

# Analysis of The Finance Bill Significant Proposals In Brief 2016

**STARTUP  
INDIA**  
STAND UP INDIA



**BUDGET  
2016**

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## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

#### Budget Highlights

##### ADDITIONAL RESOURCE MOBILISATION

- Gross Dividend income in excess of ₹ 10.00 lacs p.a to attract additional tax at the rate of 10%.
- Securities Transaction tax in case of 'Options' transactions proposed to be increased from 0.017% to 0.05%.
- It is proposed to provide for an equalisation levy of 6% of the amount of consideration for specified services received by non-resident not having permanent establishment in India from a resident in India who carries out business or profession.

##### WIDENING OF TAX BASE AND ANTI ABUSE MEASURES

- Purchase of Luxury Cars exceeding the value of ₹ 10.00 lacs and any purchase of goods and services in cash exceeding ₹ 2.00 lacs is subject to Tax collection at Source(TCS) at the rate of 1%.
- Levy of tax at Maximum Marginal rate where the charitable institution cease to exist or converts into a non-charitable organisation.
- Employer's contribution to provident fund in excess of ₹ 1,50,000/- now to be taxed in the hands of the employee.
- Persons other than companies, firms and co-operative societies having income above ₹ 100.00 lacs, to pay surcharge at the rate of 15% instead of 12%.
- BEPS (Base Erosion and Profit Shifting) to be adopted for MNCs operating in India is meant to curb aggressive tax planning. MNCs will be required to disclose their profits, number of employees and taxes paid in each country.
- Set off of any loss shall not be allowed against undisclosed income under sections 68 or section 69 or section 69A or section 69B or section 69C or section 69D.
- A new income disclosure scheme has been launched. 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.
- General Anti Avoidance Rules (**GAAR**) to be implemented from 01.04.2017.

##### MEASURES TO PHASE OUT DEDUCTIONS

- Profit linked, investment linked and area based deductions will be phased out for both corporate and non-corporate tax payers. The provisions already having a sunset date will not be modified to advance the sunset date. Similarly the sunset dates provided in the Act will not be extended. In case of tax incentives with no terminal date, a sunset date of 31.03.2017 will be provided either for commencement of the activity or for claim of benefit depending upon the structure of the relevant provisions of the Act.
- Various weighted deductions being phased out in a stage-wise manner.
- Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.03.2020. Thus providing a sunset clause to the said exemption.

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

- Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 01.04.2017.

### MEASURES TO PROMOTE SOCIO-ECONOMIC GROWTH

- Income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income.
- In order to rationalize the incentive to power sector, additional depreciation at the rate of 20% of actual cost of new plant or machineries will be allowed.
- Where the total income of the eligible assessee includes any income by way of royalty in respect of a patent developed and registered in India, such royalty shall be taxable @ 10% (plus applicable surcharge and cess) on the gross amount of royalty. No expenditure or allowance in respect of such royalty income shall be allowed under the Act.
- Start-ups incorporated between April, 2016 and March, 2019 not to pay income tax on profits for 3 out of 5 years. However, MAT will apply in such cases.
- 100% deduction for profits to an undertaking engaged in development of housing project for flats upto an area of 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. However, MAT will apply in such cases.
- Additional deduction in respect of interest of ₹ 50,000 per annum will be allowed for loans up to ₹ 35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed ₹ 50 lakh.
- Deduction under Section 80JJAA of the Income Tax Act for **employment generation** will be available to all assesses who are subject to tax audit under the Act

### RELIEF AND WELFARE MEASURES

- Interest and Capital Gain on Sovereign Gold Bonds and the gold monetisation scheme will be tax free.
- Capital gain arising on Rupee Denomination Bond issued to Non-Resident Investors shall be exempt from tax.
- Capital gain on transfer of Mutual Fund units on merger or consolidation of plans will be tax free effective 01.04.2017 i.e. From assessment year 17-18.
- Deduction u/s 80GG increased from ₹ 24000 to ₹ 60000 for providing relief to those who live in rented house.
- Any shares received by an individual or HUF as a consequence of demerger or amalgamation of a company shall not attract the provisions of clause (vii) of sub-section (2) of section 56.
- Ceiling of tax rebate under section 87A increased from ₹ 2000 to ₹ 5000 to lessen the tax burden on individuals with income upto ₹ 5.00 lacs.
- Deduction in respect of Interest on Housing Loan will now be available if the acquisition or construction is completed within five years from the end of the financial year in which the capital was borrowed. Earlier the time period for such deduction was 3 years.

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

- Unrealised rent or arrears of rent will now be taxable in the year of realisation. Further a 30% deduction in respect of such rent will be allowed in the year of realisation even if the assessee is not the owner of the property/properties in the year of realisation.
- New manufacturing companies incorporated on or after 01.03.2016 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 investment allowance and accelerated depreciation.
- Corporate tax of 29% +SC and Cess will be paid by companies in AY 2017-18 provided the turnover of such companies in FY 2014-15 did not exceed ₹ 5 crores.

#### **EASE OF DOING BUSINESS & DISPUTE RESOLUTION**

- Exemption from Dividend Distribution Tax (DDT) on distribution made by an special purpose vehicle to a Business Trust is now proposed.
- Turnover limits for presumptive taxation scheme under section 44AD of the Income Tax Act has been increased to ₹ 200.00 lacs from the present limit of ₹ 100.00 lacs.
- The threshold limit of total gross receipts specified under section 44AB for getting accounts audited in case of Professionals is increased from ₹ 25 lacs to ₹ 50 lacs.
- Assessee falling under the Professional category with a gross receipts up to ₹ 50.00 lacs shall be covered by a new presumptive taxation scheme, wherein the profit to be declared is 50% of the gross receipts. Professionals eligible for the presumptive taxation scheme showing profits below 50% of the gross receipts shall be required to have their accounts audited.
- 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.
- For non-residents providing alternative documents to PAN card, higher TDS rates shall not apply.
- International Finance Centre established in India will have benefits like Lower MAT(9%),waiver of Dividend Distribution Tax, Securities Transactions Tax(STT) and Commodities Transaction Tax.
- Entire penalty regime under the Income Tax Act revamped to ensure lower litigation and a new Direct Tax Dispute Resolution Scheme has been launched.
- Stay of demand to be mandatorily granted to assessee on payment of 15% of disputed demand while appeal is pending before Commissioner of Income-tax (Appeals).
- E-Assessment to be introduced in 7 Mega Cities in the coming years.
- 'E-Sahyog' to be expanded to reduce compliance cost, especially for small taxpayers.
- Shares of unlisted companies to qualify as long term capital gains after a holding period of 2 years instead of 3 years.

#### **RATIONALISATION MEASURES**

- Rationalization of tax deduction at source provisions proposed for payments by Category-I and Category-II. Alternate Investment Funds to its investors. Certificate for deduction of TDS at lower rate or NIL rate can also be obtained.
- New taxation Regime for securitization trust and its investors.
- Form 15G/H for non-deduction of tax from rental income can be given with effect from 01.06.2016.

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

- Rate of TDS reduced in case of payment of Life Insurance Policy, Life Insurance, brokerage commission, NSS Deposits.
- Lump sum amount received by nominees on death of annuity holder will be tax free in their hands.
- Income tax return filed without paying self-assessment tax and interest payable henceforth will not be treated as defective return.
- Processing under section 143(1) be mandated before assessment under section 143(3)
- Interest under section 234C in respect of advance tax shall not be chargeable in case of an assessee having income under the head "Profits and gains of business or profession" for the first time.
- Delay in giving effect to an appellate order refund beyond 90 days-Interest to be paid at the rate of 9% p.a against normal rate of 6% p.a
- Bank guarantee can be provided against vacation of provisionals attachment of property by assessing officer.
- Implementation of Place of Effective Management (**POEM**) for determination of residency of foreign company is proposed to be deferred by one year.

### EXCISE

- Companies will now be required to file 50% less returns for excise duty with the government slashing the total number of returns to be filed in a year to 13 from 27.
- Infrastructure cess of 1% on small cars running on petrol, LPG, CNG, 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.
- Excise duties on various tobacco products other than beedi raised by about 10% to 15%.
- To promote 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, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, maintenance repair and Overhauling [MRO] of aircrafts and ship repair.
- Increase in free baggage allowance for international passengers proposed.

### CUSTOM DUTIES

- 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.

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

#### SERVICE TAX

- Krishi Kalyan Cess @ 0.5% on all taxable services, w.e.f. 01.06.2016. Proceeds will 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 the same cess.
- Assignment of right to use the spectrum and its transfers has been eliminated as a service leviable to service tax.
- Exemption granted 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.
- Reduction of service tax on Single Premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.
- Additional options for reversal of input tax credits with respect to non-taxable services to banking companies and financial institutions including NBFCs.
- Annuity services provided by NPS and Services provided by EPFO to employees exempted from service tax.
- Exemption of service tax granted to services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by assessing bodies empanelled by Ministry of Skill Development & Entrepreneurship.
- Exemption granted from service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.

#### OTHER IMPORTANT PROPOSALS

- Small and medium shop-owners can now remain open for all days of the week in accordance with the model shops and establishment bill to be adopted by respective states.
- Government to accord statutory status to Aadhaar Card to offer subsidies directly to the beneficiaries for subsidy schemes.
- New derivative products will be developed by SEBI in the commodity derivatives market.
- General Insurance companies owned by the Government to be listed in the stock exchanges.
- Incentivising gas discovery and exploration by providing calibrated marketing freedom.
- RBI to facilitate retail participation in Government securities.
- A Financial Data Management Centre to be set up for government investments.
- Exposure to limit Bank's Risk.
- Huge exposure of banks to a particular group leads to concentration of risks. There is a move to push such group to borrow part of their requirement from bond market.
- Focus on enhancing expenditure in priority areas of - farm and rural sector, social sector, infrastructure sector employment generation and recapitalization of the banks
- "Stand Up India Scheme" to facilitate at least two projects per bank branch. This will benefit at least 2.5 lakh entrepreneurs.

**Analysis of The Finance Bill - 2016**  
Significant Proposals in Brief



*Budget 2016*

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## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief


**12<sup>th</sup>**  
 Edition

## INDEX

SUBJECT	Pg. No.
<b>DIRECT TAXES</b>	
RATES OF INCOME TAX .....	1
PERSONAL TAXATION .....	4
CHARITABLE TRUSTS .....	6
CORPORATE TAXATION .....	7
AMENDMENTS APPLICABLE TO ALL ASSESSEES .....	9
TAX DEDUCTION/COLLECTION AT SOURCE .....	24
THE DIRECT TAX DISPUTE RESOLUTION SCHEME, 2016 .....	26
THE INCOME DECLARATION SCHEME, 2016 .....	28
<b>INDIRECT TAXES</b>	
SERVICE TAX .....	30
CENTRAL EXCISE .....	35
CUSTOMS .....	39
<b>CHART ANNEXED</b>	
TDS / TCS RATES FOR FINANCIAL YEAR 2015-16	



## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### Direct Taxes

#### RATES OF INCOME TAX (F.Y. 2016-17)

Individual, HUF, AOP, BOI, Artificial Juridical Persons

Net Taxable Income	Effective Rates		
	All other Resident Individual, HUF, AOP, BOI, AJP.	Resident Senior Citizens of the age of 60 to 79	Resident Senior Citizen of the Age of 80 & Above
Up to ₹ 2,50,000	NIL	NIL	NIL
₹ 2,50,001 to ₹ 3,00,000	10.30% on amount in excess of ₹ 2,50,000	NIL	NIL
₹ 3,00,001 to ₹ 5,00,000	₹ 5,150 plus 10.30% on amount in excess of ₹ 3,00,000	10.30% on Income Above ₹ 3,00,000	NIL
₹ 5,00,001 to ₹ 10,00,000	₹ 25,750 plus 20.60% on amount in excess of ₹ 5,00,000	₹ 20,600 plus 20.60% on amount in excess of ₹ 5,00,000	20.60% on amount in excess of ₹ 5,00,000
₹ 10,00,001 to ₹ 1,00,00,000	₹ 1,28,750 plus 30.90% on amount in excess of ₹ 10,00,000	₹ 1,23,600 plus 30.90% on amount in excess of ₹ 10,00,000	₹ 1,03,000 plus 30.90% on amount in excess of ₹ 10,00,000
Above ₹ 1,00,00,000	₹ 29,09,750 plus 35.535% on amount in excess of ₹ 1,00,00,000	₹ 29,04,600 plus 35.535% on amount in excess of ₹ 1,00,00,000	₹ 28,84,000 plus 35.535% on amount in excess of ₹ 1,00,00,000

Co-operative Societies	Effective Rates
Up to ₹ 10,000	10.30%
₹ 10,001 to ₹ 20,000	₹ 1,030 plus 20.60% on amount in excess of ₹ 10,000
₹ 20,001 to ₹ 1,00,00,000	₹ 3,090 plus 30.90% on amount in excess of ₹ 20,000
Above ₹ 1,00,00,000	₹ 30,86,910 plus 34.608% on amount in excess of ₹ 1,00,00,000

