



UNION BUDGET 2015-16



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Overview

Direct Tax

- ✓ Government not going ahead with Direct Tax Code
- ✓ Bringing down Corporate tax rate from 30% to 25% over a period of four years
- ✓ Measures to promote domestic manufacturing and improving the investment climate
- ✓ Measures to curb black money
- ✓ GAAR deferred by 2 years
- ✓ Wealth tax abolished

Overview

Indirect Tax

- ✓ Proposed date for GST implementation announced
- ✓ Peak rate of Excise duty enhanced
- ✓ Rate of Service tax changed from 12.36% to 14%
- ✓ Introduction of Swachh Bharat Cess – levied on value of taxable service
- ✓ Rate of Basic Custom Duty remain unchanged

DIRECT TAX

Direct Tax

Effective from April 1, 2015

- ✓ Surcharge on every individual, HUF, AOP, BOI, Artificial juridical person, firm & Co-operative society increased from 10% to 12% on income in excess of rupees one crore
- ✓ Surcharge for domestic companies having:
 - Income in excess of one crore but less than ten crores increased from 5% to 7%
 - Income in excess of ten crores increased from 10% to 12%
- ✓ Surcharge on dividend distribution tax, on distributed income to shareholders, tax on distributed income to unit holder & tax on distributed income to investors by securitization trust increased from 10% to 12%

Direct Tax

Effective from April 1, 2015

- ✓ Surcharge for other than domestic company remains unchanged
- ✓ Residential status of companies of foreign company to be based on principles of effective place of business
- ✓ Clarification on provisions relating to indirect transfers introduced
- ✓ Interest paid by an Indian branch of foreign bank will be liable to TDS, both deemed to be separate & independent
- ✓ Location of Fund manager is not relevant for the purpose of determining the residential status of eligible Investment fund

Direct Tax

Effective from April 1, 2015

- ✓ Income earned and withdrawals made from the account under Sukanya Samriddhi Scheme will be exempted from tax
- ✓ Yoga to be classified as a charitable activity
- ✓ Income of Core Settlement Guarantee Fund exempt from tax
- ✓ Additional depreciation @ 20% on specified assets, will be restricted to 50%, in case of assets put to use for less than 180 days
- ✓ Additional depreciation increased from 20% to 35% in case of new asset purchased by an undertaking setup in notified backwards areas of Andhra Pradesh & Telangana

Direct Tax

Effective from April 1, 2015

- ✓ Additional allowance @ 15% of new asset cost in case of new undertaking setup in notified backwards areas of Andhra Pradesh & Telangana
- ✓ Approved in-house R&D facility u/s 35(2AB) to maintain separate books of account & the same to be audited
- ✓ Tax neutrality on merger/consolidation of similar schemes of Mutual funds
- ✓ SDT limit increased from Rs 5 crores to Rs 20 crores
- ✓ Tax on Royalty and fees for technical services to a non-resident is reduced to 10% from 25%

Direct Tax

Effective from April 1, 2015

- ✓ Share of profits from an AOP, including related expenditure, shall be excluded for computing MAT liability u/s 115JB
- ✓ Income from transactions in securities arising to FII, including related expenditure, shall be excluded for computing MAT liability u/s 115JB
- ✓ If identical question of law is pending before Supreme court, application by AO to ITAT only on receipt of acceptance from the Assessee

Direct Tax

Effective from April 1, 2015

Chapter VIA deductions

- ✓ National Pension Scheme limit u/s 80CCD of Rs. 1,00,000/- scrapped & an additional deduction of Rs.50,000/- over & above the existing limits
- ✓ 100% deduction to donors in Swachh Bharat Kosh and Clean Ganga Fund u/s 80G. However, any sum spend for CSR u/s 135(5) of Companies Act, 2013 is not eligible for deduction
- ✓ 100% deduction to donors in National fund for Control of Drug Abuse u/s 80G
- ✓ To extend the benefit to all assesseees having manufacturing units, the minimum threshold of new employees reduced from 100 to 50, for claiming deduction of 30% of wage cost u/s 80JJAA

