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Tax News

March 2016

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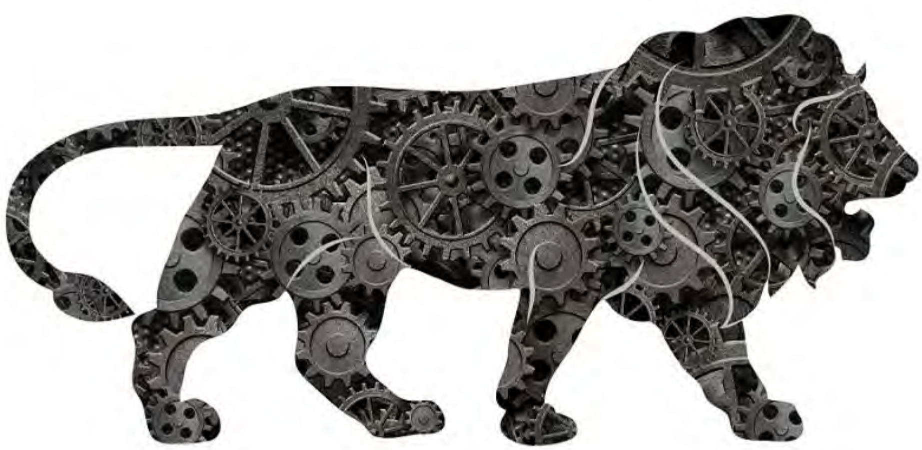

Union Budget 2016

India

Discussion on budget highlights

Celebrating 28 years 1988 – 2016

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G. Joseph & Associates
Chartered Accountants

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G. Joseph & Associates
Chartered Accountants

Transmittal

In relation to this publication you may contact:

George Joseph
Managing Partner
Cell : +91 97464 00575
Email – gj@gja.co.in

P. Rajagopal
Partner
Cell : +91 93886 09990
Email – pr@gja.co.in

Umesh Bhat
Partner
Cell : +91 98472 74567
Email – umeshbhat@gja.co.in

Reuben Joseph
Partner
Cell : +91 98952 09307
Email – reuben.joseph@gja.co.in

Jose Mekkalath
Partner
Cell : +91 96450 80504
Email – jose.mekkalath@gja.co.in

Sunil Kallamangalam
Principal
Cell : +91 95001 26020
Email – sunil.kallamangalam@gja.co.in

Allen Joseph
Partner
Cell : +91 90483 06882
Email – allen.joseph@gja.co.in

Raphael Sharon
Partner
Cell : +91 99462 03087
Email – raphael.sharon@gja.co.in

Smita Leslie
Partner
Cell : +91 98800 28566
Email - smita.leslie@gja.co.in

N. Vijayakumar
Principal – Indirect taxes
Cell : +91 94463 62533
Email - vjkumar@gja.co.in

March 1, 2016

Dear Reader,

In the backdrop of two successive bad monsoons, a global slowdown and upcoming elections in the big agrarian states, the Honourable Finance Minister, Mr. Arun Jaitley presented the Union Budget for the financial year 2016 – 2017 ('Budget 2016') before the Lok Sabha on February 29, 2016.

The Finance Minister dismissed all accusations of the NDA government being a '*suit boot ki sarkar*' by introducing new levies on luxuries and increasing taxes on the rich. The NDA government's commitment to the farmer was reiterated with promises of massive investments in irrigation, a higher MNREGA allocation and introduction of a new 'Krishi Kalyan Cess' on services to finance it. The small tax payer was not side-lined with small increases in tax rebate and deductions.

Start-ups were not far from the Finance Minister's thoughts as is clear from the tax exemptions doled out to them. To encourage the Prime Minister's Make In India programme, manufacturing companies and small companies were also given tax breaks. The Finance Minister also had redemption in store for tax evaders through an income declaration scheme.