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

#### RATES OF INCOME TAX (F.Y. 2016-17)

Firms, Local Authorities, Companies & LLP	Effective Rates		
	Upto ₹ 1,00,00,000	₹ 1,00,00,001 to ₹ 10,00,00,000	Above ₹ 10,00,00,000
Firm, Local Authorities, LLP	30.90%	34.608%	34.608%
Domestic Company whose turnover FY 14-15 is below Rs. 5 Croreas	29.87%	31.96%	33.454%
Domestic Company qualifying u/s. 115BA	25.75%	27.55%	28.84%
Domestic Company	30.90%	33.063%	34.608%
Foreign Company	41.20%	42.024%	43.26%
Minimum Alternate Tax - Domestic Company	19.06%	20.39%	21.34%

Alternate Minimum Tax	Effective Rates	
	Firm/LLP	Individual / HUF / AOP / BOI
Persons claiming deduction in respect of certain incomes other than u/s/ 80P or u/s. 10AA having adjusted total income less than ₹ 20,00,000	NIL	NIL
Persons claiming deduction in respect of certain incomes other than 80P or u/s. 10AA having adjusted total income more than ₹ 20,00,000 & upto ₹ 1,00,00,000	19.06%	19.06%
Persons claiming deduction in respect of certain incomes other than 80P or u/s. 10AA having adjusted total income more than ₹ 1,00,00,000	21.34%	21.34%

Dividend Distribution tax			
Domestic Companies	17.304%		
Tax on Distributed income for buyback of shares	23.072%		
	Equity Oriented Mutual Fund	Debt Fund	Liquid Fund
Dividend to Individual & HUF	NIL	28.84%	28.84%
Dividend to Others	NIL	34.608%	34.608%

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### CAPITAL GAIN TAX RATES (F.Y. 2016-17)

Particulars		Effective Rates	
<b>Individuals, HUFs and AOPs Firms &amp; LLP</b>		<b>Total Income upto ₹ 1,00,00,000</b>	<b>Total Income Above ₹ 1,00,00,000</b>
Long Term Capital Gain			
On Listed Securities, where STT is paid		NIL	NIL
On Assets other than Listed securities		20.60%	23.69%
Short Term Capital Gain			
On Listed securities where STT is paid		15.45%	17.767%
On Assets other than Listed securities		As per Slab	
<b>Domestic Company</b>		<b>Total Income Upto ₹ 1,00,00,001</b>	<b>Total Income ₹ 1,00,00,001 to ₹ 10,00,00,000</b>
Long Term Capital Gain			
On Listed Securities, where STT is paid		NIL	NIL
On Assets other than Listed securities		20.60%	22.042%
Short Term Capital Gain			
On Listed securities where STT is paid		15.45%	16.53%
On Assets other than Listed securities		30.90%	33.063%
<b>Foreign Company</b>			
Long Term Capital Gain			
On Listed Securities, where STT is paid		NIL	NIL
On Assets other than Listed securities		20.60%	21.012%
Short Term Capital Gain			
On Listed securities where STT is paid		15.45%	15.76%
On Assets other than Listed securities		41.20%	42.024%

- Note:**
- Effective rates are worked out considering Basic Rate + Surcharge (Wherever applicable) + Education Cess + Higher Education Cess.
  - In all cases where surcharge is applicable, marginal relief will be available.

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

#### Personal Taxation

✓ **Taxation of lump sum withdrawals from Recognized Provident Funds, Pension Funds and National Pension Scheme: Section 10(12), 10(12A) and 10(13).**

Any contribution to Recognized Provident Funds, Pension Funds and National Pension Scheme is deductible from income u/s. 80C or 80CCD. Presently, lump sum withdrawal from National Pension Scheme is taxable whereas withdrawal from Recognized Provident Funds and Pensions Funds are exempted. In order to bring parity in taxation of all these funds, it is now proposed that in respect of contributions made after 1st April, 2016 in all these funds, only 40% of the withdrawal on commutation from the accumulated balance out of such contributions shall be exempted from tax whereas the rest will be taxed as and when withdrawn. While this will benefit the subscribers of the National Pension Scheme, the blanket exemption to subscribers of Recognized Provident Fund and Pension Funds has been withdrawn.

Currently, all withdrawals from a Pension Scheme (the contributions of which are deductible u/s. 80CCD) of the Central Government either by the assessee or his nominee are taxable in the year in which any withdrawal is made out of the accumulated balances. As stated above, in case of withdrawal by the assessee, 60% of such accumulated balance on commutation will be taxable. Further, Section 80CCD is being amended to provide that any amount received from such pension scheme by the nominee of the assessee on the death of the assessee shall be exempted from tax.

*These amendments will take effect from FY 2016-17.*

*It is noteworthy that post the budget announcement, there have been a lot of protest from all quarters regarding this particular budget proposal. The Finance Ministry has already announced a review of this particular proposal and it is expected to be modified significantly.*

✓ **Increase in exemption limit for Employers Contribution to approved Superannuation Fund: Section 17(2)**

Hitherto, any contribution made by an employer in respect of an individual to an approved superannuation fund in excess of Rs. 1 lac per annum was treated as a perquisite and taxed accordingly. This limit is now proposed to be increased to Rs. 1.50 lacs.

*This amendment will take effect from FY 2016-17.*

✓ **Reduction in exemption limit for Employer's contribution to Provident Fund: Part A- Fourth Schedule of the Income Tax Act**

Hitherto, any contribution made by an employer in respect of an individual to a recognized provident fund was not taxable in the hands of employee to the extent that such contribution did not exceed 12% of the salary of such employee. It is now proposed that such contribution shall be exempted only to the extent of Rs. 1.50 lacs per annum. Thus, any contribution by an Employer, in excess of Rs. 1.50 lacs shall now be considered as salary and taxed in the hands of the employee.

*This amendment will take effect from FY 2016-17.*

*It is noteworthy that post the Budget Announcement, there have been a lot of protests from all quarter regarding this particular budget proposal. The Finance Ministry has already announced a review of this particular proposal and it is expected to be modified significantly.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

- ✓ **Taxation of dividend above Rs. 10 lacs: Section 10(34) & Section 115BBDA.**

Hitherto, all dividend earned by any person which was already subject to dividend distribution tax was exempted in the hands of the recipient. It is now proposed that dividend earned by an Individual, a HUF or a firm shall be exempted only to the extent of Rs. 10 lacs. Dividend income beyond Rs. 10 lacs shall now be taxed at a flat rate of 10% in the hands of an Individual, a HUF or a Firm.

*This amendment will take effect from FY 2016-17.*
- ✓ **Increase in time-limit for construction of house property for availing deduction of Interest on Housing Loan: Section 24(b)**

Hitherto, interest paid on loans availed for the purpose of purchase or construction of house property was deductible upto Rs. 2 lacs subject to the condition that the construction or acquisition of the property was required to be completed within 3 years from the end of the financial year in which such loan was availed. This time limit of 3 years is now proposed to be increased to 5 years.

*This amendment will take effect from FY 2016-17.*
- ✓ **Clarification in respect of applicability of Section 56 in respect of shares received consequent to a demerger or amalgamation: Section 56(vii)(h)**

Section 56(vii) provides for taxability of value of shares received by an individual for a consideration lower than the fair value of such shares as income from other sources. An unintended consequence of this provision was also the fact that shares issued to an individual and HUF by a Company in pursuance to a demerger or amalgamation could also be covered by this provision. It is now clarified that shares received consequent to a demerger or amalgamation will not be covered by this section.

*This amendment will take effect from FY 2016-17.*
- ✓ **Additional deduction in respect of first time home buyers for interest paid on housing loans: Section 80EE**

Under Section 24, interest on home loans availed for acquisition or construction of property is allowed as a deduction subject to a limit of Rs. 2 lacs. It is now proposed that an additional deduction of Rs. 50,000/- will be allowed in respect of interest paid on home loan u/s. 80EE only to first time home buyers, provided that the value of the property purchased or constructed is less than Rs. 50 lacs, the loan amount does not exceed Rs. 35 lacs and that the loan is sanctioned between 1st April, 2016 to 31st March, 2017. This deduction will be available for the period till the repayment of loan continues.

*This amendment will take effect from FY 2016-17.*
- ✓ **Increase in limit of deduction in respect of rent paid by specified persons: Section 80GG**

Section 80GG provided that an assessee who is paying rent and who is not availing exemption u/s. 10(13A) in respect of House Rent Allowance shall be eligible for deduction of the rent paid subject to certain limits. The deduction is dependent on the actual rent paid and the level of income and was subject to a maximum of Rs. 2,000 per month. This limit is now increased to Rs. 5,000 per month.

*This amendment will take effect from FY 2016-17.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Increase in rebate of income tax for individuals having total income below Rs. 5 lacs : Section 87A**

Section 87A currently provides a rebate of Rs. 2,000 or the amount of tax payable, which is lower to individuals, whose total income is below Rs. 5 lacs. This rebate is now proposed to be increased to Rs. 5,000/- or the tax payable, which is lower.

*This amendment will take effect from FY 2016-17.*

✓ **Form 15G and Form 15H can now be furnished in case of rent income: Section 197A**

Section 197A has now been amended to enable furnishing of Form 15G / Form 15H in respect of rent income also, so as to enable the deductor to pay such rent without deduction of tax. However such forms can be furnished subject to fulfillment of certain conditions prescribed in the Act.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

### Charitable Trusts

✓ **Change in definition of the term "Income": Section 2(24)(xiii)**

Hitherto, the term "Income" included all subsidies, grants, cash incentives, duty drawbacks, waivers, concession or reimbursement by the Central Government or State Government or any other authority or body or agency in cash or kind except where such receipt is already deducted from the actual cost of an asset. It is proposed to amend the section to provide that any subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or State Government shall not form part of income.

*This amendment will take effect from FY 2016-17.*

✓ **Special Provisions for taxation of accreted income of certain trusts and institutions : Chapter XII-EB (Section 115TD to 115TF)**

Income of any charitable trusts is exempted under Section 11 and 12 provided to fulfillment of conditions and its registration under Section 12AA. Currently, the Income Tax Act does not have any provision for taxation of transfer of assets of such a trust in the event where the exemption of such trust is withdrawn or such trust voluntarily winds up its activities and dissolves or merges with any other non-charitable trusts. Accordingly, a new Chapter XII-EB is being introduced to provide for levy of additional income tax in case of conversion into, or merger with any non-charitable form or on transfer of assets of a charitable organization on its dissolution to a non-charitable institution. Salient features of this chapter are as under:

- i. The accreted income of the trust or institution shall be taxable on conversion of trust or institution into a form not eligible for registration u/s 12 AA or on merger into an entity not having similar objects and registered under section 12AA or on non-distribution of assets on dissolution to any charitable institution registered u/s 12AA or approved under section 10(23C) within a period of 12 months from dissolution.
- ii. Accreted income shall be the amount of aggregate of total assets as reduced by the liability as on the specified date. The method of valuation is proposed to be prescribed in rules. The assets and the liabilities of the charitable organisation which have been transferred to



## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

another charitable organisation within specified time will be excluded while calculating accreted income.

- iii. The taxation of accreted income shall be at the maximum marginal rate.
- iv. This levy shall be in addition to any income chargeable to tax in the hands of the entity.
- v. This tax shall be final tax for which no credit can be taken by the trust or institution or any other person, and like any other additional tax, it shall be leviable even if the trust or institution does not have any other income chargeable to tax in the relevant previous year.
- vi. In case of failure of payment of tax within the prescribed time a simple interest @ 1% per month or part of it shall be applicable for the period of non-payment.
- vii. For the purpose of recovery of tax and interest, the principal officer or the trustee and the trust or the institution shall be deemed to be assessee in default and all provisions related to the recovery of taxes shall apply. Further, the recipient of assets of the trust, which is not a charitable organisation, shall also be liable to be held as assessee in default in case of non-payment of tax and interest. However the recipient's liability shall be limited to the extent of the assets received.

*These amendments will take effect from 1<sup>st</sup> June, 2016.*

### Corporate Taxation

- ✓ **Postponement of applicability of new provisions for determining Place of Effective Management (POEM) in India for determining residential status of a Company: Section 6(3)**

Vide Budget 2015, for purpose of residential status of a company, it was proposed that a company not registered in India shall be considered as resident in India if its place of effective management in the year is in India. Further, it was proposed that rules will be introduced to define circumstances wherein the place of effective management of a company is deemed to be in India. This amendment is now proposed to be postponed by a period of 1 year i.e. to be effective from FY 2017-18. Accordingly, during FY 2016-17, a company not registered in India will be considered to be resident in India only if during the year, the control and management of the company is situated wholly in India. This is a significant relief to foreign companies.

*This amendment will take effect from FY 2016-17.*

- ✓ **Deduction of provision for bad & doubtful debts by Non-Banking Finance Companies: Section 36(1)(viiia)**

Section 36(1)(viiia) allows deduction for provisions created by banks and financial institutions in respect of bad & doubtful debts subject to certain ceilings. This benefit is now being extended to Non-Banking Finance Companies. Any provision made by a Non-Banking Finance Company in respect of bad & doubtful debts shall be allowable as deduction subject to a ceiling of 5% of the total income of such company.