Direct Tax

Effective from April 1, 2015

Summary of benefits to Individual taxpayers

Section	Existing	Proposed
80CCC	1,00,000/-	1,50,000/-
80D		
-Self & Family	15,000/-	25,000/-
-Senior Citizen	20,000/-	30,000/-
-Medical Expenditure (very senior citizen)	Nil	30,000/-
80DD & 80U		
-Disabled	50,000/-	75,000/-
-Severely Disabled	1,00,000/-	1,25,000/-
80DDB		
-80 years and Above	60,000/-	80,000/-

Direct Tax

Effective from June 1, 2015

- ✓ Taxation of Alternative Investment Funds via pass through regime is introduced. TDS @ 10% will be applicable on income arising to unit holder
- ✓ No TDS on contractor u/s 194C, owning 10 or less goods carriages
- ✓ No TDS u/s 194I, if rent paid to a business trust (real estate investment trust)
- ✓ Concessional rate of TDS u/s 194LD @ 5% extended up to June 30, 2017
- ✓ Tax deduction @10% on pre-mature withdrawal of EPFS on amount above Rs 30,000/-

Direct Tax

Effective from June 1, 2015

- ✓ No tax deduction on payments under life insurance policy chargeable to tax, if a declaration made in prescribe form 15G/15H
- ✓ On receipt of notice u/s 148, assessee can approach Settlement Commission for any other Assessment years where notice u/s 148 is not issued, subject to return being filed u/s 139
- ✓ Interest @ 1% u/s 234B will be charged in the case of re-assessment of income and additional income disclosed before settlement commission.
- ✓ Limit of single member bench of ITAT, is revised to Rs 15 lakh from Rs 5 lakh

Direct Tax

Effective from June 1, 2015

- ✓ Any receipt or repayment in relation to Immovable property in excess of 20,000/- in cash is not permissible. Penalty equal to such amount will be charged in case of non compliance
- ✓ To protect the interest of revenue, an auditor who is not eligible to be appointed as an auditor of the company is also disqualified from furnishing any report/certificate, but eligible to be appointed as authorized representative u/s 288
- ✓ Rules to be notified by CBDT, for giving foreign tax credit of tax paid outside India

INDIRECT TAX

CENTRAL EXCISE

Central Excise

Effective from enactment of Finance Bill, 2015

- ✓ Time period for issuance of SCN to be considered from date of filing return irrespective of the due date of such return
- ✓ Time period for issuance of SCN towards recovery of interest to be considered from date of payment of duty to which such interest relates
- ✓ The specific section for issuance of SCN pursuant to audit finding has been removed
- ✓ Separate rules shall be prescribed for recovery of duty self assessed and disclosed in return in a periodic manner
- ✓ SCNs issued pursuant to FB, 2015 getting its assent, shall be governed by the new provisions

Central Excise

Effective from enactment of Finance Bill, 2015

Normal Period of Limitation

- ✓ In case of SCN issued and adjudicated, maximum penalty is Rs. 5000 or 10% of ED whichever is higher
- ✓ However if such duty and interest is paid before issuance of SCN or within 30 days from issuance of SCN, no penalty will be leviable and all proceedings deemed to be concluded
- ✓ Where any duty is determined and paid within 30 days from the date of issuance of order, maximum penalty will be 25% of the duty so demanded

Central Excise

Effective from enactment of Finance Bill, 2015

Extended Period of Limitation

- ✓ In case of SCN issued and adjudicated maximum penalty is 100% of ED
- ✓ However if the transactions beginning from April 8, 2011 up to the date the FB, 2015 receives the assent of the President are recorded in the specified format, penalty shall be equal to 50% of ED
- ✓ Where duty and interest is paid within 30 days from the date of issuance of SCN, penalty shall be equivalent to 15 % of ED
- ✓ Where duty and interest is paid within 30 days from the date of issuance of order, penalty shall be equivalent to 25% of ED subject to payment of reduced penalty within 30 days so specified

Central Excise

Effective from enactment of Finance Bill, 2015

- ✓ Amended penal provisions shall be applicable in cases where no SCNs have been issued till the enactment of FB, 2015
- ✓ Amended penal provisions shall be applicable in case of SCN issued but order not passed before enactment of FB, 2015, subject to payment of duty and interest within 30 days from the date of communication of such order
- ✓ Amended penal provisions shall be applicable in case of orders issued after enactment of FB, 2015 subject to payment of duty and interest within 30 days from the date of communication of such order
- ✓ Proceedings referred back by any Court, Appellant Tribunal or any other authorities to the adjudicating authority for fresh adjudication, will not be entitled for settlement