As in the earlier years, it gives us great pleasure to present you with a quick snap-shot on Budget 2016. We believe that you will benefit from the early insights on Budget 2016 through this issue of 'Tax News', though more clarity is expected on many of the provisions which will unravel in the coming days.

Should you require any further clarifications or details on the budget proposals or any assistance in the analysis of the impact of the proposals on your business, please do feel free to get in touch with us. Further, we always look forward to your valuable suggestions.

Yours faithfully

George Joseph
Managing Partner

Cochin office :
37/2038, 1st Floor, Muttathil Lane
Kadavanthra,
Cochin – 682 020, Kerala
Phone: +91 484 2207 411
Fax : +91 484 2207499
Email - mail@gja.co.in

Bangalore office :
#343, Ranka Nest Apartments
35/1 KKS Road, Oakalipuram
Bangalore 560 021, Karnataka

Chennai office :
New No. 27, (Old No: 16)
Veerabadra Street, Nungambakkam
Chennai 600 034, Tamil Nadu
Phone: +91 44 4266 1765

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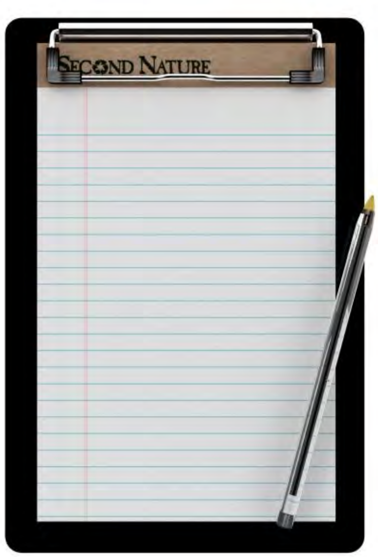


Executive summary

Executive summary

Macro economic outlook	▶ India's GDP is expected to grow at 7.76% for the current financial year and is expected to grow at 7% to 7.75% in 2016-17. The Economic Survey pegs this forecast as being conditional upon a rebound in agricultural growth and the absence of any international crisis that might trigger fresh headwinds for the domestic economy. ▶ Fiscal deficit is expected to continue at 3.5% of the GDP, while inflation is expected to decline to a range of 4.5% to 5% in 2016-17 which is within the RBI's target.
Direct taxation Key areas include : ▪ Individual taxpayers can look forward to small concessions by way of increase in rebates and deductions. ▪ Withdrawal of accumulated interest from provident fund in excess of 40% will be taxed. ▪ Small companies to get a 1% deduction in tax rate. New manufacturing companies will have a reduced tax rate of 25%. Startups have tax exemption. ▪ POEM and GAAR have been deferred by one year. ▪ SEZ benefits to be phased out by 2020. ▪ Presumptive taxation scheme revamped.	▶ No change in tax slabs. Rebate under Sec. 87A has been increased from Rs. 2,000 to Rs. 5,000. Rate of surcharge for persons with income in excess of Rs. 1 crore has been increased to 15% from 12% ▶ Withdrawals of accumulated interest from Provident Fund in excess of 40% will now be subject to tax at the time of withdrawal. ▶ Dividend income exceeding Rs. 10 lakhs will be subject to income tax @ 10% in the hands of the recipient. ▶ General tax rates and rates of surcharge for companies and firms remained unchanged. However, companies engaged in manufacturing which have been incorporated after March 1, 2016 will be subject to a lower tax rate of 25%. Further, in case of domestic companies, the rate of income tax has been reduced from 30% to 29% if the total turnover does not exceed Rs. 5 crores in the previous year. ▶ It has been clarified that MAT is not applicable to foreign companies ▶ The stringent Place of Effective Management Rules and General Anti Avoidance Rules are to be deferred for one more year. ▶ Eligible startups will have a 100% tax exemption for three consecutive years in a block of five years. ▶ Following the government's intention to phase out numerous tax exemptions and deductions including SEZ benefits which are to be phased out by 2020. ▶ The threshold for presumptive taxation has been increased from Rs. 1 crore to Rs. 2 crores. Further, the scheme of presumptive taxation has been extended to professionals.