*This amendment will take effect from FY 2016-17.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Additional conditions for availing of exemption from capital gains in case of conversion of private or unlisted companies into Limited Liability Partnerships: Section 47(xiiib)**

Any conversion of a private company or an unlisted company in to Limited Liability Partnership shall not be regarded as a transfer if in addition to fulfillment of conditions already prescribed, in the past three financial years, the total value of assets as appearing in the books of the account of the company are not more than Rupees 5 crores.

*This amendment will take effect from FY 2016-17.*

✓ **Concessional tax rate for companies not availing profit linked incentives: Section 115BA**

A new Section 115BA is proposed to be introduced to provide for a concessional tax regime of 25% for manufacturing companies fulfilling certain conditions. Companies fulfilling the following eligibility criteria shall have the option to compute their tax payable at the rate of 25% of the total income:

- ii. The Company is set up on or after 01.03.2016.
- iii. It is engaged solely in manufacturing activity. It should not be carrying out any other activity.
- iv. The company has not claimed any benefit under section 10AA, benefit of accelerated depreciation, benefit of additional depreciation, investment allowance, expenditure on scientific research and any deduction in respect of certain income under Part-C of Chapter-VI-A other than the provisions of section 80JJAA.
- v. The option should be exercised in the prescribed manner on or before the due date of filing of return prescribed under Section 139(1).

*This amendment will take effect from FY 2016-17.*

*It is noteworthy that this concessional tax regime is different from another concessional tax regime for small companies, where the tax will be payable @29% on total income for FY 2016-17 if such companies have a turnover of less than Rs. 5 crores in FY 2014-15.*

✓ **Amendment to provisions relating to Minimum Alternative Tax : Section 115JB**

Consequent to introduction of concessional tax regime for income from patents u/s. 115BBF, it is proposed that expenditure incurred for the purpose of earning such patent income shall be added to the net profit of the company for the purpose of computing book profit. It is also further proposed to be provided that income in the nature of royalty which is chargeable to tax u/s. 115BBF shall be reduced from the net profit of the company for the purpose of computing book profit.

A clarification is proposed to be inserted by way of an explanation that the provisions of section 115JB shall not be applicable and shall be deemed to never have been applicable to a foreign company.

Income earned by a company in the International Financial Service Centre earning all its income solely in convertible foreign exchange shall be subject to Minimum Alternative Tax of 9%.

*This amendment will take effect from FY 2016-17.*

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

✓ **Special provisions relating to foreign company said to be resident in India : Chapter XII-BC (Section 115JH)**

Special provisions are being introduced to provide clarity on applicability of various provisions of the Act, which though earlier was not assessed to tax in India is now assessable to tax in India as it is held to be a resident in India. Accordingly a transition mechanism is now provided and the Central Government is now empowered to notify such modifications, exceptions and adaption to the provisions of the Act in relation to computation of income, treatment of unabsorbed depreciation, setoff or carry forward of losses, collection, recovery of taxes, assessment proceedings etc.

*This amendment will take effect from FY 2016-17.*

✓ **Removal of Dividend Distribution Tax in case of dividend to Business Trust & Units in International Financial Services Centre: Section 115-O**

Domestic Companies, whose entire share capital are held by a Business Trust, shall not be liable to pay dividend distribution tax on dividends distributed to such Business Trusts out of income earned on or after the date on which such Business Trust became shareholder of the company.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

No Dividend Distribution Tax shall be payable in respect of the total income of a company, which is a unit in the International Financial Services Centre and is deriving its income solely in convertible foreign exchange on or after 01.04.2017.

*This amendment will take effect from FY 2016-17.*

### Amendments Applicable To All Assesseees

✓ **Change in definition of Capital Assets: Section 2(14)**

Deposit certificate issued under Gold Monetization Scheme are now excluded from the definition of capital assets. Thus, gains made in respect of such certificates will now be exempted from capital gains.

*This amendment will take effect from FY 2015-16.*

✓ **Definition of the term "Hearing": Section 2(23C)**

A new sub-section (23C) to Section 2 is being introduced to define the term "Hearing" in relation to various proceedings under the Income Tax Act. The term "Hearing" is defined to include communication of data and documents through electronic mode. This definition is introduced to enable conduct of assessment and other such income tax proceedings through electronic modes without requiring physical presence of the assessee or his authorized representative.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Exemption to Interest earned on the Gold Monetisation Scheme, 2015: Section 10(15)**

Interest earned on deposit certificates issued under Gold Monetization Scheme, 2015 has been exempted from tax with retrospective effect from FY 2015-16.

*This amendment will take effect from FY 2015-16.*

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

✓ **Exemption to Capital Gains in case of transaction undertaken on Stock Exchanges located in the International Financial Services Centre: Section 10(38)**

Hitherto, any capital gains arising on account of transactions undertaken through a recognized stock exchange in India is exempted from capital gain tax as long as Securities Transaction Tax is paid on the same. It is now proposed that transactions entered through a recognized stock exchange located in International Financial Services Centre and where the consideration for such transaction is paid in foreign currency, the long term capital gains from such transaction will be exempted from tax even if no Securities Transaction Tax is paid on such transaction. However Minimum Alternate Tax (MAT) shall be attracted at the rate 9% on income solely in convertible foreign exchange.

*This amendment will take effect from FY 2016-17.*

✓ **Exemption to Income chargeable to equalization levy under Chapter VIII of the Finance Act, 2016: Section 10(50)**

Any income which has already been subject to the equalization levy under Chapter VIII of the Finance Act, 2016, shall be exempted from Income Tax.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Introduction of Sunset Clause for exemption under Section 10AA: Section 10(AA)**

Section 10AA provides exemption to income earned by units established in Special Economic Zones. The said section is now being amended to provide a sunset clause, so that units established after 01.04.2021 shall not be eligible for exemption under this Section.

*This amendment will take effect from FY 2016-17.*

✓ **Rationalization of provisions relating to taxation of unrealized rent and arrears of rent: Section 25A**

Hitherto, unrealized rent during any year was deductible from the income from house property for the year in which such rent remained unrealized and was taxable in the year in which such unrealized rent was received under Section 25AA. Further, arrears of rent received relating to any prior year was taxable in the year of receipt subject to a 30% deduction available on the same under Section 25B. In order to bring parity in respect of tax treatment for unrealized rent and arrears of rent, existing Section 25A, 25AA and 25B are proposed to be deleted and replaced by a new Section 25A, which provides any unrealized rent or arrears of rent shall be taxable in the year of receipt and a deduction equal to 30% of such rent received shall be available.

*This amendment will take effect from FY 2016-17.*

✓ **Inclusion of Non-Compete fees payable to professionals under income chargeable to tax under Profits and Gains of business or profession: Section 28(va)**

Section 28 lists out incomes which shall be chargeable to tax under the head Profits and Gains of business or profession. It includes non-compete fees received by any person for the purpose of not carrying on any business. Clause (va) is now proposed to be amended to include non-compete fees received for the purpose of not carrying on any profession also.

*This amendment will take effect from FY 2016-17.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Extension of benefit of additional depreciation on new machinery to assessee engaged in transmission of power: Section 32(1)(iia)**

Hitherto, a one-time additional depreciation @ 20% was available to all assessee engaged in manufacturing or production or generation / distribution of power; in respect of new plant & machinery acquired during a year, in the year in which such new assets are acquired. This benefit is now being made available to assessee engaged in transmission of power.

*This amendment will take effect from FY 2016-17.*

✓ **Rationalization of deduction available in respect of acquisition of New Plant & Machinery: Section 32AC**

Vide Budget 2015, Sub-section 1A to Section 32AC was introduced whereby any company engaged in manufacturing or production of any article and which acquires and installs new assets aggregating to Rs. 25 crores or more in any previous year starting from 1st April, 2015 and ending before 31st March, 2018 was eligible for a deduction of 15% of the cost of such assets.

The requirement of acquisition and installation of assets of Rs. 25 crores or more in the same year was causing hardship and hence it is now proposed that the condition would be limited to acquisition of assets of Rs. 25 crores or more in a single year provided that the assets are installed on or before 31st March, 2017. Accordingly deduction shall be available in the year of installation.

*This amendment will take effect from FY 2015-16.*

✓ **Gradual reduction of weighted deduction in respect of expenditure on scientific research: Section 35(1)(ii), (iia), (iii), 35(2AA), 35(2AB)**

Section 35(1)(ii) provides for weighted deduction of 175% of the contribution made to a scientific research association, university, college or such other eligible institution engaged in scientific research. This weighted deduction is being gradually reduced to 100% of the contribution. Such deduction for financial years 2017-18 to 2019-20 shall be 150% of the contribution and from financial year 2020-21 onwards the same shall be 100% of the contribution made.

Section 35(1)(iia) provides for weighted deduction of 125% of the amount paid to an approved Company engaged in scientific research. This weighted deduction is being reduced to 100% of such payment from FY 2017-18 and onwards.

Section 35(1)(iii) provides weighted deduction of 125% of the amount paid to an approved university, college or institution engaged in research of social science or statistical research. This weighted deduction is being reduced to 100% of such payment from FY 2017-18 and onwards.

Section 35(2AA) provides weighted deduction of 200% of any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person for the purpose of an approved scientific research program. This weighted deduction is being reduced to 150% of the contribution for financial year 2017-18 to 2019-2019-20 and to 100% from FY 2020-21 onwards.

Section 35(2AB) provides for weighted deduction of 200% of the expenditure incurred by a Company on an approved in-house research and development facility. This weighted deduction is being reduced to 150% of the expenditure incurred for financial year 2017-18 to 2019-2019-20 and to 100% from FY 2020-21 onwards.

*These amendments will take effect from FY 2017-18.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Phasing out of deduction in respect of contribution for social development project or scheme: Section 35AC**

Section 35AC provides for deduction of payments made to a public sector company or a local authority or an approved association or institution for eligible social development projects or schemes which are not related to the business of the assessee. This deduction is being removed with effect from FY 2017-18.

*This amendment will take effect from FY 2017-18.*

✓ **Reduction of weighted deduction in respect of capital expenditure incurred in specified business and notified agricultural extension project: Section 35AD**

Section 35AD provides for weighted deduction of 150% of the capital expenditure incurred for a cold chain facility, warehousing facility for storage of agricultural produce, affordable housing project, production of fertilizer and hospital. This deduction is being reduced to 100% of the capital expenditure from financial year 2017-18 onwards.

Further section 35AD provides for weighted deduction of 150% expenditure incurred on notified agricultural extension project. This deduction is being reduced to 100% of the capital expenditure from financial year 2017-18 onwards.

*This amendment will take effect from FY 2017-18.*

✓ **Extension of deduction in respect of capital expenditure incurred in respect of infrastructure facility: Section 35AD**

Section 35AD provides for deduction of the capital expenditure incurred for the purpose of eligible businesses. It is now proposed to extend the benefit of the section to an assessee engaged in developing, operating and maintaining or developing, operating and maintaining a new infrastructure facility. The section also defines infrastructure facility as road including toll road, bridge, rail system, highway project including housing or other activities integral to the highway project, water supply project, water treatment system, irrigation project, sanitation, sewerage system or solid waste management system, port, airport, inland waterway, inland port or navigational channel in the sea. This deduction shall be available from FY 2007-18 onwards.

This deduction is being provided in lieu of the removal of deduction in respect of profits from infrastructure projects under Section 80-IA.

*This amendment will take effect from FY 2017-18.*

✓ **Reduction of weighted deduction in respect of expenditure incurred on notified agricultural extension project: Section 35CCD**

Section 35CCD provides for weighted deduction of 150% of the expenditure incurred on skill development project. This deduction is being reduced to 100% of the expenditure incurred from financial year 2020-21 onwards.

*This amendment will take effect from FY 2016-17.*

✓ **Disallowance of expenditure where equalization levy not withheld at source: Section 40(a)**

It is proposed that any payment in respect of which the assessee was required to withhold

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

equalization levy under Chapter VIII of the Finance Act, 2016 and has not withheld such levy or after withholding has not deposited the same before the due date of filing of return of income under Section 139(1), then such amount shall be disallowed. It is further provided that if such levy is thereon deducted and deposited or where not deposited, deposited after the due date of filing of return of income under Section 139(1), then the deduction of such expenditure disallowed in the prior year shall be allowed in the year in which such sum is deposited.

*This amendment will take effect from FY 2016-17.*

✓ **Expenditure in respect of which payment is to be made to Railways will be allowable on payment basis: Section 43B**

Section 43B has been amended to include expenditure payable to railways as an expenditure wherein deduction shall be allowed only if the payment against such expenditure has been made on or before the due date of filing of return of income under Section 139(1).

*This amendment will take effect from FY 2016-17.*

✓ **Enhancement of ceiling of turnover for tax audit in case of Professionals: Section 44AB**

Section 44AB has been amended to enhance the limit of tax audit in case of assessee engaged in specified professions from the current limit of Rs. 25 lacs to Rs. 50 lacs. Thus, specified professionals, whose gross receipts / turnover exceeds Rs. 50 lacs shall be subject to tax audit.

It is further provided that in case of a professional whose turnover is below Rs. 50 lacs but who claims a profit lower than the profits as computed under Section 44ADA (i.e. 50% of the Gross Receipts), then such professional would be required to have his books audited irrespective of his level of gross receipts.