Central Excise

Effective from March 1, 2015

- ✓ ED rate on majority products including machines under Tariff Heading 8472 including ATM, Automatic bank note dispensers or other machines enhanced from 12% to 12.5%
- ✓ Exemption from Education Cess and Secondary and Higher Education Cess for all excisable products
- ✓ LED lights, lamps and fixtures, brought under MRP based valuation
- ✓ Online Procedure for Central Excise Registration prescribed
- ✓ Provisions of manner of payment of ED and interest now also applicable to the payment of penalty

Central Excise

Effective from March 1, 2015

- ✓ Daily Stock Account may be maintained electronically subject to authentication of every page by way of digital signature
- ✓ Invoices of Excisable goods sent directly to the job worker must bear details of manufacturer or output service provider or registered dealer as the buyers and job worker as the consignee
- ✓ Invoice of Goods imported under Bill of Entry and sent directly to the importer shall mention that such goods have been sent directly to the buyers premises
- ✓ An importer issuing invoices on the basis of which CENVAT Credit can be availed must comply with the requirements of a manufacturer/dealer's invoice

Central Excise

Effective from March 1, 2015

- ✓ Provision for invoices to be authenticated digitally. However, a self-attested hard copy of duplicate transporters invoice to be used for transport
- ✓ Penalty prescribed at the rate of Rs. 100 per day subject to a maximum of Rs.20,000 for delayed submission of return, AFIS, AICS
- ✓ Export has been defined to mean taking goods out of India to a place outside India and includes shipment of goods as provision or stores for use on board a ship proceeding to a foreign port or supplied to a foreign going aircraft
- ✓ An individual carrying on manufacturing activity, One person company, LLP and partnership firm can now apply for Advance Ruling

CENVAT

Cenvat

Effective from March 1, 2015

- ✓ Manufacturer or service provider can take credit of inputs sent directly to the premises of job worker under the instruction of manufacturer or service provider as the case may be
- ✓ Time limit for taking Cenvat credit has been extended from 6 months to 1 year from Invoice date
- ✓ Manufacturer or service provider can take credit of Capital goods sent directly to the premises of job worker under the instruction of manufacturer or service provider as the case may be
- ✓ Time limit for bringing back capital goods sent to job worker has been extended from 180 days to 2 years

Cenvat

Effective from March 1, 2015

- ✓ Definition of 'Export goods' have been inserted under Rule 5 of the CCR
- ✓ Non excisable goods to be treated as exempt goods for the purpose of reversal of credit under Rule 6 of the CCR
- ✓ Recovery of Cenvat in case of incorrect availment along with interest
- ✓ Method of determining incorrect utilization has been prescribed
- ✓ No reversal of Cenvat credit of tax paid under RCM, in case payment towards value of input service and service tax thereon is not made within 3 months of the date of Invoice (*with effective from April 1, 2015*)
- ✓ Penal provision of CCR have been brought in line with Service tax & Central Excise (*with effect from enactment of FB*)

CUSTOMS

Customs

Effective from enactment of Finance Bill, 2015

- ✓ For normal period of limitation, penalty shall not be levied and proceedings shall be deemed to be concluded, if Custom Duty is paid within 30 days from date of receipt of SCN
- ✓ For larger period of limitation the penalty quantum has been reduced from 25% to 15%
- ✓ Provision of Section 135, 135A and 140 of the CA, deemed to be concluded if duty interest and penalty is paid in full within 30 days from date of enactment of FB, 2015. This applies only to SCN pending adjudication prior to enactment of FB, 2015

