



Direct Tax

- ❖ Wealth tax is abolished and replaced by an additional surcharge of 2%, in cases where the income of the resident individual taxpayer exceeds INR 10 million
- ❖ Surcharge increased for domestic companies
 - From 5% to 7% where income is above INR 10 million;
 - Form 10% to 12% where income is above INR 100 million
 - This additional surcharge shall not apply to non-resident corporate taxpayers
- ❖ No change in the income-tax rate and education cess. For corporates, the Finance Minister has stated that over the next four years, the corporate tax rate will reduce from 30% to 25%
- ❖ Currently, a foreign company is treated as resident of India, if during the year, control and management of affairs is wholly situated in India. The concept of 'control and management' is being replaced by 'place of effective management' A foreign company will now be regarded as a tax resident of India, if its place of effective management is in India, at any time during the year, is in India
- ❖ General Anti Avoidance Rules ('GAAR') provisions deferred by two years and are now effective from 1 April 2017.
- ❖ A penalty @ 2% of the value of transaction could be levied if the Indian entity fails to furnish information relating to offshore transaction having the effect of directly or indirectly transferring its right of management or control
- ❖ In the case of transfer of a capital asset in a demerger, the cost of acquisition of such asset in the hands of the resulting company shall be the cost for which the demerged company acquired the asset as increased by the cost of improvement incurred by the
- ❖ A comprehensive new law to deal with the issue of black money is to be introduced in Parliament. Under the new law, in the event of concealment of income / assets or inadequate disclosures of foreign assets, a taxpayer could be prosecuted for a period up to ten years and could also be subject to a penalty at the rate of 300% of tax sought to be evaded

Key policy announcements for Direct Tax

- ❖ Amendments proposed under the Prevention of Money Laundering Act to penalise and prosecute persons making false declaration/documents in the transaction of any business relating to customs; and to enable powers to attach and confiscate equivalent asset in India where assets located abroad cannot be forfeited
- ❖ The intent to consider concealment of income or evasion of tax in relation to a foreign asset a predicate offence; suitable provisions to be introduced under the Prevention of Money Laundering Act
- ❖ Move towards a cashless society by introducing incentives to spur debit and credit card usage; measures to be introduced to disincentivise cash usage
- ❖ A proposal to give powers to the Central Government to regulate equity capital flows; RBI to solely manage debt instruments. All existing capital account regulations to continue until modified or rescinded by the Government
- ❖ A proposal to seize and confiscate Indian assets in case of any foreign exchange, foreign security or immovable property situated outside India (exceeding the value of prescribed thresholds) held in contravention of the provisions of the Foreign Exchange Management Act
- ❖ The government to introduce a Sovereign Gold Bond, as an alternative to purchasing metal gold
- ❖ Pradhan Mantri Suraksha Bima Yojana to provide accidental death cover of INR 200,000 for a premium of INR 12 per year
- ❖ Pradhan Mantri Jeevan Jyoti Bima Yojana to provide both natural and accidental death cover of INR 200,000 at a premium of INR 330 per year for the age group of 18-50

Indirect Tax

Customs and Central Excise

- ❖ General effective customs rate increased marginally from 28.85% to 29.44% - Education Cess and SHE cess continues on BCD and CVD
- ❖ Median Basic Custom Duty retained at 12%
- ❖ Basic Customs duty on specified inputs reduced to give impetus to "Make in India" campaign
- ❖ LLP, firms, sole proprietorship and one person company can also seek advance ruling
- ❖ SAD exempted on all goods (except populated printed circuit boards) for use in manufacture of ITA bound items
- ❖ Effective Excise duty rate increased from 12.36% to 12.50%. Education Cess and Secondary Higher Education Cess withdrawn
- ❖ Manufacturers can issue digitally signed invoices and maintain records in electronic form
- ❖ Pending Show cause notices can be closed by paying 15% or 25% of penalty. It will help in closure of pending dispute.
- ❖ Direct dispatch of goods to registered dealer /registered importer without first bringing it to registered premises. It will reduce transportation cost.

demerged company

- ❖ To promote the inflow of technology, the rate of tax is reduced from 25% to 10% on royalties and fees for technical services received by non-resident tax payers
- ❖ Threshold for applicability of domestic transfer pricing has been increased from INR 50 mn to INR 200 mn
- ❖ The person responsible for making payment to a non-resident is now required to provide information about such payment to Indian Revenue authorities, even if such payment is not chargeable to tax in India
- ❖ As per the Finance Minister's speech, Direct Taxes Code may not be enacted

Direct Tax -For Individuals

- ❖ The limit for deduction towards contribution to National Pension Scheme has been increased to INR 150,000
- ❖ The limit of deduction of health insurance premium increased from INR 15,000 to INR 25,000 and for senior citizens the limit is increased from INR 20,000 to INR 30,000
- ❖ Transport Allowance exemption hiked to Rs . 1600 per month from Rs. 800 per month.
- ❖ Govt to launch PM Suraksha Bima Yojana offering coverage of 2 lakhs for just a premium of Rs 12.
- ❖ Power given to employees to fix the percentage of employees' contribution to EPF/ESI.
- ❖ 'Atal Pension Yojana' is to be launched where new accounts could be opened by 31 December 2015, to provide a defined pension. The government will contribute 50% of the beneficiaries' premium amount for a period of five years, up to INR 1,000 each year
- ❖ Deduction limit for any amount paid under an annuity plan of an insurance company, increased from INR 100,000 to INR 150,000
- ❖ The recipients of any proceeds under non-qualifying life insurance policies can now furnish a self-declaration to the life insurance company for non-deduction of tax. This provision would apply from 1 June 2015
- ❖ In respect of amounts paid to a scheme of an insurance company for maintenance of a disabled dependent, deduction is now allowed for INR 75,000 in place of INR 50,000. Where the dependent person suffers from a severe disability, a deduction is now allowed for INR 125,000 in place of INR 100,000
- ❖ Tax is to be deducted only at the time of payment of interest (and not on accrual of interest) on compensation awarded by Motor Accident Claim Tribunal. This provision would apply from 1 June 2015

NBFC

- ❖ Non-banking financial companies (NBFCs) with assets of Rs.500 crore and above will be allowed to use the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 like any other financial institution. This will attach the property of an intentional defaulter to recover the loan.

Banking

- ❖ Interest payable by an Indian branch to its head office or other offshore branches is taxable in India, and is deemed to be a separate and an independent person from its head office or offshore branches for taxation purposes
- ❖ Interest payable on recurring deposits exceeding INR 10,000 covered within the TDS ambit with effect from 1 June 2016
- ❖ Computation of interest income for the purposes of deduction of tax should be made with reference to the income credited or paid
- ❖ by the banking company which has adopted core banking

Service Tax

- ❖ Reconfirmation of GST implementation on 1st April, 2016
- ❖ Service Tax rate has been increased from 12.36% to 14%.
- ❖ Cess is no longer applicable, enabling provision for levy of "Swachh Bharat" cess@2%.
- ❖ Mega Exemption Limit has been amended
- ❖ Abatement on Goods Transport Agency services will decrease from 75% to 70%. Manpower supply to come under full reverse charge
- ❖ Exemption of construction, erection, commissioning or installation related services pertaining to an airport or port has been withdrawn
- ❖ Abatement on services of air transport other than economy class reduced from 60% to 40%