

Direct Taxation

1. Benefits to small tax payers

PARTICULARS	PREVIOUS FINANCE ACTS	FINANCE ACT,2016	APPLICABILITY
• Rebate under Section 87A	₹2000	₹5000	Applicable for income below ₹ 5 lakhs
• Deduction under 80 GG	₹2000 p.m	₹5000 p.m	Rent paid by individual who do not get HRA
• Presumptive business 44AD	₹ 1 crore	₹ 2 crores	Applicable to: Other than companies and LLP
• Threshold limit for tax audit under 44AB	₹ 25 lakhs	₹ 50 lakhs	Persons having professional income
• Presumptive taxation scheme extended to professionals: subject to gross receipts not exceeding ₹50 lakhs in PY at a sum equal to 50% of such gross receipts.			

2. Measures to boost growth and employment generation

- Concessional tax regime at 10% on income from patents registered in India.
- Corporate tax proposals:
 - Deferment of PLACE OF EFFECTIVE MANAGEMENT(POEM) for foreign companies by one year.
 - Reduction corporate tax rate from 30% to 25% over a period
 - Accelerate depreciation to be limited to 40% from 01/04/2017
 - Deductions on research limited to 150% from 01/04/2017 and 100% from 31/03/2020
 - Weighted deduction under 35CCD continues till 31/03/2020.
 - Manufacturing companies at 25% plus surcharge and cess which are incorporated after 1/03/2016 provide to certain conditions.
 - Rate of tax for companies with turnover below ₹ 5 crores in FY ending 2015 is 29 % plus surcharge and cess.
 - Benefit of 100% deduction of profit and gains for eligible start-ups subject to conditions.

3. Use of technology for creating accountability

- e-assessments in 7 mega cities
- increase in interest rate from 6% to 9% on refunds in case of delay in giving effect by Appellate beyond 90 days.
- e-Sahyog to be expanded.

4. Simplification and rationalization of taxation

- Exemption from requirement of PAN under 206AA to non-resident on furnishing certain other documents subject to conditions.
- Rationalisation of TDS provisions on winning of horse races, insurance commission etc.
- Payment to contractors-194 C limit has been changed from ₹ 75000 to ₹1 lakh.
- SEZ Exemption is not available for companies who are registered after 01/04/2020.

5. Additional resource mobilization for agriculture, rural economy and clean environment

- Income by way of Gross dividend to be taxable for resident at 10%(individual, HUF or firm) if same in excess of ₹ 10 lakhs.
- Rate of surcharge to be increased from 12% to 15% on persons other than companies, firms and cooperative societies having income above ₹ 1 crore.
- Scope of TCS expanded to luxury cars and other goods and services.
- Equalisation levy of 6% on non-residents from e-commerce transactions.

6. Measures to promote affordable housing

- 100% deductions for assessee developing and building of affordable housing project subject to conditions.
- Additional deduction of interest to “first home buyers” of ₹ 50000 for house valued below ₹ 50 lakhs and loan below ₹ 35 lakhs.
- No DDT to distribution made to business trust by SPV and also not taxable in hands of investor.

7. Reducing litigation and providing certainty in taxation Reducing litigation and providing certainty in taxation.

- 45% tax on undisclosed income if disclosed with full immunity from prosecution and no scrutiny under INCOME DECLARATION SCHEME
- Introduction of DIRECT TAX DISPUTE RESOLUTION SCHEME,2016.
- Cases under retrospective amendment can be settled by paying only tax arrears.
- Penalty rate at 50% for under reporting and 200% for misreporting of facts.

Indirect taxation

1. Central Excise

- CLEAN ENERGY CESS renamed as CLEAN ENVIRONMENT CESS and to be charged at ₹ 400 per tonne instead of ₹ 200 per tonne.
- Infrastructure cess to be levied on motor vehicles subject to exemptions and conditions.
- Increase in time limit for issuance of show cause under section 11A from 1 year to 2 years.
- Effective 01/03/2016

- Excise duty of 1% without CENVAT credit and 12.5% with CENVAT credit on articles of jewellery threshold exemptions up to ₹ 6 crores in a year and eligibility limit of ₹ 12 crores.
- Excise duty of 2% without CENVAT credit or 12.5% with CENVAT credit on readymade garments and made up textiles.
- Tariff value for readymade garments and made up articles in increased from 30% to 60%.
- Effective 01/04/2016
 - Reduction in number of returns to be filed from 27 to 13, one annual return before 30th November of succeeding FY and 12 monthly returns.
 - Revisions of returns to be made available under central excise.