Executive summary

Direct taxation

- Minor changes in TDS compliance.
- Income declaration scheme announced as part of efforts to curb black money.

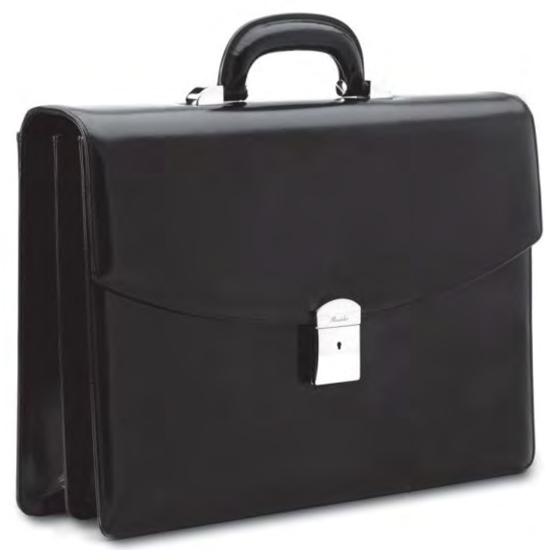
- TCS of 1% has to be collected on sale of high end cars and cash sales of goods and services exceeding Rs. 2 lakhs.
- TDS threshold limits has been increased for contractor payments and commission. Rates have also been decreased for commission payments.
- Income Declaration Scheme has been announced whereby any undisclosed income or assets can be declared by paying a consolidated tax of 45% which would give immunity from further prosecution.

Indirect taxation

Key areas include :

- Effective rate of service tax increased to 15% through additional Krishi Kisan Cess.
- Interest on delayed remittance of service tax reduced.
- Shipping in connection with imports to be subject to service tax.
- Limitation period for issue of notices extended from 18 months to 30 months.
- Duty free baggage allowances increased.
- Air travel, textiles, jewellery and footwear set to cost more.

- Effective rate of service tax has been increased by another 0.5% on account of introduction of Krishi Kalyan Cess. Effective rate now stands at 15%.
- Interest rates on delayed remittance of service tax has been reduced to 15% up to a maximum of 24% as against a maximum of 30% in the present regime.
- Abatements in relation to transportation of goods / passengers, construction services, tour operator services and GTA services have undergone changes.
- IT Software products which bear retail sales price will not be subject to service tax. However, customized software which are not required to bear RSP will be subject to service tax.
- Period of limitation increased from 18 months to 30 months in normal cases. In cases where suppression is involved period of limitation continues at 5 years.
- Shipping costs incurred on import of goods will now be subject to service tax on forward charge basis if the shipping line is an Indian Company. If however the shipping line is a foreign company, service tax will be payable on reverse charge basis.
- Full cenvat credit on capital goods with a value up to Rs.10,000 per piece is proposed as against the mechanism of claiming in two financial years.
- Cenvat Credit Rules is simplified to the extent it relates to reversal of cenvat credit in relation to exempted goods or services
- Simplified customs baggage rules for international travellers has been announced along with increased duty free baggage allowances.
- Increase of BCD, CVD and SVD to promote Make in India.
- Air travel, textiles, jewellery and footwear are set to cost more on account of increase in excise duties.



Direct taxation

Key highlights

- Tax slabs for individuals remain unchanged.
- Section 87A rebate increased from Rs. 2,000 to Rs. 5,000.
- Time limit for completion of construction of house property in connection with claim of pre-construction interest increased from 3 years to 5 years.
- 80GG deduction increased from Rs. 2,000 per month to Rs. 5,000 per month.