However there is no increase in ceiling of turnover for business of Rs. 1.00 crore fixed for auditing the books of accounts under section 44AB which is a contradiction of proposed amendment in presumptive scheme of taxation under section 44ADA wherein turnover limit is increased from Rs. 1.00 crore to Rs. 2.00 Crore.

*This amendment will take effect from FY 2016-17.*

✓ **Amendments to presumptive taxation scheme for businesses: Section 44AD**

Section 44AD has been amended to incorporate the following changes:

- i) Business eligible under Section 44AD would now exclude limited liability partnership also in addition to Companies.
- ii) The turnover of eligible businesses under this scheme has now been raised from Rs. 1 crore to Rs. 2 crore.
- iii) The presumptive income under this scheme is retained at 8% of the total turnover or gross receipts. However, earlier in case of partnership firms, deduction of remuneration and interest to partners was available from the profits so computed. This deduction has now been removed. This means that the profit of 8% declared under the presumptive taxation scheme is after considering all deductions and allowances including remuneration and interest to partners.
- iv) An assessee who declares the required profit under the presumptive scheme, shall be

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

required to declare such minimum level of profits for the next 5 consecutive years, failing which, from the year in which his profits go below the presumptive profit, he shall be required to have his books of accounts audited for 5 consecutive years.

*This amendment will take effect from FY 2016-17.*

✓ **Introduction of presumptive taxation scheme for Professionals: Section 44ADA**

Section 44ADA has been introduced to provide a presumptive taxation scheme for Professionals. The salient features of the scheme are as under:

- i. Assessee engaged in specified profession with gross receipts below Rs. 50 lacs are eligible to declare profits @ 50% of their gross receipts under this Scheme.
- ii. If the Assessee declares the profits so prescribed, the Assessee shall not be liable to maintain books of accounts and other records prescribed under Section 44AA.
- iii. Any Assessee declaring profits below the prescribed levels, will be required to comply with provisions of Section 44AA regarding maintenance of books of accounts and other records and shall also be required to have his books audited under section 44AB.
- iv. The profits computed under this scheme shall be presumed to be after all deductions and allowances including depreciation and in case of partnership firms, also after deduction of interest and remuneration to Partners

*This amendment will take effect from FY 2016-17.*

✓ **Redemption of Sovereign Gold Bond exempted from Capital Gains : Section 47(viic) & 48**

A new sub-clause (viic) is being introduced to Section 47 to provide that redemption of sovereign gold bonds issued by the Reserve Bank of India shall not be regarded as transfer in the hands of an individual, thus effectively exempting them from any capital gains. In case of all other assessee, indexation benefit in case of computation of long term capital gains will now also be available.

*This amendment will take effect from FY 2016-17.*

✓ **Relief in case of computation of deemed sales consideration on transfer of immovable property : Section 50C**

Section 50C provides that in case of a transfer of immovable property, the value adopted by the Stamp Authority for the purpose of determination of stamp duty shall be deemed to be the sales consideration for transfer of such property if such value is higher than the sales consideration recorded in the agreement. The provision is now being amended to provide that in case the consideration is fixed by a prior agreement for sale, wherein the stamp duty value on such date is different from the stamp duty value on the date of registration of sale deed, such stamp duty value on the date of such agreement may be adopted for the purpose of computation of capital gains under this Section. It is further provided that this beneficial provision shall be available only in cases where the amount of consideration either in full or in part has been received through banking channels on or before the date of the sale deed.

*This amendment will take effect from FY 2016-17.*



## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

✓ **New Provision for deduction from Long Term Capital Gains against investment in specified units: Section 54EE**

In case of long term capital gains arising on transfer of long term capital assets, an assessee may claim deduction against such long term capital gains by investing the amount of capital gains in units of specified funds to be notified by the Central Government. The deduction shall however be limited to an amount of Rs. 50 lacs.

*This amendment will take effect from FY 2016-17.*

✓ **Extension of deduction from Long Term Capital Gains from transfer of residential property against investment in startup units: Section 54GB**

Section 54GB provided for deduction from Long Term Capital Gains arising on transfer of long term capital asset being a residential property against investment in specified assets made by an assessee in respect of an MSME unit. This deduction is now also available against investment in an eligible startup. Further, this deduction was available only in case of transfers before 31st March, 2017, which is now being extended to 31st March, 2019.

*This amendment will take effect from FY 2016-17.*

✓ **Carry forward of losses pertaining to specified business under Section 35AD Section 73A**

Section 73A provides that losses computed in respect of a specified business under Section 35AD can be set off only against profits and gains of any other specified business. It is further provided that where such losses cannot be set off in the previous year; the same shall be carried forward for set-off against future profits from a specified business. It is now provided that such carry forward losses shall be allowed only if such a person files the return of income for the year in which such loss is incurred within the time limits prescribed under Section 139(1). This is a clarificatory amendment, as similar conditions are applicable in all cases of carry forward losses.

*This amendment will take effect from FY 2015-16.*

✓ **Phasing out of deduction in respect of developers or operators of infrastructure facilities: Section 80IA**

Section 80IA provides for deduction of profits earned by an enterprise carrying on business of developing or operating and maintaining any infrastructure facility subject to certain conditions. This deduction shall not be available to enterprises commencing business on or after 01.04.2017.

It is noteworthy that capital expenditure incurred by such enterprises is now allowable under Section 35AD on similar conditions as were there under Section 80IA.

*This amendment will take effect from FY 2016-17.*

✓ **Phasing out of deduction in respect of profits of developers of SEZ: Section 80IAB**

Section 80IAB provides for deduction of profits earned by an enterprise engaged in development of a Special Economic Zone. This deduction shall not be available to enterprises commencing business on or after 01.04.2017.

*This amendment will take effect from FY 2016-17.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Introduction of new section in respect of deduction for profits of an eligible Startup: Section 80IAC**

A new section 80IAC is being introduced to provide for deduction of profits earned by an eligible startup. The salient features of the deduction are as under:

- i. The eligible business which would qualify for deduction has been defined as a business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property
- ii. A company engaged in such eligible business and which is incorporated between 01.04.2016 and 01.04.2019 and the turnover of the Company shall not exceed Rs. 25 crores in any financial year falling between FY 2016-17 and FY 2020-21.
- iii. Such company should hold a certificate of being an eligible business from the Inter-Ministerial Board of Certification.
- iv. The deduction available is 100% of the profits of such startup available for a period of 3 consecutive years.
- v. The first year of deduction in the block of 3 consecutive years, can be any year from the first five years of the Company beginning from the year in which such Company was incorporated.
- vi. Certain other procedural conditions are also required to be fulfilled in order to avail the deduction.

*This amendment will take effect from FY 2016-17.*

✓ **Phasing out of deduction in respect of profits of an undertaking in located specified areas: Section 80IB(9)**

Section 80IB provided for deduction of profits earned by an undertaking located in specified areas. This deduction shall not be available to undertakings commencing business on or after 01.04.2017.

*This amendment will take effect from FY 2016-17.*

✓ **Introduction of a new deduction for profits of developers of approved housing projects: Section 80IBA**

A new section 80IBA is being introduced to provide for deduction of profits earned by a developer of an approved housing project. The Salient features of the deduction are as under:

- i. The housing project is required to be approved by the competent authority between 01.06.2016 and 31.03.2019.
- ii. The housing project should be completed within 3 years from the date of approval by the competent authority.
- iii. The housing project should fulfill the following conditions:
  - a. The project land should be at least 1,000 sq mt. in case the project is located in or around 25 kms of Chennai, Delhi, Kolkatta or Mumbai. In all other cases, the project land should not be less than 2,000 sq. mt.

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

- b. Size of the residential units constructed should not exceed 30 sq. mt. in case of projects in or around 25 kms of Chennai, Delhi, Kolkatta or Mumbai. In all other cases, the size of the residential units should not exceed 60 sq mt.
- c. At least 90% of the permissible FSI should be utilized in case of projects in or around 25 kms of Chennai, Delhi, Kolkatta or Mumbai. In all other cases, the minimum utilization of FSI should be 80%.
- d. The built up area of shops and other commercial establishment in such project should not exceed 3% of the aggregate built up areas.
- e. There can be only one allotment of a residential unit per family.
- iv. Deduction allowable shall be 100% of the profits from such business.
- v. Certain other procedural conditions are also required to be fulfilled in order to avail the deduction.

*This amendment will take effect from FY 2016-17.*

✓ **Revision in scheme for deduction available in case of employment of new employees:  
Section 80JJA**

Section 80JJA provides for deduction of 30% of additional wages paid to the new regular workmen in factory for a period of 3 years. This benefit was available only to manufacturers. The benefit of this deduction is now being extended to all assessee who are subject to audit under Section 44AB. The salient features of the deduction are as under:

- i. All assessee who are subject to tax audit and are engaged in business or profession are eligible to claim this deduction.
- ii. The amount of deduction shall be 30% of the additional employee cost incurred during the year under consideration for a period of 3 years starting from the year in which such additional employment is provided. The deduction is in addition to the employee cost already claimed while computing Profits & Gains from Business or Profession.
- iii. Additional employee cost means total emoluments paid or payable to additional employee during the financial year. However, the additional costs shall be considered Nil if there is no increase in the number of employees as compared to the previous year. It is also provided that all emoluments should be paid through banking channels only. An additional employee shall not include any employee whose total emoluments per month exceed Rs. 25,000/- or an employee whose entire contribution in respect of Employees Pension Scheme is paid by the Government or an employee who was employed for a period of less than 240 days in the financial year or an employee who does not participate in the recognized provident fund.
- iv. In case of a new business, all emoluments paid in the first year of such business shall be considered as additional emoluments.
- v. Certain other procedural conditions are also required to be fulfilled in order to avail the deduction.

*This amendment will take effect from FY 2016-17.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Maintenance of additional records and information in respect of Transfer Pricing in case of specified entities: Section 92D, 271A, 271GB, 273B & Section 286**

Section 92D currently provides for maintenance of specified information and documents by assessee who have entered into an international transactions or specified domestic transactions. The provisions are now been amended to also require specified entities being a constituent entity of an international group to maintain such information and documents and furnish the same in respect of an international group as may be prescribed. Provisions laying out time limits for filing of such information, penalties for non-maintenance and non-filing of required information and definitions of constituent entity and international groups have also been provided for. It is also provided that these reporting requirements shall apply only if the consolidated turnover of the International Group for FY 2015-16 exceeds Rs. 5,395 crores.

*This amendment will take effect from FY 2016-17.*

✓ **Clarification in respect of taxation of long term capital gains in the hands of Non-Residents & Foreign Companies: Section 112(1)(c)**

Section 112(1)(c) currently provides that long term capital gains arising from transfer of unlisted securities by a Non-Resident or a Foreign Company shall be subject to tax @ 10%. There has been some confusion whether shares of private companies will also be covered by this concessional tax rate. It is hence clarified that concessional tax rate will also be available in case of long term capital gains arising from transfer of shares of private companies also.

*This amendment will take effect from FY 2016-17.*

✓ **No set-off of unabsorbed losses against any unexplained income: Section 115BBE**

Section 115BBE provides that unexplained income referred to in Section 68, Section 69, Section 69A, Section 69B, Section 69C and Section 69D shall be taxable at a flat rate of 30% and no deduction in respect of any expenditure or allowances in relation to such income shall be allowable. It now proposed to amend the said section to also provide that no set-off of any unabsorbed loss shall be allowable against such income.

*This amendment will take effect from FY 2016-17.*

✓ **New concessional tax regime in respect of income from Patents: Section 115BBF**

A new concessional tax regime is proposed to be introduced for taxation of income from patents for eligible assessee. The section proposed that income in the nature of royalty on patents shall be taxable at the rate of 10%. Salient features of the regime are as under:

- i) Royalty income should be on a patent developed and registered in India.
- ii) No deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing this income.
- iii) Only a person resident in India and who is a patentee is eligible to claim benefit of this concessional tax regime.
- iv) The term royalty shall also include any lump sum consideration but excludes any consideration which would be chargeable to tax under the head "Capital Gains"
- v) The term royalty shall exclude any consideration for sale of product manufactured with the

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

use of patented process or the patented article for commercial use.

*This amendment will take effect from FY 2016-17.*

✓ **Jurisdiction of Assessing Officer in case of assessment proceedings: Section 124(3)**

Section 124(3) currently provides that no person can call into question the jurisdiction of the Assessing Officer after the expiry of 1 month from date of service of notice under Section 142(1), 143(2) or completion of assessment, whichever is earlier. A clarification is now being inserted to also provide that the jurisdiction of the assessing office cannot be challenged after expiry of 1 month from the date of service of notice under Section 153A or 153C i.e. in case of search assessments also.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Filing of Return of Income : Section 139**

Section 139(1) currently provides that any person not being a Company or Firm is required to file a return of income only if his total income before giving effect to exemptions under Section 10A or 10B or 10BA or deductions under Chapter VI-A exceeds the maximum amount not chargeable to tax within the due date prescribed. This section is now being amended to provide that all such persons shall be required to file a return of income if his total income as increased by long term capital gains on listed securities (exempted under Section 10(38)) exceeds the maximum amount not chargeable to tax.