2. Customs

- Section 2(43) amended to include Special warehouse licensed under section 58A.
- Provision relating to warehousing station is omitted.
- Customs Single Window Project to be implemented at major ports and airports.
- Rate of interest on delayed payment of duty has been revised from 18% to 15%.
- Increase in free baggage allowance for international passengers.
- Rates of customs and excise duty have been changed to reduce cost so as to promote MAKE IN INDIA.

3. Service Tax

- Krishi Kalyan Cess @0.5% is made applicable w.e.f. 1st June 2016. 14% Service tax ,0.5% swacch bharat cess. Hence effective tax rate will be 15%.
- CENVAT can be availed on Krishi Kalyan Cess.
- Exemption withdrawn:
 - Services provided by,
Senior advocate to advocate or partnership firm of advocates providing legal service
Person represented on an arbitral tribunal to an arbitral tribunal,
withdrawn with effect from 1st April 2016
 - Exemption on Construction, Erection, Commissioning or installation of Original Works pertaining to Monorail or Metro, in respect of contracts entered into on or after 1st March 2016, is withdrawn. Abatement available up to 60%
 - Exemption on the services of transport of passengers with or without accompanied belongings, by Ropeway, Cable Car or aerial tramway is being withdrawn w.e.f 01/06/2016
- Services of transport of passengers with or without accompanied belongings by a **Stage Carriage** is omitted w.e.f 01-06-2016. (change in negative list)
- Quarterly payment of service tax is extended to One Person Company and HUF ***with effect from 1st April 2016.***
- Payment of Service Tax on receipt basis is extended to OPC.

- New exemptions:
 - Exemption for HFA, PMAY, Low cost houses up to a carpet area of 60 Square meters w.e.f. 01-03-2-16.
 - **Exemptions w.e.f. 1-4-2016:**
 - Life Insurance business provided by way of annuity under the National Pension System (NPS) regulated by Pension Fund Regulatory and Development Authority. (PFRDA)
 - Services provided by Employee's Provident Fund Organization (EPFO) to Employees.
 - Services provided by Insurance Regulatory and Development Authority (IRDA).
 - Regulatory services provided by SEBI.
 - Services of general insurance business provided under "Niramaya" Health Insurance Scheme.
 - Services provided by National Centre for Cold Chain Development under department of agriculture, cooperation and Farmer's welfare.
 - Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotech incubators to incubatees.
 - Services provided by way of skill/ vocational training by training partners under Deen Dayal Upadhyay Grameen Kaushal Yojana.

International taxation

- Increase in surcharge from 12 % to 15 % in case of non-residents individuals
- Exemption from requirement of PAN under 206AA to non-resident on furnishing certain other documents subject to conditions.
- Sec 10(48A): Income accruing to foreign company on account of storage of crude oil in a facility in India and sale therefrom is not to be included to total income (subject to conditions)
- Implementation of PLACE OF EFFECTIVE MANAGEMENT deferred by 1 year.
- Non-Applicability of MINIMUM ALTERNATE TAX on foreign companies for period prior to 01/04/2015 subject to conditions.
- Amendment to section 92CA (3)- extension to time limit to 60 days to Transfer Pricing Officer in certain cases.
- 194 LBC – TDS to be deducted on any income to non-resident individual or foreign company in respect of investment in Securitisation Trust.
- Amendment to 194LBB regarding TDS where payee in non-resident.
- Insertion of EQUALISATION LEVY at 6% on service received by non-resident from resident or non-resident with PE in India.
- Forex gain on redemption of rupee denominated bond of Indian company to be ignored under section 48.
- Constituent entity (sec 286) also required to maintain documents in respect of international group in reference to section 92D (4).

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