



## Here's what the Finance Bill 2016 says:

### On Tax Rates and Exemptions

- **Individuals** / HUFs with taxable income in excess of Rs. 1 crore – **surcharge increased to 15%** from 12%
- Every Resident assessee (other than a company) who earns tax free **dividend on shares (not Mutual Funds) in excess of Rs. 10 lakhs** will pay a 10% tax on such dividend.
- **80GG deduction for rent paid** by persons not earning HRA extended to rent paid upto Rs. 5000 p.m. (earlier Rs. 2000 p.m.)
- Assesses earning a taxable income of upto Rs. 500,000 to get a **tax rebate** of upto Rs. 5000 (earlier Rs. 2000).
- A **1% tax will be collected at Source (TCS)** by the seller from the **purchaser of a motor vehicle** by any mode exceeding Rs. 10 lakhs and from the **purchaser** of any article (other than bullion or jewellery) or services **in cash** exceeding Rs. 2 lakhs.
- the additional deduction of Rs. 50,000 on housing loan interest for first time house purchases of upto Rs. 50 lakhs from loans not exceeding Rs. 35 lakhs extended.
- Amount received on withdrawal from a Recognized Employees Provident Fund from contributions made after 1.4.2016 or from National Pension Scheme or commutation of an annuity purchased after 1.4.2016 from an Approved Superannuation Fund shall be exempt only upto 40% of the accumulated balance. Contribution to an approved Superannuation Fund exempt upto Rs. 150,000.
- Redemption of **Sovereign Gold Bonds** made tax free. **Interest on Gold Monetization Scheme Bonds** also made tax free.
- **Presumptive Tax** on 50% of receipts provided **for professionals** earning upto Rs. 50 lakhs per year. Tax Audit limit also raised to receipts in excess of Rs. 50 lakhs.
- **Presumptive Tax** on 8% of business turnover extended to cases where turnover does not exceed Rs. 2 crores (earlier Rs. 1 crore) but made more stringent – once you opt out cannot be covered for 5 years.
- **Companies** with a turnover not exceeding Rs. 5 crores in year ended March 2015 – **tax reduced to 29%** from 30%
- STT on **sale of options** increased to 0.050% from 0.017%.
- Income from **Patents** developed and registered in India will be taxed at 10%.
- For **manufacturing companies incorporated after 1.3.2016**, the tax rate will be **25%** instead of 30%, provided they do not claim any tax benefits such as 10AA or additional depreciation, investment allowance and the like.
- An eligible **Start Up** will get an exemption from tax for 3 years. This is available for eligible business involving innovation and which are driven by technology or intellectual property.
- Tax exemption are being provided for **developing affordable housing projects** approved by 31.3.2019 and completed within 3 years therefrom.
- 80JJA benefit **for hiring new workman at a factory** extended to non-corporates; conditions related to expansion of workforce by 10% deleted and number of days of employment also liberalized.
- A 6% **equalization levy** is provided for cases where money is remitted towards online / digital advertising to a Non Resident not having a Permanent Establishment in India and exceeding Rs. 1 lakh.

- Roadmap has been provided for **phasing out of tax incentives** such as – profits if an SEZ unit u/s 10AA / 35AC / 80IA/ IAB/IB / accelerated depreciation / sec 35 weighted deductions on Research / 35AD Investment Allowances
- Provisions relating to determine Place of Effective Management (POEM) deferred by one year.

### On asset sales and restructurings

- Computation of sale consideration for **Capital Gains u/s 50C** – now based on stamp duty value when rate was negotiated subject to certain conditions.
- An exemption from Long Term Capital Gains will be allowable for an investment of upto Rs. 50 lakhs in the units of a **Start Up Fund of Funds** notified for this purpose in addition to Rs. 50 lakhs invested in 54EC bonds.
- **Conversion of companies into LLPs** to be tax exempt provided, inter alia, value of assets is not more than Rs. 5 crores in preceding 3 years.

### On procedures under Tax law

- **Advance Tax** to be paid by all assesses now in 4 Installments – June, September, December and March.
- **TDS provisions liberalized** – TDS to be done for contractual payments in excess of Rs. 100,000 (earlier Rs. 75000); property purchase in excess of Rs. 250000 (earlier Rs. 200,000); Commission in excess of Rs. 15,000 (earlier Rs. 5,000) and now at 5% (earlier 10%).
- Filing of **15G/15H** forms permitted in cases of individuals / HUFs earning income from rentals.
- TDS of 20% for not having a PAN to be liberalized for Non Residents.
- Filing of returns required for cases where exempted capital gains is more than Rs. 250,000.
- Filing of **Belated Returns** - Period for filing belated returns reduced by 1 year. In case of belated returns, interest u/s 244A on refunds to start only from the date of filing of the return. Revision of belated returns permitted.
- **Processing of returns** u/s 143(1) enabled again even for cases under scrutiny.
- Period for **completing assessments** moved back to December instead of March.
- In case of delay beyond 90 days in giving effect to an appeal order, refunds to carry a further interest of 3%.
- **Penalty provisions** for concealment of income streamlined and penalty reduced to 50% for under reported income and 200% for misreported income.

### On Amnesty / Settlement of past disputes

- **Income declaration Scheme 2016** – Income not reported in the past and not covered under the Black Money Act can be reported during a special compliance window by paying an all-inclusive tax of 45% thereon. If income is represented by assets, the value of the assets will be deemed to be the value of the unreported income. Immunity provided from Wealth tax Act as well as Benami Transactions (Prohibition) Act, 1988.
- A **Tax Dispute Resolution Scheme** proposed – where litigation before a CIT(Appeals) can be withdrawn by paying tax and interest till date of the order and a limited penalty.

### On Service Tax

- **Rate increased from 14.5% to 15% by imposition of Krishi Kalyan Cess w.e.f. 1<sup>st</sup> June 2016 and input credit available for only this cess.**
- Levy now extended to services provided by a **Senior Advocate** to an advocate or firm of legal services;
- **transportation** of goods by vessel from outside India upto customs stations in India;
- Exemption for services provided by **SEBI; performing artistes** in music, dance or theatre charging upto Rs. 1,50,000 (earlier Rs. 100,000)
- **Construction of residential complexes** now at a flat rate of 4.2%.
- One Person Company and HUF can pay **quarterly payments** and One Person Company can pay service tax on receipt basis.
- **Interest** on delayed payment of service tax reduced to 15% except in cases where service tax is collected but not deposited wherein interest rate will be 24%.
- For **transport of goods by rail or vessel**, input credit can be availed against output liability at abated rate.
- Total **number of returns** for certain assesses to be now **3 including an annual return.**
- **Limitation period** extended from 18 months to 30 months for non-payment of service tax.
- **Power to arrest** restricted to cases where service tax collected but not paid and amount exceeds Rs. 2 crores.

**February 29<sup>th</sup> 2016**

The above is a gist of some of the key amendments proposed by the Finance Bill 2016.  
We recommend that you seek suitable professional advice before acting on them.