Section 139(4) currently enables a person to file a belated return within 1 year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. This time limit is now being reduced and now a person can file a belated return before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Section 139(5) currently enables a person to file a revised return in order to correct any omission or mistake in the original return filed within the due date prescribed under Section 139(1) or a return filed in response to notice under Section 142(1) before the end of 1 year from the end of the relevant assessment year. No revised return could be filed in respect of a belated return filed under Section 139(4). Section 139(5) is now proposed to be amended to provide that even a belated return can be revised.

Further, clause (aa) to the Explanation to Section 139 is proposed to be deleted so as to now provide that a return which is otherwise valid shall not be held to be defective on account of non-payment of self-assessment tax and interest in accordance with Section 140A.

*These amendments will take effect from FY 2016-17.*

✓ **Processing of Return and Intimation under Section 143(1):**

Section 143(1) currently provides for processing of return of income after making adjustment only attributable to an arithmetical error in the return or on account of an incorrect claim, which is apparent from any information in the return. It is now proposed to expand the scope of adjustments that can be made u/s. 143(1) to include the following adjustments:

- i. Disallowance of loss claimed, if the return of the previous year in which such loss was incurred and carried forward was filed beyond the due date specified under Section 139(1).

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

- ii. Expenditure indicated as disallowable in the Tax Audit Report.
- iii. Disallowance of deduction under Section 10AA, 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID or Section 80-IE, if the return is filed beyond the due date specified under Section 139(1).
- iv. Addition of income appearing in Form 26AS or Form 16A or Form 16, but not included in computing the total income.

The provision is further being amended to provide that before making any adjustment to the return of income under Section 143(1), an opportunity shall be given to the Assessee to explain or if necessary rectify the return within 30 days of issuance of such intimation.

Sub-section (1D) to Section 143 currently provides that in case a return is selected for scrutiny under Section 143(3), the same may not be processed under Section 143(1). The said sub-section is now being amended to provide that even returns selected for scrutiny under Section 143(3) will also have to be processed under Section 143(1).

*This amendment will take effect from FY 2016-17.*

✓ **Revision of Time Limits for completing assessments: Section 153 & Section 153B**

Section 153 is proposed to be amended to revise the time limits for completion of assessments under various sections as under:

- i. Assessments under Section 143 (Scrutiny Assessments) and Section 144 (Best Judgment Assessment) shall now be completed within 21 months from the end of the relevant assessment year as against the earlier period of 24 months.
- ii. Assessments under Section 147 (Re-assessments / Income Escaping Assessments) shall be completed within 9 months from the end of the year in which the notice for such reassessment is first issued as against the earlier period of 12 months.
- iii. Fresh assessments pursuant to an order under Section 254, 263 or 264 shall be completed within 9 months as against earlier period of 12 months from the end of the financial year in which such order is received.
- iv. All appeal effect orders shall henceforth be passed within 3 months from the end of the month, in which the appellate orders are received. Such period may be extended by a further period of six months by the Principal Commissioner of Income Tax on receipt of reasons from the Assessing Officer. All appeal effect order pending as on 1st June, 2016 shall be passed before 31st March, 2017.
- v. Assessments made pursuant to search and seizure proceedings under Section 153A shall be completed within 21 months (as against earlier period of 24 months) from end of the financial year in which the last of the search authorizations under Section 132 or for requisition under Section 132A was executed.
- vi. Assessments made pursuant to other persons related to search and seizure proceedings under Section 153C shall be completed within 21 months (as against earlier period of 24 months) from the end of the financial year in which the last of the search authorizations under Section 132 or for requisition under Section 132A was executed or nine months from the end of the financial year in which the books of accounts or documents or assets seized

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

or requisitioned are handed over under Section 153C to the Assessing Office having jurisdiction to such other person, whichever is later.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Relaxation in requirement of furnishing of PAN for Non-Residents: Section 206AA**

Section 206AA provides that any person who is entitled to receive any sum on which tax is deductible at source, shall furnish his PAN, failing which tax shall be deducted at the rate prescribed under the Act or 20%, whichever is higher. The said section is now being amended to provide that the requirement shall not be apply to a non-resident or a foreign company in respect of payment of interest on long-term bonds referred to in Section 194LC or such other payments as may be prescribed.

*These amendments will take effect from 1<sup>st</sup> June, 2016.*

✓ **Revision in applicable installments and dates for Advance Tax: Section 211, 234C**

As against existing provisions for payment of advance tax in case of persons other than companies, the revised schedule for payment of advance tax in such cases is proposed as under:

- |      |                |                                   |
|------|----------------|-----------------------------------|
| i.   | 15th June      | 15% of the total advance tax due  |
| ii.  | 15th September | 45% of the total advance tax due  |
| iii. | 15th December  | 75% of the total advance tax due  |
| iv.  | 15th March     | 100% of the total advance tax due |

It is also proposed to provide that assesseees opting for presumptive taxation scheme u/s. 44AD, shall be liable to pay 100% of the advance tax due in a single installment on or before the 15th March. Earlier, assesseees opting for presumptive taxation scheme u/s. 44AD were exempted from payment of advance tax.

Consequential amendments are also proposed in Section 234C for computation of interest on deferment of payment of advance tax.

It is also proposed to exempt assesseees, who are assessable to Income under the Profits & Gains from Business or Profession for the first time from payment of interest under Section 234C during such first year.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Change in method of computation of Interest on refunds: Section 244A**

Hitherto, Interest on income tax refund was paid for the period from 1st April of the assessment year till the date on which such refund was granted.

It is now proposed that interest on income tax refund shall be paid from the date of filing of return of income till the date on which such refund is granted. It is further provided that interest on refund attributable to self-assessment tax shall be paid from the date of payment of tax or date of filing of return, whichever is later.

It is also proposed that in case of a refund arising out of appellate order, in case the appeal effect is delayed beyond the time limit prescribed, the Assessee shall be entitled to receive an additional interest @ 3% per annum.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

✓ **Change in Penalty Regime in respect of penalties imposed pursuant to additions / disallowances made in Assessment Proceedings: Section 270A & Section 270AA**

Hitherto, penalty was levied on disallowances / additions to returned income, where the assessing officer was satisfied that the assessee had concealed income or furnished inaccurate particulars of income. The penalty leviable was between 100% to 300% of the tax payable on such disallowances / additions. These penalties were levied under section 271(1)(c). It is now proposed that Section 271 shall no longer be effective in respect of assessments for A.Y. 2017-18 and onwards.

Penalties in respect of additions/disallowances shall now be levied under Section 270A. The salient features of the new penalty regime are as under:

- i. Penalty under section 270A shall now be levied under two categories of cases:
  - a. Under-reporting of Income
  - b. Misreporting of Income
- ii. Penalty for under-reporting of Income shall be 50% of the tax payable on such under-reported income.
- iii. Penalty for mis-report of income shall be 200% of the tax payable on such misreported income.
- iv. Situations where a person shall be considered to have under reported his income are as under:
  - a) the income assessed is greater than the income determined in the return processed under clause of sub-section (1) of section 143;
  - b) the income assessed is greater than the maximum amount not chargeable to tax, where no return of income has been furnished;
  - c) the income reassessed is greater than the income assessed or reassessed immediately before such re-assessment;
  - d) the amount of deemed total income assessed or reassessed as per the provisions of section 115JB or 115JC, as the case may be, is greater than the deemed total income determined in the return processed under clause (a) of sub-section (1) of section 143;
  - e) the amount of deemed total income assessed as per the provisions of section 115JB or 115JC is greater than the maximum amount not chargeable to tax, where no return of income has been filed;
  - f) the income assessed or re-assessed has the effect of reducing the loss or converting such loss into income.
- vi) It is also provided that following cases shall not be considered as cases of under reporting of income:
  - a) where the assessee offers an explanation and the income-tax authority is satisfied that the explanation is bona fide and all the material facts have been disclosed;
  - b) where such under-reported income is determined on the basis of an estimate, if the accounts are correct and complete but the method employed is such that the income



## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

- cannot properly be deducted therefrom;
- c) where the assessee has, on his own, estimated a lower amount of addition or disallowance on the issue and has included such amount in the computation of his income and disclosed all the facts material to the addition or disallowance;
  - d) where the assessee had maintained information and documents as prescribed under section 92D, declared the international transaction under Chapter X and disclosed all the material facts relating to the transaction;
  - e) where the undisclosed income is on account of a search operation and penalty is leviable under section 271AAB.
- vii) Situations where a person shall be considered to have misreported his income are as under:
- a) misrepresentation or suppression of facts;
  - b) non-recording of investments in books of account;
  - c) claiming of expenditure not substantiated by evidence;
  - d) recording of false entry in books of account
  - e) failure to record any receipt in books of account having a bearing on total income;
  - f) failure to report any international transaction or deemed international transaction under Chapter X
- viii) Further, provisions have also been made for computation of tax due on the income under reported or misreported for the purpose of calculation of penalty and other procedural matters.
- ix) Section 270AA has also been inserted to provide for grant of immunity from imposition of penalty. It is proposed that an assessee may make an application to the assessing officer for grant of immunity from imposition of penalty under section 270A or initiation of proceedings under section 276C, provided he pays the tax and interest payable as per the assessment order and does not prefer an appeal against such assessment order. The assessing officer may grant immunity from imposition of penalty, provided the additions / disallowance do not pertain to misreporting of income.

*This provision will be applicable to assessments commencing on or after the 1<sup>st</sup> day of April, 2017.*

✓ **Penalty in Search Cases: Section 271AAB**

In search cases, penalty levied under sub-clause (c) of section 271AAB(1) has been increased from 30% of the undisclosed income not covered by sub-clause (a) and (b) to 60% of the undisclosed income not covered by sub-clause (a) and (b).

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Furnishing of Bank Guarantee in lieu of revocation of provisional attachment : Section 281B**

Section 281B provides the assessing officer powers to provisionally attach any property of an assessee during the pendency of assessment or reassessment proceedings. It is now proposed that such provisional attachment may be revoked if the assessee furnishes a bank guarantee, for

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

an amount not less than the fair market value of such provisionally attached property or for an amount lower than the fair market value of the property which is sufficient to protect the interests of the revenue.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

### Amendments to Provisions for Tax Deduction/Collection at Source

✓ **Equalisation levy on specified E-commerce transactions: Chapter VIII of the Finance Act 2016 (Section 160 to 177 of Finance Act 2016)**

A new form of liability to pay an Equalisation Levy of 6% on consideration has been imposed on Non-Residents in respect of specified online services rendered by Non-Residents to Indian Residents. Vide Chapter VIII of the Finance Act, 2016, it is proposed that all specified services rendered by a Non-Resident, not having a permanent establishment in India, to a person resident in India or a Non-Resident having a permanent establishment in India shall be liable for an equalization levy of 6% on the consideration received for rendering such services. There is a basic exemption limit available to all such Non-Residents of Rs. 1 lacs per annum for value of services rendered in India.

The specified services currently covered by such levy are provision of digital advertising space or any other facility or service for the purpose of online advertisement. The Central Government further has the power to notify such other services as it may deem fit.

The Chapter further imposes a liability on all receivers of such services, who are engaged in business or profession to deduct such levy at source from the consideration payable to the Non-Resident. However, there shall be no liability to deduct such levy at source, if the consideration payable by the payee in any year is less than or equal to Rs. 1 lacs.

Further enabling provisions relating to due dates for payment of such levy deducted at source, penalty for non-deduction, interest on late deposit of levy, assessment, appeals etc have also been introduced.

*This levy shall come into effect from a date to be notified by the Central Government*

✓ **Changes in threshold limits for the purpose of deduction of tax at source and rates thereon: Section 192A, 194BB, 194C, 194D, 194DA, 194EE, 194G, 194H & 194LA**

There has been several changes in the threshold limits for the purpose of deduction of tax at source as well as changes in rates at which tax is required to be deducted in various cases. The revised threshold limits and rates are provided in the TDS Chart annexed.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Extension of TCS provisions to certain new transactions: Section 206C**

Section 206C provides for collection of tax at source by a seller from a purchaser at the time of sale of certain goods. These provisions are now being extended to the following transactions:

- i) Sale of Motor Vehicle exceeding 10 lakhs @ 1%
- ii) Sale of any goods or services in cash exceeding Rs. 2 lacs @ 1%

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

It is however provided that in case of any transaction, tax is deducted at source under Chapter XVII-B, there shall be no liability to collect tax at source.

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

✓ **Time limit prescribed for disposal of application for waiver/reduction of interest payable for default in payment of TDS: Section 220**

An Assessee who has defaulted in payment of TDS is liable to pay interest in accordance with the provisions of Section 220. An assessee liable to pay such interest may apply to the concerned authority for waiver or reduction of such interest. It is proposed that all such applications shall be disposed of by the concerned authorities within 12 months from the end of the month in which such application is received. All applications pending as on 01.06.2016 shall be passed on or before 31.03.2017

*This amendment will take effect from 1<sup>st</sup> June, 2016.*

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### The Direct Tax Dispute Resolution Scheme, 2016

✓ **Period of Operation**

The Income Declaration Scheme shall come into operation from 1st June, 2016 and shall remain in operation till such date as the Central Government shall notify.