Benefits to individual tax payers

- Marginal relief has been granted to assessees whose total income does not exceed Rs. 5 lacs by increasing the relief under section 87A from Rs. 2,000 to Rs. 5,000
- Section 24(b) previously provided deduction for interest incurred in acquisition of house property upto an amount of Rs. 2 lacs provided such construction is complete within 3 years. Considering the slowdown of the real estate sector and the fact that constructions seldom complete on time the time limit for completion has been increased to five years.
- There is an increase in deduction under section 80GG from Rs. 2,000 to Rs. 5,000 per month in connection with rental expenditure for cases where HRA is not given by employer

Changes in taxation slabs

- Budget 2016 has retained the tax rates. Income tax slabs for each category has been listed below:

A. In case of senior citizens, i.e., individuals who are more than 60 years, but less than 80 years

Slab	Tax rate
Below Rs. 3 lakhs	Nil
Rs. 3 lakhs to Rs. 5.0 lakhs	10.0%
Rs. 5.0 lakhs to Rs. 10.0 lakhs	20.0%
Above Rs.10.0 lakhs	30.0%

B. A. In case of very senior citizens, i.e., individuals who are more than 80 years

Slab	Tax rate
Below Rs. 5.0 lakhs	Nil
Rs. 5.0 lakhs to Rs. 10.0 lakhs	20.0%
Above Rs. 10.0 lakhs	30.0%

Key highlights

- Tax rates for companies and firms also remain unchanged.
- Surcharge for domestic companies remain unchanged at 7% for income exceeding Rs. 1 crore up to Rs. 10 crore, 12% surcharge for income exceeding Rs. 10 crore.
- Lower tax rate of 25% for new companies incorporated after March 1, 2016 engaged in manufacturing business.
- Dividend income of individuals, HUFs and firms to be taxed @ 10% for dividend income in excess of Rs. 10 lacs.
- Increase in rate of surcharge from 12% to 15% for individuals

C. In case of other individuals

Slab	Tax Rate
Below Rs. 2.5 lakhs	Nil
Rs. 2.5 lakhs to Rs. 5.00 lakhs	10.0%
Rs. 5.0 lakhs to Rs. 10.0 lakhs	20.0%
Above Rs. 10.0 lakhs	30.0%

- Surcharge of 15% shall apply for individuals having a total income exceeding Rs. 1 crore.

Tax rates for companies and firms

- Tax rates for existing domestic companies and foreign companies continue at 30% and 40% respectively.
- Income tax rates for firms / LLPs remain unchanged at 30%.
- Companies with turnover of up to Rs. 5 crores in the previous year will have a reduced rate of income tax of 29%.
- Surcharge for domestic companies continues to be at 7% of income tax where the total income exceeds Rs. 1.0 crore, but does not exceed Rs. 10.0 crores and 12% where total income exceeds Rs. 10.0 crores
- Surcharge for foreign companies also remains unchanged at 2% of income tax where the total income exceeds INR 1.0 crore, but does not exceed INR 10.0 crores. Foreign companies with total income exceeding INR 10.0 crores will be subject to surcharge of 5%.
- In furtherance of this Government's policy of encouraging startups, companies registered on or after March 1, 2016 engaged exclusively in manufacture of any article have been given an option of a lower tax rate of 25% instead of 30%. However, this beneficial rate prohibits them from claiming deduction under section 10AA, additional depreciation, accelerated depreciation etc. Further the return of income has to be filed within the due date for filing return.

Taxation of dividend income

- Under existing provisions, dividend which has suffered dividend distribution tax @ 15% is exempt in the hands of the individual shareholders. Seeking to rationalize the tax rates in the hands of shareholders who receive large amounts as dividends, section 10(34) has been amended to provide that dividend income in excess of Rs. 10 lakhs shall be taxed at 10% in the case of resident individuals, HUFs or firms.

