



# BUDGET HIGHLIGHTS 2016

RONAK H JAIN & ASSOCIATES

---

CHARTERED ACCOUNTANTS

## DISCLAIMER

This presentation is not an offer, invitation or solicitation of any kind and is meant for clients and internal use only. All reasonable care has been taken in preparation of this presentation. It is recommended that professional advice be taken based on the specific facts and circumstances.

## BUDGET HIGHLIGHTS

### **RELIEF TO SMALL TAXPAYERS**

- Raise the ceiling of tax rebate under section 87A from ₹ 2000 to ₹ 5000 to lessen tax burden on individuals with income upto ₹ 5000.
- Increase the limit of deduction of rent paid under section 80GG from ₹ 24000 per annum to ₹ 60000, to provide relief to those who live in rented houses.

# **BUDGET HIGHLIGHTS**

## **BOOST EMPLOYMENT AND GROWTH**

- Increase the turnover limit under Presumptive taxation scheme under section 44AD of the Income Tax Act to ₹ 2 Crores to bring big relief to a large number of assesseees in the MSME category.
- Extend the presumptive taxation scheme with profit deemed to be 50%, to professionals with gross receipts upto ₹ 50 lakhs.
- Phasing out deduction Under Income Tax:
  - Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 1.4.2017
  - Benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020
  - Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
  - The weighted deduction under section 35CCD for skill development will continue upto 1.4.2020.

## BUDGET HIGHLIGHTS

### **CORPORATE RATE TAX PROPOSALS:**

New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.

- Lower the corporate tax rate for the next financial year for relatively small enterprises i.e. companies with turnover not exceeding ₹ 5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.
- 100% deduction of profits for 3 out of 5 years for startups setup during April, 2016 to March, 2019. MAT will apply in such cases.
- 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident.
- Complete pass through of income-tax to securitization trusts including trusts of ARCs. Securitization trusts required to deduct tax at source.
- Period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.

## BUDGET HIGHLIGHTS

- Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.
- Determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.
- Commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.

## BUDGET HIGHLIGHTS

### **MAKE IN INDIA**

Changes in customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defense production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.

## BUDGET HIGHLIGHTS

### **MOVING TOWARDS A PENSIONED SOCIETY**

- Withdrawal up to 40% of the corpus at the time of retirement to be tax exempt in the case of National Pension Scheme (NPS). Annuity fund which goes to legal heir will not be taxable.
- In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made on or from 1.4.2016.
- Limit for contribution of employer in recognized Provident and Superannuation Fund of Rs. 1.5 lakh per annum for taking tax benefit.
- Exemption from service tax for Annuity services provided by NPS and Services provided by EPFO to employees.
- Reduce service tax on Single premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.

## BUDGET HIGHLIGHTS

### **PROMOTING AFFORDABLE HOUSING**

- 100% deduction for profits to an undertaking in housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019 and completed in three years. MAT to apply.
- Deduction for additional interest of ₹ 50,000 per annum for loans up to 35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed ₹ 50 lakh.
- Distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax, in respect of dividend distributed after the specified date.
- Exemption from service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.
- Extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work to Ready Mix Concrete.

## **BUDGET HIGHLIGHTS**

### **RESOURCE MOBILIZATION FOR AGRICULTURE, RURAL ECONOMY AND CLEAN ENVIRONMENT**

- Additional tax at the rate of 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of ₹ 10 lakh per annum.
- Surcharge to be raised from 12% to 15% on persons, other than companies, firms and cooperative societies having income above ₹ 1 crore.
- Tax to be deducted at source at the rate of 1 % on purchase of luxury cars exceeding value of ₹ Ten lakh and purchase of goods and services in cash exceeding ₹ Two lakh.
- Securities Transaction tax in case of 'Options' is proposed to be increased from 0.017% to 0.05%.
- Equalization levy of 6% of gross amount for payment made to nonresidents exceeding ₹ 1 lakh a year in case of B2B transactions.

## BUDGET HIGHLIGHTS

- Krishi Kalyan Cess, @ 0.5% on all taxable services, w.e.f. 1 June 2016. Proceeds would be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers. Input tax credit of this cess will be available for payment of this cess.
- Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs. No credit of this cess will be available nor credit of any other tax or duty be utilized for paying this cess.
- Excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of ₹ 6 crores and ₹ 12 crores respectively.
- Excise on readymade garments with retail price of ₹ 1000 or more raised to 2% without input tax credit or 12.5% with input tax credit.

## BUDGET HIGHLIGHTS

- Clean Energy Cess' levied on coal, lignite and peat renamed to Clean Environment Cess and rate increased from ₹ 200 per tone to ₹ 400 per tonne.
- Excise duties on various tobacco products other than beedi raised by about 10 to 15%.
- Assignment of right to use the spectrum and its transfers has been deducted as a service leviable to service tax and not sale of intangible goods tax credit.

# **BUDGET HIGHLIGHTS**

## **PROVIDING CERTAINTY IN TAXATION**

- Committed to providing a stable and predictable taxation regime and reduce black money.
- Domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. Declarants will have immunity from prosecution.
- Surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy.
- New Dispute Resolution Scheme to be introduced. No penalty in respect of cases with disputed tax up to ₹ 10 lakh. Cases with disputed tax exceeding ₹ 10 lakh to be subjected to 25% of the minimum of the imposable penalty. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty and tax interest on quantum addition.

## BUDGET HIGHLIGHTS

- High Level Committee chaired by Revenue Secretary to oversee fresh cases where assessing officer applies the retrospective amendment.
- One-time scheme of Dispute Resolution for ongoing cases under retrospective amendment.
- Penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts.
- Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.
- Time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.
- Mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals).
- Monetary limit for deciding an appeal by a single member Bench of ITAT enhanced from ₹ 15 lakhs to ₹ 50 lakhs.
- 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

# **BUDGET HIGHLIGHTS**

## **SIMPLIFICATION AND RATIONALIZATION OF TAXES**

- 13 cesses, levied by various Ministries in which revenue collection is less than ₹ 50 crore in a year to be abolished.
- For non-residents providing alternative documents to PAN card, higher TDS not to apply.
- Revision of return extended to Central Excise assesses.
- Additional options to banking companies and financial institutions, including NBFCs, for reversal of input tax credits with respect to non-taxable services.
- Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.
- Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year.
- Increase in free baggage allowance for international passengers. Filing of baggage only for those carrying dutiable goods.

## BUDGET HIGHLIGHTS

### **TECHNOLOGY FOR ACCOUNTABILITY**

- Expansion in the scope of e-assessments to all assesses in 7 mega cities in the coming years.
- Interest at the rate of 9% p.a against normal rate of 6% p.a for delay in giving effect to Appellate order beyond ninety days.
- 'e-Sahyog' to be expanded to reduce compliance cost, especially for small taxpayers.

# **RONAK H JAIN & ASSOCIATES**

---

**CHARTERED ACCOUNTANTS**

**OFFICE NO. 204, JAY  
GANDHI COMPLEX, GATE  
NO. 9, NEAR MARKET YARD  
BUS DEPOT, PUNE 411037  
020-24273233  
9423523192**