✓ **Cases Eligible**

- i. All cases where any tax liability under the Income Tax Act or Wealth Tax Act is disputed by the Assessee and where an appeal is pending as on 29th February, 2016 before the Commissioner of Income Tax (Appeals) or Commissioner of Wealth Tax (Appeals) are eligible for resolution under this mechanism.
- ii. Cases, where tax is determined or validated on account of a retrospective amendment in the Income Tax Act or Wealth Tax Act and such tax relates to a period prior to such amendment, if an appeal in respect of such dispute is pending at any forum as on 29th February, 2016, such cases will also be eligible for dispute resolution.
- iii. The pending appeal may be in respect of tax assessed or penalty levied.

✓ **Dispute Resolution Mechanism**

- i. If the disputed tax liability in respect of income assessed is less than Rs. 10 lacs, then the said dispute can be settled with the Income Tax Department by payment of tax and interest upto to the date of assessment.
- ii. If the disputed tax liability in respect of income assessed is more than Rs. 10 lacs, then the said dispute can be settled with the Income Tax Department by payment of tax, interest upto to the date of assessment and 25% of the minimum penalty leviable in the case.
- iii. If the disputed tax liability pertains to cases, where tax is determined or validated on account of a retrospective amendment, then the said dispute can be settled with the Income Tax Department by payment of only the tax due on such disputed income.
- iv. If the disputed tax liability pertains to penalty, then the said dispute can be settled with the Income Tax Department by payment of 25% of the minimum penalty leviable in the case along with the tax and interest payable on account of the assessment or reassessment.
- v. Once a declaration for dispute resolution is filed before the appropriate authority, the authority shall within 60 days issue a certificate determining the amount payable. This amount shall be paid within 30 days of the receipt of the certificate.

✓ **Effect of Dispute Resolution**

- i. Once a declaration for dispute resolution is filed, appeal pending before the Commissioner of Income Tax (Appeals) and Commissioner of Wealth Tax (Appeals) is deemed to have been withdrawn.
- ii. In case of a declaration made for dispute resolution pertaining to a tax determined or validated on account of a retrospective amendment, the Assessee shall be required to withdraw all pending litigations at any stage including arbitration and mediation

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

proceedings. Further, the assessee making the declaration shall waive his rights to or pursue any other remedy, whether direct or indirect, available to him under any agreement, treaty or law in India or outside India.

- iii. The declarant under this scheme is exempted from any penal or prosecution proceedings under the Income Tax Act in respect of the disputed tax.
- iv. A declarant making a declaration for dispute resolution pertaining to a tax determined or validated on account of a retrospective amendment, will also get waiver of interest.

✓ **Cases not eligible under the Scheme**

Following cases shall not be eligible under this scheme:

- i. Cases where prosecution is initiated;
- ii. Disputed taxes relating to search or survey cases;
- iii. Tax liability on income in respect of which information is received under an agreement with foreign countries;
- iv. Cases relating to undisclosed foreign income and assets
- v. Persons notified under Special Court Act, 1992
- vi. Cases covered under Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Prevention of Corruption Act, 1988, Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974.

✓ **Other Important Features**

- i. Declaration shall be made in prescribed manner before the Principal CIT or CIT and shall be verified in the prescribed manner.
- ii. Amount of tax, cess or penalty paid under this Scheme is non-refundable.

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### The Income Declaration Scheme, 2016

✓ **Period of Operation**

The Income Declaration Scheme shall come into operation from 1st June, 2016 and shall remain in operation till such date as the Central Government shall notify.

✓ **Income eligible for declaration under the Scheme**

Under the scheme, an Assessee may come forward and make a declaration of any income which was chargeable to tax but was not offered to tax in the year in which such income was earned. The income may pertain to any financial year ending on or before 31st March, 2016.

In the event, where such income is currently held by the Assessee in the form of investment in any asset, the fair market value of such asset as on 1st June, 2016 shall be income chargeable under this Scheme.

No deduction in respect of any expenditure or allowance shall be allowed against the income declared.

✓ **Tax, Cess & Penalty Payable on the disclosed income**

- i. Tax payable on such disclosed income shall be @ 30%.
- ii. An additional KrishiKalyanCess @ 7.5% shall be payable on such disclosed income
- iii. A Penalty @ 7.5% shall be payable on such disclosed income.

Thus, the total tax, cess & penalty payable on the disclosed income shall be @ 45%.

The above tax, cess and penalty should be paid within such time-limit as may be notified by the Central Government. Non-payment of the same shall result in the declaration being treated as null and void. Further, the income so declared shall be treated as the income of the year in which such declaration is made and the provisions of Income Tax Act shall apply accordingly.

✓ **Immunity granted**

Income declared under this scheme shall be exempted from Wealth Tax in respect of assets declared under this scheme. Exemption shall also be granted from any scrutiny or enquiry or prosecution under the Income Tax Act and Wealth Tax Act. Immunity shall also be granted under the Benami Transactions (Prohibition) Act, 1988.

✓ **Cases not eligible under the Scheme**

Following cases shall not be eligible under this scheme:

- i. Income pertaining to year in respect of which notices under Section 142(1) or 143(2) or 148 or 153A or 153C;
- ii. Assessee where search or survey has been conducted;
- iii. Income in respect of which information is received under an agreement with foreign countries;
- iv. Cases covered under Black Money Act, 2015

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

- v. Persons notified under Special Court Act, 1992
  - vi. Cases covered under Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988.
- ✓ **Other Important Features**
- i. Declaration shall be made in prescribed manner before the Principal CIT or CIT and shall be verified in the prescribed manner.
  - ii. Amount of tax, cess or penalty paid under this Scheme is non-refundable.
  - iii. The declaration made under this scheme shall not be admissible as evidence against the Assessee under any proceedings under the Income Tax Act or Wealth Tax Act.

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### Service Tax

✓ **Introduction of "Krishi Kalyaan Cess":**

A levy of "Krishi Kalyaan Cess" at the rate of 0.5% is proposed to be introduced on all taxable services; thus making the effective rate of tax as 15% against 14.5% currently. No CENVAT Credit will be available of the said Cess.

*The proposed levy shall come into effect from 1<sup>st</sup> June, 2016.*

✓ **Services by Government Entities: Notification No. 15/2016-ST**

The liability to pay service tax on any service provided by Government or a local authority to business entities shall be on the service recipient on reverse charge basis. The said provision is subject to threshold exemption limit of Rs. 10 lakhs.

*The proposed amendment shall come into effect from 1<sup>st</sup> April, 2016.*

✓ **Payment of Service Tax:**

The benefits of (a) quarterly payment of service tax and (b) payment of service tax on receipt basis, which were otherwise available to individual and partnership firms, are being extended to One Person Company (OPC) & Hindu Undivided Family (HUF) whose aggregate value of services provided is up to Rs. 50 lakh in the previous financial year.

*The proposed amendment shall come into effect from 1<sup>st</sup> April, 2016.*

✓ **Interest on Delayed Payment of Service Tax:**

When any amount is collected as service tax have not been paid to the credit of the Central Government on or before the date on which such payment becomes due, interest at the rate prescribed as under shall be payable by the Assessee.

Hitherto interest on delayed payment of Service Tax is charged at 24%. To make it par with other indirect taxes, it is proposed to levy interest at the rate of 12% on delayed payment of service tax in case value of taxable services is less than Rs. 60 lakhs. For others, it remains at 24%.

*The proposed amendment shall come into effect from the date the bill receives the assent from the Hon'ble President of India.*

✓ **Filing of Annual Return:**

Presently, Service Tax Assessee is required to file Service Tax return half yearly. Now it is proposed to file an annual return over & above filing of half yearly returns. Due date for filing of annual return is prescribed as November 30<sup>th</sup>, failing which penalty at the rate Rs. 100/- per day of delay subject to maximum Rs. 20,000/-.

*The proposed amendment shall come into effect from 1<sup>st</sup> April, 2016.*

✓ **Withdrawal of Exemption on Certain Services:**

The following services which were exempted under the Mega Exemption Notification No. 25/2012 dated 20/06/2012 are now proposed to be made taxable.

- (a) Services provided by a senior advocate to an advocate or partnership firm of advocates, and a person represented on an arbitral tribunal or to an arbitral tribunal. Service tax in the



## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

above instances would be levied under forward charge.

The proposed amendment shall come into effect from April 1st, 2016.

- (b) Transport of passengers by ropeway cable car or aerial tramway. (Entry No. 14(a) of Mega Exemption Notification)

*The proposed amendment shall come into effect from 1<sup>st</sup> April, 2016.*

- (c) Construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1<sup>st</sup> March 2016.

- (d) Transportation of passengers by air conditioned stage carriage will be taxable at the same level of abatement as applicable to the transportation of passengers by a contract carriage i.e. 60% without credit of inputs, input services and capital goods.

*The proposed amendment shall come into effect from 1<sup>st</sup> June, 2016.*

✓ **Significant Changes In Mega Exemption Notification:**

Exemptions available in cases of certain services have been amended in the Mega Exemption Notification No. 25/2012 dated 20/06/2012. Following services are exempted with effect from April 1st, 2016; unless otherwise stated.

- Services provided by Employees' Provident Fund Organization (EPFO) to employees.
- Construction Service:
  - (a) Provided to the Government, a local authority or Government authority in respect of construction of Government schools, hospitals, construction of Ports & Airports have now been made exempt.
  - (b) Provided by way of construction, maintenance etc. of canals, dams or other irrigation work provided to bodies, not necessarily by an act of parliament or state legislature during the period from July 1<sup>st</sup>, 2012 to January 29<sup>th</sup>, 2014 are being exempted from the payment of service tax. The tax so collected shall be refunded back.
- The services of life insurance business provided by way of annuity under the National Pension System (NPS) regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India.
- Services provided by Securities and Exchange Board of India (SEBI) set up under SEBI Act, 1992, by way of protecting the interests of investors in securities and to promote the development of and to regulate the securities market.
- Services provided by a performing artist in folk or classical art forms of music, dance or theatre, subject to Rs. 1.5 lakh per performance.
- Services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by assessing bodies empanelled by Ministry of Skill Development & Entrepreneurship.
- Services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

- Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), Integrated Programme in Management and Fellowship Programme in Management (FPM). The said exemption is effective from March 1<sup>st</sup>, 2016.
  - Services by way of construction, erection, commissioning, installation of original works pertaining to low cost houses up to a carpet area of 60 sq.m per house in a housing project approved by the competent authority under the "Affordable Housing Partnership" component of PMAY or an housing scheme of a State Government.
  - Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of:
    - (a) A civil structure or any other original works pertaining to the 'In-situ rehabilitation of existing slum dwellers' using land as a resource through private participation under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana, only for existing slum dwellers;
    - (b) A civil structure or any other original works pertaining to the beneficiary led individual house construction / enhancement under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana.
- ✓ **Significant Changes in CENVAT Credit Rules:**
- Change in definition of Inputs (Rule 2(k) of CENVAT Credit Rules): Whole CENVAT Credit on Capital Goods valued up to Rs. 10,000/- per piece shall be allowed in the same year in which they are procured.
  - Change in Rule 6(3) : When an Assessee is providing both – Exempted & Non-Exempted Services, then for the purpose of availing CENVAT Credit he may exercise two options :
    - (a) Pay an amount equal to 7% of value of the exempted services, subject to a maximum of the total credit taken; or
    - (b) Pay an amount as determined under sub-rule (3A)

According to Rule 6(3A), CENVAT Credit shall be available for those services only which were used to provide the Taxable Service. Balance Credit shall be apportioned between exempted & non-exempted services in the ratio of their turnover. The credit so calculated for exempted turnover shall be liable for reversal instead of 7% as stated above.
  - Change in definition of Capital Goods (Rule 2(a) of CENVAT Credit Rules): Wagons of sub heading 8606 92 of the Central Excise Tariff Act and equipment and appliance used in an office located within a factory are being included in the definition of Capital goods so as to allow CENVAT credit on the same.
  - Time limit for filing application for refund of CENVAT Credit in case of Export of Services is one year from the date of-
    - (a) Receipt of payment in convertible foreign exchange, where provision of service have been completed prior to receipt of such payment; or
    - (b) Issue of invoice, where payment for the service had been received in advance prior to

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

the date of issue of the invoice.

This Amendment will be effective from March 1, 2016.