Key highlights

- TCS net widened to cover sale of cars exceeding Rs.10 lacs and cash sales / service exceeding Rs. 2 lacs. TCS rate = 1%
- Buy back of shares subjected to capital gains tax @ 20% regardless of the scheme complying with provisions of the Companies Act.
- Transfer of assets from a charitable institution to a non-charitable institution or cancellation of its certificate of registration has been brought under the tax net by charging tax at maximum marginal rates on the net assets transferred.
- Various incentives under the IT Act are proposed to be phased out in the coming years. Section 10AA also falls prey to this policy and it is proposed that this deduction will no longer be available for units commencing manufacture / service from April 1, 2020.

Changes to TCS

- The Tax Collected at Source ('TCS') net has been widened to include high end car sales. TCS @ 1% is to be collected by the seller on sale of cars with value exceeding Rs. 10 lacs. Further, sales by cash of any goods or provision of any services (excl. transactions for which TDS apply) in excess of Rs. 2 lacs also require TCS @ 1%.

Tax treatment on buy-back of shares

- Owing to the ambiguity in the existing provisions of tax treatment in connection with buy-back of unlisted shares by the Company the Ministry has clarified that buy back of shares will be subjected to 20% tax regardless of compliance with the various provisions of the Companies Act. Separate rules would be prescribed to provide for manner of determination of consideration.

Tax implications to charitable institutions

- Taxation of charitable institutions remain unchanged. However a significant change has been introduced with effect from June 1, 2016 which seeks to bring within the tax net, those charitable trusts whose registration has been cancelled or those which have transferred its assets to a non-charitable institution.
- Such accretion in income will be taxed at maximum marginal rate.
- Failure to pay such tax within the time prescribed will be subject to simple interest @ 1%. Further, non-payment of tax and interest will result in the principle officer or the trustee being considered as assessee in default.

Phasing out exemptions and deductions

- The Finance Minister in his Budget Speech, 2015 had indicated that corporate tax rate would be reduced to 25% over a period of time along with corresponding phasing out of exemptions and deductions.
- **SEZ Units** - Deduction under section 10AA, a profit linked deduction for units in SEZ which was responsible for the rapid rise in exports and setting up of large corporates has been identified for phasing out. As per the budget proposal, no deduction shall be available to units commencing manufacture or providing service on or after April 1, 2020
- Other incentives which are proposed to be phased out include deductions for development of infra projects, development of SEZ and certain eligible projects

Key highlights

- As expected start-ups have been given a big boost. Budget 2016 proposes 100% deduction for start-ups set-up before April 1, 2019
- Capital gains exemption options for individuals have also been extended to cover 1) subscribing units in Start-up funds 2) investing in shares with capital gains on sale of residential property
- POEM Rules for determining residential status of foreign companies have been deferred by 1 year

Tax incentives for start-ups

- With a view of providing an impetus to start-ups and to facilitate their growth in the initial phase of their business, Budget 2016 proposes to provide a deduction of 100% profits for eligible start-ups for three consecutive years in a block of five years.
- The start-up has to be in the business which involves innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. The startup will be required to obtain the necessary certification from the Inter-Ministerial Board of Certifications and its turnover should not exceed Rs. 25 crores.
- Applicable for businesses which set up before April 1, 2019.
- It is important to note that exemption has not been provided from MAT provisions.
- **Capital gains exemption -** To further motivate entrepreneurs who choose to dispose their residential property to fund their start-up dream, the provisions of section 54GB have been amended such that long term capital gains on sale of residential property will be exempt to the extent such gains are used for subscribing more than 50% shares of a start-up company. Further, the start-up company is required to use such funds for purchase of new assets before due date of filing return by the investor assessee.
- To aid the start-up mission, a Start-up India Action Plan has been envisaged which will set up a fund of funds, which will raise Rs. 2,500 crores annually for four years. In furtherance of this objective section 54EE has been introduced to provide capital gains tax exemption if long term capital gain proceeds are invested in units of such specified start-up funds. This capital gains tax exemption is available up to Rs.50 lacs.