Customs

Effective from enactment of Finance Bill, 2015

- ✓ Penalty for improper importation of goods reduced to 10% of Custom duty sought to be evaded or Rs. 5,000/- whichever is higher. However if the Custom duty and interest is paid within 30 days from receipt of order, penalty reduced to 25% of penalty so calculated
- ✓ Penalty for improper export of goods reduced to 10% of Custom duty sought to be evaded or Rs. 5,000/- whichever is higher. However if the Custom duty and interest is paid within 30 days from receipt of order, penalty reduced to 25% of penalty so calculated
- ✓ Proceedings referred back by any court, Appellant Tribunal or any other authorities to the adjudicating authority for fresh adjudication, will not be entitled for settlement

Customs

Effective from March 1, 2015

Custom Non Tariff

- ✓ For the purpose for advance ruling the term 'resident firm' has been defined

Custom Tariff

- ✓ Additional duty of Custom on petrol and high speed diesel oil increased from Rs.2 per litre to Rs.6 per litre
- ✓ Education cess and secondary & higher education cess levied as CVD on imported goods has been withdrawn

Customs

Effective from March 1, 2015

- ✓ Basic Custom Duty exemption has been extended on parts and components covered under Tariff heading 8473.40 i.e. parts and components for machines covered under Tariff heading 8472
- ✓ Basic custom duty has been reduced to 0% from 10% on Organic LED (OLED) TV
- ✓ Black light unit module used for manufacture of LCD/LED TV panels, has been exempt from Basic Custom Duty
- ✓ SAD has been exempted on all inputs used in the manufacturing of LED driver and MCPCB for LED lights and fixtures and LED Lamps

SERVICE TAX

Service Tax

Effective from enactment of Finance Bill, 2015

Rate of Service tax

- ✓ Change in rate of service tax from 12.36% (incl. cess) to 14%. Additionally a 2% Swachh Bharat Cess is proposed to be levied on the value of taxable service which will make effective rate of service tax to 16%

Definition of Service

- ✓ The phrase 'transaction in money' will not include activities in relation to or for facilitation of transaction in money
- ✓ Clarity given on activities which will not be covered by the term 'transaction in actionable claim'

Service Tax

Effective from enactment of Finance Bill, 2015

Services omitted from Negative List

- ✓ The phrase 'support services' replaced by the phrase 'any service'. Thus making all services (*other than those which are specifically exempted*) rendered by Government or a local authority taxable
- ✓ Contract manufacturing/Job work for production of alcoholic liquor for human consumption
- ✓ Services rendered by chit fund foremen and distributor or selling agents of lottery
- ✓ Admission to entertainment events or access to amusement facilities

Service Tax

Effective from enactment of Finance Bill, 2015

Other Amendments

- ✓ Clarification on Services rendered by RBI - An illustration has been specified for clarifying exemption on services rendered by RBI. This amendment clarifies that all agency services rendered by any bank to RBI for providing its output service are chargeable to service tax
- ✓ The scope of the term Consideration have been expanded to include reimbursements
- ✓ Recovery proceedings under Section 87 of the Act can now be invoked for self assessed service tax without issuing notice to the assessee
- ✓ The provision for payment of reduced penalty (upto maximum 25%) has now been withdrawn

Service Tax

Effective from enactment of Finance Bill, 2015

- ✓ Complete transformation of penalty leviable under Section 76 of the Act (Penalty - failure to pay service tax)
- ✓ The power to reduce the penalty by 50% of the service tax amount under Section 78 of the Act is proposed to be withdrawn. However it is proposed that if the assessee pays the service tax amount within 30 days from the date of service of notice, penalty will be reduced to 15% of the service tax amount.
- ✓ The power of waiving penalty under Section 76 and 77 of the Act has now been withdrawn

Service Tax

Effective from March 1, 2015

Service Tax Rules

- ✓ New rule is inserted to empower Central Board of Excise and Customs ('CBEC') for notifying conditions, safeguards, and procedures for service tax registrations
- ✓ Invoices/ bills for taxable services can now be issued by using digital signature
- ✓ The prescribed financial/ accounting records can now be maintained in e-form, after authenticating them with digital signature

Service Tax

Effective from April 1, 2015

Exemptions

- ✓ Exemption from levy of service tax now extended to cover goods transport agency services rendered for exporting goods via Land customs station. Previously this exemption was available only for export through Ports and Airports
- ✓ Exemption on health care services is now expanded to include transportation of a patient in an ambulance
- ✓ Exemption on services rendered to Government, Local authority or a Governmental authority by way of construction, erection, commissioning, installation, completion, and fitting out now limited to specified activities

