



the fine print

The Finance Bill, 2015 was tabled this afternoon– **Here's what the Team FM 2015 delivered:**

On tax rates / tax saving investments

- In all cases where there was a surcharge applicable (other than on foreign companies) an **additional surcharge of 2%** will be applicable. Effective Surcharge is now 12%.
- Accordingly, for individuals / HUFs having an income beyond Rs. 1 crore, the tax rate increases from 33.99% to **34.608%**.
- For Partnerships / LLPs having a taxable income beyond Rs. 1 crore, the tax rate increases from 33.99% to 34.608%.
- For Companies (other than Foreign Companies), for income beyond Rs. 1 crore, the tax rate increases from 32.445% to 33.063%. And for income beyond Rs. 10 crores, the tax rate increases from 33.99% to 34.608%.
- The Effective rate for Dividend Distribution tax will increase from 19.994% to 20.358%.
- **Wealth Tax stands abolished** as a levy. However reporting of assets which were liable to wealth tax will be made necessary in Income Tax filings.
- 80C will now include investments made for a girl child under the **Sukanya Samriddhi Account** – this is a bank account that can be opened for a girl child upto the age of 10 years, upto Rs. 150,000 can be deposited by the parent or legal guardian and income, currently at 9.1%, is exempt from tax.
- 80D – Eligible **Mediclaim** expected to increase from Rs. 15,000 to Rs. 25,000. For Mediclaim paid for Senior Citizens, increased from Rs. 20,000 to Rs. 30,000. Further an Individual can also claim medical expenditure on a very senior citizen parent upto Rs. 30,000 who is not covered by Medical insurance. The aggregate claim for Parents however will be capped at Rs. 30,000.
- 80DD/ 80DDDB – **Medical expenditure** incurred by Resident on treatment of dependants for certain ailments has been substantially increased. Similarly the deduction u/s 80U for persons suffering from disability have also been substantially increased.
- 80CCC – eligible deduction for **investment in Pension Funds** increased to Rs. 150,000 (subject to an aggregate cap of Rs. 1,50,000 u/s 80C, 80CCC and 80CCD(1)). A further deduction of upto Rs. 50,000 can be claimed from a contribution to the National Pension Scheme.

As a Businessman

- Setting up of **industry in the States of Telangana or Andhra Pradesh** will be eligible for a 35% additional depreciation and an Additional Investment Allowance of 15% if investment exceeds Rs. 25 crores.
- **Royalties and Fees for technical Services** remitted abroad will be taxable at 10% u/s 115A and not 25%.
- For any **manufacturer employing at least 50 workers**, if the increase in regular workmen during a year is more than 10% of existing staff then a deduction of 30% of the additional wage bill will be allowed u/s 80JJA. Earlier this deduction was restricted only to companies and only those that hired at least 100 workers.
- For Plant and machinery installed after 30th September, **Additional Depreciation** was normally allowed at only 10% i.e. for half the year only. Now the balance Additional Depreciation of a further 10% can be claimed in the next year.
- **Transfer Pricing on Specified Domestic Transactions** between related concerns will be applicable only if the aggregate value of such transactions is more than Rs. 20 crores (earlier Rs. 5 crores).

As an investor

- **Sale of shares of a foreign entity** which derived its value substantially from assets located in India was treated as an indirect transfer of an Indian asset and was taxable in India. This has been further streamlined and detailed guidelines have been put in of what constitutes assets located in India. These provisions will apply to cases where assets located in India exceed Rs. 10 crores and constitute substantially at least 50% of the assets of the foreign entity.
- An Indian entity which is so owned by a foreign entity will have to make suitable disclosures relating to an offshore transaction of this kind. Non-disclosure of a transaction is liable to a huge penalty.
- **Amalgamation of Mutual Fund Schemes** will not constitute a transfer of asset leviable to Capital Gains Tax.

As a Deductor of TDS

- **No TAN needed** for one off deductions for purchase of immoveable property from a Non Resident.
- Exemption from **TDS on payments for road transport** applicable only if the transporter has a PAN and does not own more than 10 goods carriages and certifies this in writing. TDS will be applicable in all other road transport contracts.
- All **payments made to Non Residents** will have to be reported in TDS returns, including those where the TDS applicable was Nil, failing which a penalty of Rs. 100,000 is prescribed.

As a Service Provider

- Service Tax **Rate increased from 12.36% to 14%**.
- Service tax **now applicable on** admissions to certain entertainment events, non-recognized sporting events in excess of Rs. 500 per ticket; performing artists in music, dance or theatre charging in excess of Rs. 100,000 now subject to service tax.
- **Increase in** rate of service tax on transport of goods by road to 30% and for air passengers travelling in other than economy class to 60% and **reduction** in transfer of goods by vessels to 30% **w.e.f. 1st April 2015**.
- Service tax **exemption** now made available for ambulance services, admissions to museums, zoos, national parks amongst others.
- Manpower supply and security services to be under 100% reverse charge mechanism.
- For **reimbursement of expenses or cost** to provide a service, to be included in value of taxable services.
- Reduction in **penalty** amounts not involving fraud or collusion between 0% to 25% of service tax and in cases involving fraud or collusion between 15% to 100% of service tax.
- **Registration** of service tax will be given in two workings days.
- **Digitally signed invoices** can now be issued and electronic records maintained.
- **Input credit** can be taken within a period of 12 months.

For Curbing Black Money

- Stringent steps are being taken to curb Black Money. Accordingly:-
- Acceptance of cash / repayment by cash as an advance towards proposed transfer of immoveable Property beyond Rs. 20,000 will be penalized u/s 269SS/ 269T.
- The power to take **action under FEMA** and **Money Laundering Act** for unauthorized assets held abroad has been strengthened.
- A new law will be enacted to deal with **Black Money held abroad** – this is likely to include penalty of 300%, prosecution for upto 10 years with no compounding; action for non-disclosure of assets abroad in tax returns filed; need to specify the date of opening a foreign bank account in tax filings;
- A new law is also expected to be enacted to deal with **Black Money held in India** – a legislation preventing benami transactions will be promulgated. Quoting of PAN will be mandatory for all sales / purchases exceeding Rs. 100,000.

Generally

- An **offshore company** will be treated as being a Resident of India if its Place of Effective Management is in India. Thus offshore shell companies will no longer be exempt from tax merely because some control is based outside India.
- General Anti Avoidance Rules (**GAAR**) deferred to transactions only after 1st April 2017.
- Direct Tax Code (**DTC**) scrapped.
- Goods and Services Tax (**GST**) to be introduced from 1st April 2016.
- A **Gold Monetization Scheme** is expected to be introduced similar to Gold Bond Schemes and the product will carry interest.

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The above is a gist of some of the key amendments proposed. We recommend that you seek suitable professional advice before acting on them.