✓ **Measures to reduce litigation and provide certainty in taxation:**

- To reduce litigation and provide certainty in taxation, Indirect Tax Dispute Resolution Scheme, 2016 is introduced wherein all cases pending before Commissioner (Appeals) are eligible for settlement, the Assessee after paying the duty, interest and penalty equivalent to 25% of duty shall file a declaration in prescribed format. On filing the declaration the proceedings against the Assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in following cases:
  - (a) Where prosecution has already been launched
  - (b) Involving narcotics & psychotropic substances
  - (c) Involving detention under COFEPOSA.
- Subject to the provisions of this Scheme, a person may make a declaration to the designated authority on or before the 31st day of December, 2016 along with disputed tax plus interest thereon and penalty at the rate 25%.
- The appeal so pending before the Commissioner (Appeals) shall stand disposed of and the declarant shall get immunity from all proceedings under the Act in respect of the indirect tax dispute for which the declaration has been filed under the said scheme

✓ **Miscellaneous Provisions:**

- Cost of fuel shall be included in the consideration charged for providing renting of motor-cab services for availing the abatement at the rate of 60%.
- Services availed from foreign shipping line by a business entity located in India will get taxed under reverse charge mechanism.
- No Prosecution will be initiated where Service Tax above Rs. 2 Crores has been collected but not deposited to the exchequer above Rs. 2 Crores.
- Service Tax on Single Premium Annuity Insurance Policies has been reduced to 1.4% from 3.5% earlier.
- Services provided by Indian Shipping Lines by way of transportation of goods by a vessel to outside India, will be entitled to CENVAT Credit on Inputs, Input Services & Capital Goods.
- Section 66(E) has been amended by way of insertion of Clause (j) to include "assignment by Government of the right to use the spectrum as well as subsequent transfers of assignment of such right to use" as a 'service' leviable to Service tax.
- Notification No. 41/2012- ST, dated the 29th June, 2012 was amended by notification No.1/2016-ST dated 3rd February, 2016 so as to, inter alia, allow refund of Service Tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for the export of the said goods. This amendment is being made effective from the date of application of the parent notification (i.e. 1st July 2012).
- Rule 7 of the Credit Rules dealing with distribution of credit on input services by an Input

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

Service Distributor is being completely rewritten to allow an Input Service Distributer to distribute the input service credit to an outsourced manufacturing unit also in addition to its own manufacturing units.

Presently, Rule 7 provides that credit of Service tax attributable to service used by more than one unit shall be distributed pro rata, based on turnover, to all the units. It is now being provided that an Input Service Distributor shall distribute Cenvat credit in respect of Service tax paid on the input services to its manufacturing unit or units providing output service or to outsource manufacturing units subject to the conditions specified therein.

✓ **Changes in Abatements available on Taxable Value of Services.**

*These abatements shall be effective from 1<sup>st</sup> April, 2016.*

Following changes are proposed to abatements available in calculation of taxable value of various services:

Sr. No.	DESCRIPTION OF TAXABLE SERVICE	Before Budget Abatement Available in %	After Budget Abatement Available in %
1	Services other than "Solely Arranging or Booking of Accommodation"	60%	70%
2	Services provided by foreman to a chit fund	30%	30% (Only if CENVAT Credit of Inputs, Input Services & Capital Goods Have Not Been Aailed)
3	Construction of complex, building, civil structure, or a part thereof,-	a) 75% of the amount charged in case of a residential unit having carpet area of less than 2000 square feet and costing less than Rs 1 crore, and (b) 70% of the amount charged in case of other than (a) above	70%
4	Transport of goods in containers by rail by any person other than Indian Railways	NA	60% (New Levy)
5	Services of goods transport agency in relation to transportation of used household goods.	NA	60% (New Levy)

## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### Central Excise

✓ **The Central Excise Act, 1944.**

- Earlier when any duty of excise had not been levied or paid or has been short-levied or short-paid as the case may be, a Central Excise Officer was empowered to issue notice within a period of one year from the relevant date. The said period is increased to 2 years in cases not involving fraud, suppression, etc.
- The Third Schedule to the Central Excise Act, 1944 is being amended so as to include therein:
  - (a) All goods falling under heading 3401 and 3402;
  - (b) Aluminum foils of a thickness not exceeding 0.2 mm;
  - (c) Wrist wearable devices (commonly known as 'smartwatches'); and
  - (d) Accessories of motor vehicle and certain other specified goods.

**Amendments involving change in the rate of duty**

	<b>Aerated Beverages</b>	<b>From</b>	<b>To</b>
1	Waters, including mineral waters & aerated waters, containing added sugar or other sweetening matter or flavoured	18%	21%
	<b>Tobacco &amp; Tobacco Products</b>		
2	Cigar & cheroots	12.5% or Rs. 3375 per thousand, whichever is higher	12.5% or Rs. 3755 per thousand, whichever is higher
3	Cigarillos	12.5% or Rs. 3375 per thousand, whichever is higher	12.5% or Rs. 3755 per thousand, whichever is higher
4	Cigarettes of tobacco substitutes	Rs. 3375 per thousand	Rs. 3755 per thousand
5	Cigarettes of tobacco substitutes	12.5% or Rs. 3375 per thousand, whichever is higher	12.5% or Rs. 3755 per thousand, whichever is higher
6	Others of tobacco substitutes	12.5% or Rs. 3375 per thousand, whichever is higher	12.5% or Rs. 3755 per thousand, whichever is higher
7	Gutkha, chewing tobacco (including filter khaini) & jarda scented tobacco	70%	81%
8	Unmanufactured tobacco	55%	64%
9	Paper rolled biris (whether handmade or machine made) & other biris (other than handmade biris) However, the effective rate of basic excise duty of Rs.21 per thousand shall remain unchanged	Rs. 30 per thousand	Rs. 80 per thousand

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

#### OTHER PROPOSALS INVOLVING CHANGES IN DUTY RATES :

	<b>Food processing</b>	<b>From</b>	<b>To</b>
1	Refrigerated containers	12.5%	6%
<b>Fertilisers</b>			
2	Micro-nutrients which are covered under Sr. No. 1(f) of Schedule 1 Part(A) of the Fertilizer Control Order, 1985 & are manufactured by the manufacturers which are registered under FCO, 1985	12.5%	6%
3	Physical mixture of fertilizers manufactured by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertilizer Control Order 1985, made out of chemical fertilizers on which duty of exercise has been paid & no credit of duty paid on such chemical fertilisers has been taken under rule 3 of the CENVAT Credit Rules, 2004 & which are intended for supply to the members of such Co-operative Societies	1% (without CENVAT Credit) or 6% (with CENVAT Credit)	Nil
<b>Textiles</b>			
4	To increase tariff value of readymade garments & made up articles of textiles	30% of retail sale price	60% of retail sale price
5	Branded readymade garments & made up articles of textiles of retail sale price of Rs. 1000 or more	Nil (without CENVAT Credit) or 6% / +12.5% (with CENVAT Credit)	2% (without CENVAT Credit) or 12.5% (with CENVAT Credit)
6	PSF/PFY, manufactured from plastic scrap or plastic waste including waste PET bottles	2% (without CENVAT Credit) or 6% (with CENVAT Credit)	2% (without CENVAT Credit) or 12.5% (with CENVAT Credit)
<b>Footwear</b>			
7	Rubber sheets & resin rubber sheets for soles & heels	12.5%	6%
8	Increase the abatement from retail sale price (RSP) for the purposes of excise duty assessment for all categories of footwear	25%	30%
<b>Metals</b>			
9	To change excise duty structure on disposable containers made of aluminium foils	2% (without CENVAT Credit) or 6% (with CENVAT Credit)	2% (without CENVAT Credit) or 12.5% (with CENVAT Credit)

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

	<b>Precious metals &amp; Jewellery</b>	<b>From</b>	<b>To</b>
10	Refined gold bars manufactured from gold dore bar, silver dore bar, gold ore or concentrate, silver ore or concentrate, copper ore or concentrate. Prospectively, the excise duty exemption under the existing area based exemptions on refined gold is being withdrawn	9%	9.5%
11	Refined silver manufactured from silver ore or concentrate, silver dore bar, or gold dore bar. Prospectively, the excise duty exemption under the existing area based exemptions on refined silver is being withdrawn	8%	8.5%
12	Articles of Jewellery (excluding silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald & sapphire) with a higher threshold exemption upto Rs.6 crore in a year & eligibility limit of Rs.12 crore, along with simplified compliance procedure	Nil	1% (without CENVAT Credit) or 12.5% (with CENVAT Credit)
<b>Renewable energy</b>			
13	Unsaturated Polyester Resin (polyester based infusion resin & hand layup Resin), Hardeners/ Hardener for adhesive resin, Vinyl Ester Adhesive(VEA) & Epoxy Resin used for manufacture of rotor blades & intermediates, parts & sub parts of rotor blades for wind operated electricity generators	Nil	6%
14	Carbon pultrusion used for manufacture of rotor blades & intermediates, parts & sub-parts of rotor blades for wind operated electricity generators	12.5%	6%
15	Solar lamp	12.5%	Nil
<b>Civil Aviation</b>			
16	Aviation Turbine Fuel(ATF) other than for supply to Scheduled Commuter Airlines(SCA) from the regional connectivity scheme airports	8%	14%
<b>Maintenance, repair &amp; overhaul (MRO) of aircrafts</b>			
17	Tools & tool kits when procured by MROs for maintenance, repair & overhauling (MRO) of aircraft subjected to a certification by The Directorate General of Civil Aviation	Applicable excise duty	Nil
<b>Electronics &amp; IT Hardware</b>			
18	Charger/adapter, battery & wired headsets/ speakers for supply to mobile phone manufacturers as original equipment manufacturer	Nil	2% (without CENVAT Credit) or 12.5% (with CENVAT Credit)

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

		From	To
19	Inputs, parts & components, subparts for manufacture of charger/ adapter, battery & wired headsets/ speakers of mobile phones, subject to actual user condition	12.5%/Nil	Nil
20	Routers, broadband modems, set-top boxes for gaining access to internet, set-top boxes for TV, digital video recorder(DVR)/ network video recorder(NVR), CCTV camera/ IP camera, lithium ion battery (other than those for mobile handsets)	12.5%	4% (without or CENVAT Credit) 12.5% (with CENVAT Credit)
21	Parts & components, subparts for manufacture of routers, broadband modems, set-top boxes for gaining access to internet, set-top boxes for TV, digital video recorder(DVR)/ network video recorder(NVR), CCTV camera/ IP camera, lithium ion battery (other than those for mobile handsets)	12.5%	Nil
<b>Machinery</b>			
22	Electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump	12.5%	6%
<b>Automobiles</b>			
23	Specified parts of electric vehicles & hybrid vehicles	6% upto 31.03.2016	6% without limit
24	Engine for XEV(hybrid electric vehicle)	12.5%	6%
<b>Miscellaneous</b>			
25	Excise duty on sacks & bags of all plastics is being rationalized at 15%	12.5%/15%	15%
26	Disposable sterilized dialyzer & micro barrier of artificial kidney	12.5%	Nil
27	Ready mix concrete manufactured at the site of construction for use in construction work at such site	2% (without input tax credit)/6% (with input tax Credit)	Nil
28	Parts of railway or tramway locomotives or rolling stock & railway or tramway track fixtures & fittings, railway safety or traffic control equipment, etc.	12.5%	6%
29	Remnant kerosene, presently available for manufacture of Linear Alkyl Benzene(LAB) & heavy alkylate (HA) to N-paraffin. At present, exemption is restricted to manufacturers of LAB & HA	14%	Nil
30	Clean Energy Cess/ Clean Environment Cess on coal, lignite or peat produced or extracted as per traditional & customary rights enjoyed by local tribals without any license or lease in the state of Nagaland	Rs.200 per tonne	Nil



## Analysis of The Finance Bill - 2016 Significant Proposals in Brief

### Custom Act 1962

✓ **Amendments in Custom Act 1962:**

- Warehousing provisions are being simplified so as to move from physical control to record based control in most of cases. Several other consequential changes are also being made.
- Sections 28, 47, 51 and 156 of the Customs Act, 1962 is being amended so as provide for deferred payment of customs duties to certain class of importers and exporters and to increase the limitation period from one year to two year in cases not involving fraud, suppression of facts, willful mis-statement, etc.
- New section 58A is being inserted to provide for a new class of warehouses which require continued physical control and will be licensed for storing revenue sensitive goods.
- New section 58B being inserted so as to regulate the process of cancellation of licenses which is a necessary concomitant of licensing. Section 65 is being amended to delete the payment of fees to Customs for supervision of manufacturing facilities under Bond; and empower Principal Commissioner or Commissioner of Customs to license such facilities.