Foreign company held to be resident in India

- Budget 2015 had sought to align the determination of residential status with other international standards by amending section 6 for determination of residential status for a company as one: a) which is an Indian Company; or b) place of effective management, at any time in that year is in India.
- Concerns were raised by Companies which were incorporated outside India and had not earlier been assessed to tax in India. Concerns were predominantly centered around applicability of various provisions of advance tax and TDS. Concerns were also raised as to consequences when a company is held to be resident in India during assessment proceedings based on POEM being in India at which time such Company would not be able to comply with procedural compliances.
- To address the concerns of the industry and the stakeholders it is proposed 1) to defer the applicability of POEM based residence test by one year and is to be applicable from April 1, 2017 onwards ; 2) transition mechanism for companies incorporated outside India which have not been taxed in India peviously.

Key highlights

- Presumptive taxation introduced for professionals with gross receipts up to Rs. 50 lacs. Presumptive income set at 50% of gross receipts.
- Presumptive taxation limits for businesses increased from Rs. 1 crore to Rs. 2 crore.
- Presumptive taxation option once not complied with will result in the option not being available for the next consecutive 5 years
- Provisions of section 206AA not to apply to non-resident individuals

Introduction of presumptive taxation for professionals

- New section introduced for professionals including partnership firm of professionals such as medical, accountancy, legal, engineering, technical consultancy, architects etc who have gross receipts less than Rs. 50 lacs.
- Income presumed to be 50% of gross receipts
- If lesser income is to be declared, accounts would have to be audited under section 44AB. Corresponding tax audit limit has also been increased for professionals from Rs. 25 lacs to Rs. 50 lacs.

Increase in threshold for business income under presumptive taxation

- To reduce compliances for small business owners, Budget 2016 proposes to increase the threshold for tax audit from the existing limit of Rs. 1 crore to Rs. 2 crore
- A provision has been inserted to ensure that assessees continuously implement the provisions of presumptive taxation. It is proposed that if an assessee fails to declare his income not in consonance with the aforementioned provisions then he is not eligible to claim the benefits of this section for the next succeeding 5 assessment years. This provision has been introduced to encourage assessees to continuously follow the provisions of presumptive taxation
- **Advance Tax** – Previously advance tax was not payable by assessee's opting for presumptive taxation. However, since the limit has been increased from Rs. 1 crore to Rs. 2 crore it is now proposed to require advance tax payments for presumptive taxation. Assessees would have to pay advance in one single installment on or before 15th of March of the relevant financial year.

Exemption from furnishing PAN for certain non-residents

- Under the existing provisions, tax deduction is required at a minimum rate of 20% for failure to produce PAN. These provisions are applicable to any person including non-residents.
- In order to reduce compliance burden, it is proposed to amend the provisions in such a manner that it will no longer apply to non-residents other than a company.

Key highlights

- Retrospective amendment to MAT provisions wherein they will no longer apply to foreign companies
- Option given to assessees to declare undisclosed income by paying a total tax of 45%
- Income so declared would be exempt from further wealth tax. Additionally it would also be exempted from further scrutiny and enquiry.

MAT for foreign companies

- There was considerable uncertainty and litigation surrounding the question as to whether MAT would be applicable to foreign companies who do not have a place of business in India.
- A retrospective amendment has been introduced with effect from April 1, 2001 that the provisions of MAT would not be applicable to a foreign Company if:
  - The company is a resident of a country with which India has a DTAA – then if the assessee does not have a permanent establishment in India in accordance with the DTAA
  - The company is a resident of a country with which no DTAA is entered into – then MAT not applicable if the assessee is not required to seek registration under any law for the time being in force

Increase in STT for Options

- Budget 2016 proposes to increase STT from 0.017% to 0.05% for sale of Option in securities where the Option is not exercised.