Service Tax

Effective from April 1, 2015

- ✓ Substantial scope reduction of exemption on transportation services rendered within India by railways, goods transport agency and vessels
- ✓ Service rendered by MF agent/ distributor to a MF/ AMC now taxable
- ✓ Service rendered by Selling/marketing agent of lottery tickets to a distributor or a selling agent now taxable
- ✓ Exemption to airport and port for services by way of construction, erection, commissioning, installation of original works now withdrawn
- ✓ Exemption from levy of service tax to exporters for services rendered by foreign commission agents is now withdrawn (*w.e.f. March 1, 2015*)

Service Tax

Effective from April 1, 2015

Addition of following services under Mega Exemption notification:

- ✓ Service provider of common effluent treatment plant
- ✓ Service of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables
- ✓ Services provided by way of an exhibition of movie by an exhibitor to the distributor or an association of person consisting of the exhibitor as one of its member
- ✓ Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo

Service Tax

Effective from April 1, 2015

- ✓ Exemption for insurance premium paid under scheme name 'Varishtha Pension Bima Yojana'
- ✓ Services by way of right of admission to exhibition of cinematographic film, circus, dance, or theatrical performance including drama or ballet, recognized sporting event and award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event, where the consideration for admission is not more than Rs 500 per person

Service Tax

Effective from April 1, 2015

Reverse Charge Mechanism

- ✓ RCM under manpower supply and security services changed from partial reverse charge to full reverse charge
- ✓ Services rendered by MF agent/ distributor to MF/ AMC will be taxable under RCM
- ✓ Service of Marketing/ Selling agent of lottery tickets are now taxable under RCM
- ✓ Onus to discharge service tax liability for services based on E-Commerce business model involving an aggregator is now placed on aggregator of the service. (w.e.f. March 1, 2015)

Service Tax

Effective from April 1, 2015

Abatement

- ✓ Insertion of conditions for availing abatement benefit for Transportation of Goods/ Passengers by railway
- ✓ Abatement with respect to air travel now bifurcated between economy and other than economy class. Abatement of 60% in case of economy class and 40% for others.
- ✓ Abatement reduced on GTA service from 75% to 70%.
- ✓ Abatement increased on transportation of goods in a vessel from 60% to 70%.
- ✓ Abatement in relation to cit fund business now omitted.

Service Tax

Other Amendments

- ✓ Provisions of advance ruling now applicable to a Resident firm (*w.e.f. March 1, 2015*)
- ✓ Special rates specified under Rule 6(7), (7A), (7B), (7C) of the Service Tax Rules, 1994 now been increased to make it equivalent to the general rate of service tax i.e. 12.36% to 14% (*w.e.f. Enactment of Finance Bill*)
- ✓ Services (other than those specified) provided by Government or Local authority to business entities now taxable under RCM (*w.e.f. date to be notified*)

Glossary

Abbreviations	
AFIS	Annual Financial Information Statement
LLP	Limited Liability Partnership
CCR	Cenvat Credit Rules, 2004
EOU	Export Oriented Unit
RBI	Reserve Bank of India
SCN	Show Cause Notice
A.Y	Assessment Year
CA	Customs Act, 1962
ED	Excise Duty

Abbreviations	
AICS	Annual Installed Capacity Statement
MF	Mutual Fund
AMC	Asset Management Company
GTA	Goods Transport Agency
RCM	Reverse Charge Mechanism
FB	Finance Bill
CVD	Countervailing Duty
GAAR	General Anti Avoidance Rules
HUF	Hindu Undivided Family

Glossary

Abbreviations	
AOP	Association of Person
BOI	Body of Individual
R&D	Research and Development
U/S	Under Section
AO	Assessing Officer
TDS	Tax deducted at source
MAT	Minimum Alternate tax

Abbreviations	
ITAT	Income Tax Appellate Tribunal
WEF	With effect from
EPFS	Employees Provident Fund Scheme
CBDT	Central Board of Direct Taxes
FII	Foreign Institutional Investors
SDT	Specified Domestic Transaction
SAD	Special Additional Duty



For any queries:

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