. of the tax amount, before service of notice on him and inform the Central Excise Officer of such payment in writing, who, on receipt of such information, shall not serve any notice under subsection (1) in respect of the amount so paid and proceedings in respect of the said amount of service tax shall be deemed to have been concluded.

Proposed:

(i) a new sub-section (1B) is being inserted to provide that recovery of the service tax amount self-assessed and declared in the return but not paid shall be made under section 87, without service of any notice under sub-section (1) of section 73; and

(ii) sub-section (4A), that provides for reduced penalty if true and complete details of transaction were available in specified records, is being omitted.

Implication: Central Government shall recover the amount as per the mode prescribed in Section 87

W.E.F.: From a date to be notified by the Central Government after the enactment of the Finance Bill, 2015

Penalty for failure to pay service tax

Section: 76

Existing:

when any person liable to pay service tax either does not or fails to pay service tax (in cases not involving fraud or collusion or wilful misstatement or suppression of facts or contravention of any provision of the act or rules with the intent to evade payment of service tax in the following manner:

(i) Rs.100 per day for every day during which such failure continues, or

(ii) at the rate of 1% of such tax, per month,(i.e. 12% p.a.)

whichever is higher

However, total amount of penalty payable under this section shall not exceed 50% of the service tax that the assessee has failed to pay.

Proposed:

Penalty payable under section 76 will be as follows:

(i) penalty not to exceed 10% of service tax amount involved in such cases.

(ii) no penalty is to be paid if service tax and interest is paid within 30 days of issuance of notice under section 73(1)

(iii) a reduced penalty equal to 25%of the penalty imposed by central excise officer by way of an order is to be paid

if service tax, interest and reduced penalty is paid within 30 days of such order.

Implication: Reduced Penalty

W.E.F.: From a date to be notified by the Central Government after the enactment of the Finance Bill, 2015

Penalty for suppressing of value of taxable service

Section 78

Existing:

Where any service tax has not been paid or levied or short paid or erroneously refunded by reason of fraud or collusion or wilful misstatement or suppression of facts or contravention of any provision of the act or rules with the intent to evade payment of service tax , the person liable to pay such service tax or erroneous refund, as determined under 73(2) shall also be liable to pay a penalty, in addition to service tax an interest thereon if any payable by him which shall be equal to the amount of

service tax so not levied or paid, or short levied or short paid or erroneously refunded. Provided that where true and complete details of transactions are available in the specified records, penalty shall be reduced to 50% of the service tax so not levied or paid or short paid or short levied or erroneously refunded.

Proposed:

Penalty payable under section 78 will be as follows in cases involving fraud or collusion or willful misstatement or suppression of facts or contravention of any provisions of the act or rules with the intent to evade payment of service tax in the following manner:

- (i) penalty shall be 100% of service tax amount involved in such cases.
- (ii) penalty equal to 15% of the service tax amount is to be paid if service tax , interest and reduced penalty is paid within 30 days of service of notice in this regard;
- (iii) a reduced penalty equal to 25% of the service tax amount determined by the Central Excise Officer, by an order, is to be paid if the service tax , interest and reduced penalty is paid within 30 days of such order; and
- (iv) if the service tax amount gets reduced in any appellate proceeding, then penalty amount shall also stand modified accordingly , and benefit of reduced penalty (25%) shall be admissible if service tax , interest and reduced penalty is paid within 30 days of such appellate order.

Section 78B:

Existing: NA

Proposed:

It is being inserted to prescribe , by way of a transition provision, that,

- (i) amended provisions of Section 76 and Section 78 shall apply to cases where either no notice is served , or notice is served under sub-section (1) of section 73 or proviso thereto but no order has been issued under section 73(2), before the date of enactment of the Finance Bill ,2015; and
- (ii) in respect of cases covered by section 73(4A), if no notice is served or notice is served under sub-section (1) of section 73 or proviso thereto but no order has been issued under section 73(2) before the date of enactment of the Finance Bill, 2015 penalty shall not exceed 50% of the service tax amount

Penalty not to be imposed in certain cases.

Section: 80

Existing:

It provided for waiver of penalty imposable in tax cases where service tax has not been revived, not paid or short revived or short paid on account of separation of tax or willful misstatement but details of transaction are available in the specified record.

Proposed: Omitted.

Implication:

Now the power to waive penalty has been withdrawn.
w.e.f: 1st April,2015

Appeals to Appellate Tribunal

Section: 86

Existing:

An assessee aggrieved by an order passed by a commissioner of central excise under section 73 or section 83A, or an order passed by Commissioner of central excise (Appeals) under section 85, may appeal to the Appellate Tribunal against such order within three months of the date of receipt of order

Proposed:

It is being amended to prescribe that matters involving rebate of service tax shall be dealt with in terms of Section 35EE of Central Excise Act.



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