**A amendments affecting rates of duty**

	Articles of rubber	From	To
1	Natural latex rubber made balloons falling under specified headings Metals	10%	20%
2	Primary aluminium	5%	7.5%
3	Zinc alloys	5%	7.5%
<b>Jewellery</b>			
4	Imitation jewellery	10%	15%
<b>Renewable energy</b>			
5	Industrial solar water heater	7.5%	10%
<b>Capital goods and parts thereof</b>			
6	Increase the tariff rate of BCD for 211 specified tariff lines in Chapters 84,85 and 90	7.5%	10%
	a) The effective rates for 96 specified tariff lines will increase	7.5%	10%
	b) The effective tariff rate for 115 tariff lines will be maintained	7.5%	7.5%

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

#### BCD/CVD/SAD/Export Duty

	Export duty Ores and concentrates	From	To
1	Iron ores with Fe content below 58%	10%	Nil
2	Iron ore lumps with Fe content below 58%	30%	Nil
3	Chromium ores and concentrates, all sorts	30%	Nil
4	Bauxite (natural) not calcined or calcined	20%	15%
<b>Basic customs duty Food processing</b>			
1	Cashew nuts in shell	Nil	5%
2	Cold chain including pre-cooling unit, sorting and grading lines and ripening chambers	10%	5%
3	Refrigerated containers	10%	5%
<b>Mineral fuels and mineral oils</b>			
4	Coal, briquettes, ovoids and similar solid fuels manufactured from coal	2.5% / 10%	2.5%
5	Lignite, whether or not agglomerated, excluding jet	10%	2.5%
6	Peat (including peat litter) whether or not agglomerated	10%	2.5%
7	Coke and semi coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	5% / 10%	
8	Coal Gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10%	5%
9	Tar distilled from coal, from lignite or from peat and other mineral tars. Whether or not dehydrated or partially distilled, including reconstituted tars	10%	5%
10	Oils and other products of the distillation of high temperature coal tar similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents	2.5% / 5% / 10%	2.5%
11	Pitch and pitch coke, obtained from coal tar or from other mineral tars	5% / 10%	5%
<b>Petroleum exploration and production</b>			
12	Goods required for exploration and production of hydrocarbon activities undertaken under the Petroleum Exploration Licenses(PEL) or Mining Licenses(L) issued or renewed before 1st April 1999	Applicable BCD and CVD	BCD-NilCVD-Nil
<b>Chemicals and Petrochemicals</b>			
13	All acyclic hydrocarbons and all cyclic hydrocarbons (other than para-xylene which attracts Nil BCD and styrene which attracts 2% BCD)	5%/2.5%	2.5%

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

		From	To
14	Denatured ethyl alcohol (Ethanol) subject to actual user condition	5%	2.5%
15	Orthoxylene for the manufacture of phthalic anhydride subject to actual user condition	SAD-4%	SAD-2%
16	Electrolysers, membranes and their parts required by caustic soda/potash unit using membrane cell technology	2.5%	Nil
<b>Paper, Paperboard and newsprint</b>			
17	Wood in chips or particles for manufacture of paper, paperboard and news print	5%	Nil
18	Plans, drawings and designs	Nil	10%
<b>Textiles</b>			
19	Specified fibres and yarns	5%	2.5%
20	Specified fabrics (for manufacture of textile garments for export) of value equivalent to 1% of FOB value of exports in the preceding financial year subject to the specified conditions. The entitlement for the month of March 2016 shall be one twelfth of one percent of the FOB value of exports in the financial year 2014-15	Applicable BCD	Nil
<b>Electronics/Hardware</b>			
21	Polypropylene granules/resins for the manufacture of capacitor grade plastic films	7.5%	Nil
22	E-readers	Nil	7.5%
23	Parts of E-readers	Applicable BCD	5%
24	Magnetron of capacity of 1 KW to 1.5KW for use in manufacture of domestic microwave ovens subject to actual user condition	10%	Nil
25	Machinery, electrical equipment and instrument and parts thereof (except populated PCBs) for semiconductor water fabrication/LCD fabrication units	Applicable BCDSAD	Nil BCD Nil SAD
26	Machinery, electrical equipment and instrument and parts thereof (except populated PCBs) imported for Assembly, Test, Marking and Packaging of semiconductor chips ATMP	Applicable BCDSAD	Nil BCD Nil SAD
27	The exemption from the basic customs duty, CV duty, SAD on charger/adaptor, battery and wired headsets/speakers for manufacture of mobile phone being withdrawn	BCD-Nil CVD-Nil SAD-Nil	Applicable BCD CVD-12.5% SAD-4%
28	Inputs parts and components, subparts for manufacture of charger/adaptor, battery and wired headsets/speakers of mobile phones, subject to actual user condition	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

		From	To
29	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder(DVR)/ network video recorder (NVR), CCTV camera/IP camera, lithium ion battery (other than those for mobile handsets)	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
30	Magnetic – Heads (all types), Ceramic / Magnetic cartridges and stylus, Antennas, EHT cables, Level metres/level indicators/tuning indicators/peak level meters/ battery meter/ VC meters/ Tape counters, Tone arms, Electron guns	Nil BCD	Applicable BCD
31	To execute specified telecommunication equipment (Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway controllers and session border controllers, Optical Transport equipment; combination of one/more of Packet Optical Transport Product/Switch (POTP/POTS), Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multi-protocol label Switching-Transport Profile (MPLS-TP) products, Multiple Input/Multiple Output (MIMO) and Long Term Evolution(LTE) Products on which 10% BCD was imposed in 2014-15 Budget being non-ITA I bound from purview of the other exemption	Nil BCD	10%
32	Preform of silica for manufacture of telecom grade optical fibre/cables	Nil	10%
33	Specified capital goods and inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses, and Thermal fuses	Applicable BCD	Nil
34	Neodymium Magnet (before Magnetization) and Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) for manufacture of BLCD motors, subject to actual user condition	Applicable BCD	2.5%
35	Populated PCBs for manufacture of personal computers (laptop or desktop)	Nil SAD	4% SAD
36	Populated PCBs for manufacture of mobile phone/tablet computer	Nil SAD	2% SAD
<b>Metals, glass and ceramics</b>			
37	Silica Sand	5%	2.5%
38	Brass scrap	5%	2.5%
39	Other aluminium products	7.5%	10%

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

	<b>Jewellery</b>	<b>From</b>	<b>To</b>
40	Gold dore bars	8% CVD	8.75% CVD
41	Silver dore	7% CVD	7.75% CVD
<b>Automobiles</b>			
42	Golf cars	10%	60%
43	Specified parts of electric and hybrid vehicles	BCD-Nil CVD-6% Up to 31.03.2016	BCD-Nil CVD-6% Without time limit
44	Aluminium Oxide for use in the manufacture of Wash coat, which is used in the manufacture of catalytic converters, subject to actual user condition	7.5%	5%
45	Engine for xEV (hybrid electric vehicle)	Applicable BCD and CVD	Nil BCD 6% CVD
<b>Capital Goods</b>			
46	Specified machinery required for construction of roads	CVD-Nil	CVD-12.5%
<b>Defence Production</b>			
47	Direct imports of specified goods by Government of India or State Governments with effect from 01.04.2016	BCD-Nil CVD-Nil SAD-Nil	Applicable BCD, CVD, SAD
48	Imports of specified goods for defence purposes by contractors of the Government of India, PSUs or sub-contractors of PSUs, with effect from 01.04.2016	BCD-Nil Applicable CVD and SAD	Applicable BCD, CVD and SAD
<b>Maintenance, repair and overhaul (MRO) of aircrafts</b>			
49	Tools and tool kits when imported by MROs for maintenance, repair, and overhauling(MRO) of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable BCD, CVD and SAD	Nil BCD Nil CVD Nil SAD
<b>Ship repair Units</b>			
50	Capital goods and spare thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit subject to actual user condition	Applicable excise duty	Nil
<b>Miscellaneous</b>			
51	Braille paper	10%	Nil
52	Disposable sterilized dialyzer and micro barrier of artificial kidney	Applicable BCD, CVD, SAD	Nil BCD Nil CVD, Nil SAD
53	Solar tempered glass/solar tempered (anti-reflective coated) glass, subject to actual user condition	Nil	5%

## Analysis of The Finance Bill - 2016

### Significant Proposals in Brief

		From	To
54	Medical Use Fission Molybdenum-99 imported by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals	7.5%	Nil
55	Pulp of wood for manufacture of sanitary pads, napkins and tampons	5%	2.5%
56	Super Absorbent Polymer when used for the manufacture of sanitary pads, napkins and tampons	7.5%	5%
57	Merge the exemptions from the customs duties on specified goods imported for petroleum exploration under various types of licenses or mining licenses, pre-NELP contracts, NLP contracts, Marginal Fields Policy and the Coal Bed Methane Policy into a single exemption with a unified list of specified goods and conditions	Nil BCD Nil CVD Nil SAD	Nil BCD Nil CVD Nil SAD
58	Specified goods required for exploration and production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) Mining Licenses (ML) issued or renewed before 1st April 1999.	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
59	"Foreign Satellite data" on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD

**TDS Rates for Financial Year 2016-17 (A.Y. 2017-2018)**

PARTICULARS			DUE DATE		Rate applicable (in %)			
Section	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is a Co-op. Society, Firm, LLP	If recipient is an Individual, HUF	Invalid PAN No. / No PAN
Sec-194A	Interest from Banks, Post Office, Co-op Bank	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194A	Other Interest	Payment in excess of Rs. 5,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194B	Winnings from Lottery or Crossword Puzzle	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made		NA	NA	30.00	30.00
Sec-194BB	Winnings from Horse Race	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	NA	30.00	30.00
Sec-194C	Contracts including Sub-contracts and Advertisements	Payment in excess of Rs. 30,000 per contract of Rs. 1,00,000 p.a.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	1.00	20.00
Sec-194D	Insurance Commission	Payment in excess of Rs. 15,000 p.a.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	5.00	20.00
Sec-194H	Commission or Brokerage	Payment in excess of Rs. 15,000 p.a.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	5.00	20.00
Sec-194J	Professional Charges	Payment in excess of Rs. 30,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
	Remuneration Paid to Director Other than Salary	NIL	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194I	Rent of Land, Building, Furniture and Fittings	Payment in excess of Rs. 1,80,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194I	Rent of Plant & Machinery	Payment in excess of Rs. 1,80,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	2.00	20.00
Sec-194IA	Payment of Transfer of Immovable Property other than agricultural land	Consideration exceeds Rs. 50,00,000	Before registering the documents with the registrar	Within One Month from the end of the month in which deduction is made.	1.00	1.00	1.00	20.00
Sec-194LA	Payment of Compensation on compulsory acquisition of Immovable Property	Payment in excess of Rs. 2,50,000 p.a.	On the date of deduction	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00

Note :1) TDS is required to be deducted u/s 194-C in case of payment to transporter, if contractor owns more than 10 goods carriages at any time during the year.

**TDS Rates for Financial Year 2016-17 (A.Y. 2017-2018)**

PARTICULARS			DUE DATE		Rate applicable (in %)			
Section	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is a Co-op. Society, Firm, LLP	If recipient is an Individual, HUF	Invalid PAN No. / No PAN
Sec-194LB	Interest on Infrastructure debt fund paid to non-resident individual or to a foreign company	NIL	At the time of making payment or credit which ever is earlier	-	5.00	5.00	5.00	20.00
Sec-194LBA	Income distributed by business trust to it's unit holders	-	-	-	-	5.00	5.00	20.00
Sec-194LC	Interest on loan paid to non-resident individual for or to a foreign company approved by Central Government by a specified Company and subscribing long term infrastructure bond	NIL	At the time of making payment or credit which ever is earlier	-	5.00	5.00	5.00	5.00
Sec-194DA	Taxable payment of Life Insurance policy in excess of Rs. 1,00,000.00	-	-	-	-	-	1.00	20.00

**TCS Rates for Financial Year 2016-17 (A.Y. 2017-2018)**

Section	Nature of Payment	Individual, HUF, BOI, AOP	Firms & LLP	Co-op. Soc. Local Authority	Company
206C	Scrap	1.00	1.00	1.00	1.00
206C	Tendu leaves	5.00	5.00	5.00	5.00
206C	Timber obtained by any mode and any other forest produce	2.5	2.5	2.5	2.5
206C	Alcoholic liquor for human consumption and Indian made foreign liquor	2.5	2.5	2.5	2.5
206C	Parking lot, tall plaza, mining and quarrying	2.00	2.00	2.00	2.00
206C	Minerals being coal or lignite or iron ore	1.00	1.00	1.00	1.00
206C	Motor Vehicle, Value exceeding 10 Lacs	1.00	1.00	1.00	



**TDS Rates for Financial Year 2016-17 (A.Y. 2017-2018)**

PARTICULARS			DUE DATE		RATES		
Section	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is an Individual, Firm, LLP, HUF, or Co-op. Society	Invalid PAN No. / No PAN
Sec-195	Payment to Non Resident				IT	IT	IT
a	Income from Foreign Exchange Assets payable to an Indian citizen	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	20.00	20.00
b	Income by way of Long Term Capital Gains - 115E	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	10.00	20.00
c	Short Term Capital Gain - 111A	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	15.00	15.00	20.00
d	Long Term Capital Gains other than 10(33), 10(36) & 10(38)	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
e	Income by way of Interest payable by Government/Indian Concerns on Money borrowed in Foreign Currency	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
f	Royalty agreement before June 1, 1997	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	30.00	30.00	30.00
f	Royalty agreement after May 31, 1997 & before June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
f	Royalty agreement after June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	25.00	25.00	25.00
h	Fees for technical Services before June 1997	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	30.00	30.00	30.00
h	Fees for technical Services May 31, 1997 & before June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
h	Fees for technical Services after June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	25.00	25.00	25.00
i	Any other Income if recipient is a Non Resident & Non corporate assessee	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	30.00	30.00
j	Any other Income if recipient is a Non Domestic Company	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	40.00	NA	40.00
k	Payment to sportsman/sport Asso. & entertainer	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
l	Income distributor by a business trust to its unit holder (sec.194 LBA)	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	20.00

Note: 1) Rate of deduction in case of non-domestic companies having income more than Rs. 1 Crore will be increased by surcharge @ 2% and 5% having income more than Rs. 10 Crores.

2) Rate of deduction in case of all NRIs including non-domestic companies will be increased by education cess @3%

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