



throwing light

Finance Bill 2006

How the Finance Bill 2006 affects you:

AS A TAX PAYER

Tax rates unchanged.

AS AN EMPLOYER

Fringe Benefit Tax -

- 5% of tour and travel expenses (including foreign travel) – earlier 20%. **SIGNIFICANT**
- Contribution to Superannuation fund not to be included upto Rs. 100,000 per employee.
- Expenditure on brand ambassadors not to be included in publicity expenses.
- Expenditure on free or subsidized transport to employees between residence to work place not to be included. **SIGNIFICANT**

AS A BUSINESSMAN

- Disallowance of expenses incurred to earn tax free income (Section 14A) shall be computed according to a method which will be prescribed.
- Deduction for interest paid to Banks / Financial Institutions shall be disallowed u/s 43B in cases where interest is not specifically paid but is merely converted into loans – *Retrospective Amendment*

AS AN INVESTOR

- Deduction u/s 80C to be allowed even in respect of term fixed deposit placed with a Scheduled Bank with a minimum maturity of 5 years. **SIGNIFICANT**
- Deduction for pension u/s 80CCC can be claimed upto Rs. 100,000 including a deduction claimed u/s 80C. Earlier limit of Rs. 10,000 withdrawn.
- Securities Transaction Tax rates increased by 25% as under:- **SIGNIFICANT**

Delivery based transactions	0.125%
Trading transactions	0.025%
Derivatives	0.017%

AS A COMPANY

The provisions of Minimum Alternate Tax (MAT) u/s 115JB have been changed as under:-

- MAT rate increased to 11.22% from 8.415% **SIGNIFICANT**
- MAT to be paid on Long Term Capital Gains which are otherwise exempt from tax.
- No deduction will be allowable from book profit on depreciation on revalued assets. **SIGNIFICANT**
- Credit for MAT paid u/s 115JB can now be availed within 7 years. **SIGNIFICANT**

AS A PROVIDER OF SERVICES **SIGNIFICANT**

- Service Tax Rate increased to 12.24%.

- Some new services covered:- Registrar and Share Transfer Agents; ATM paid services; Advertisement Space; Sponsorship Services; International Air Travel (other than in Economy Class); Credit – Debit – Charge Card services.
- Scope expansion in existing taxable services:- transfer of money; management consulting services; all services rendered by CAs and Company Secretaries;
- Clarified that Services rendered by a person outside India but availed of by a person in India for business is subject to service tax and tax to be paid by the recipient of the service.
- Service Tax supporting documents to be maintained for 5 years
- Penalty for late payment of service tax @ Rs. 200 per day or 2% of tax due per month, whichever is higher.

AS A TRUSTEE OF A TRUST **SIGNIFICANT**

Any anonymous donations received (i.e. a donation where a trust does **not** maintain a record of identity of the donor including the name, address and such other information which will be prescribed) by a Charitable trust will be taxed at a flat rate of 30%. This provision does **not** apply to a purely Religious Trust. In case of a trust which is formed for Charitable as well as Religious purposes, this provision applies in case of donations received with a specific direction that they are for an educational institution or a medical institution run by such trust.

AS AN ASSESSEE

All assessment procedures will hence forth get time barred on 31st December instead of 31st March.

AS A DEDUCTOR OF TDS

- In case of late payment of TDS, interest has to be paid on self assessment basis before filing of quarterly TDS return.
- Failure to mention correct TAN on return, challan or TDS certificate will attract a penalty of Rs. 10,000

CAVEAT

The changes proposed by the Finance Bill 2006 will become the law only after the Bill receives the President's assent. Most changes will apply to the accounting year commencing on 1st April 2006.

The above is merely a gist of the amendments proposed. We recommend that you seek professional advice before implementing them.