Income Declaration Scheme, 2016

- In furtherance to the Black Money Act, 2015 which was announced through Budget 2015, a new scheme is proposed to be introduced to provide an opportunity to persons who have not paid full taxes in the past.
- A consolidated rate of 45% is to be paid on the undisclosed income. 30% towards income tax. 7.5% towards Krishi Kalyan Cess and 7.5% towards penalty.
- The following cases shall not be eligible under this scheme:
  - Notice already issued under 142(1), 143(2), 148 or 153A or 153C
  - Search or survey has been conducted and notice not yet issued
  - Information received under agreement with other countries
  - Cases covered under Black Money Act, 2015
  - Persons notified under Special Court Act, 1992
  - Cases covered under IPC, Narcotics Act, Unlawful Activities Act and Prevention of Corruption Act
- Income declared under this Act would be exempt from further Wealth Tax on the income so declared. Further, exemption from further scrutiny and enquiry is also proposed.

Key highlights

- Dispute resolution scheme launched by the department seeks to clear the backlog of cases pending before the CIT(A).
- The scheme requires the assessee to pay the tax together with applicable interest and 25% of the penalty.

Direct Tax Dispute Resolution Scheme

- Litigation has been a major cause of concern with respect to direct taxes. This scheme is proposed to reduce the huge backlog of cases and also to enable the IT Department to realize its dues.
- This scheme is applicable for cases pending before the Commissioner of Income tax (Appeals) or Commissioner of Wealth Tax (Appeals) in an appeal pending against an assessment order or a penalty order
- Declarant under this scheme to pay tax along with interest up to the date of assessment. In cases where tax disputed is greater than Rs. 10 lacs, 25% of the minimum penalty leviable is also to be paid.
- Prior to making the application, declarant is required to withdraw any application pending in relation to this matter before the CIT(A), ITAT, High Court or the Supreme Court. Proof of such withdrawal is also to be furnished.
- A separate declaration would also have to be furnished stating that no applications for remedy would be made by the declarant under any statute in or outside India.
- The following persons are not eligible for this scheme:
    - Cases where prosecution initiated
    - Search or survey cases
    - Cases relating to undisclosed foreign income and assets
    - Information received under agreement with other countries
    - Persons notified under Special Court Act, 1992
    - Cases covered under IPC, Narcotics Act, Unlawful Activities Act and Prevention of Corruption Act, COFEPOSA

Key highlights

- Option to revise the returns which were filed after due date but before the end of the assessment year is proposed.
- Option to file income tax returns disclosing tax payable without it being considered defective is proposed.
- Mandatory processing of 143(1) before commencing assessment proposed.
- Time limit for completing assessment proceeding reduced from 24 months to 21 months.
- Rationalization of installments of advance tax across all assessees other than assessees opting for presumptive provisions.
- First time assessees having business income exempted from advance tax provisions.
- Increase in interest rate to 9% for delay in issuing refunds arising out of appeals.

Filing of income tax returns

- Budget 2016 proposes to permit assessees to revise their belated returns any time before the end of the assessment year. The present provisions permitted the revision of only returns which were filed within the due date.
- The present provisions treat income tax returns in which tax or interest is shown as payable as defective returns which would be treated as not filed if the assessee failed to remit tax and filed a corrected return within 15 days of the assessing officer pointing out the defect. Budget 2016 proposes to delete this provision, thereby permitting assessees to file returns by properly disclosing their tax liabilities even if they had not been remitted.

Assessment procedures

- Under the present law, it was not necessary for the Income Tax Department to issue an intimation under Sec. 143(1) before commencing assessment proceedings. This intimation is the result of processing a tax return filed by an assessee. Budget 2016 makes it mandatory for the Income Tax Department to issue the intimation under Sec. 143(1) before commencing assessment proceedings.
- The time limit for completing assessment proceedings is presently two years from the end of the assessment year, i.e., for the financial year 2015-16, the time limit is up till March 31, 2019. Budget 2016 proposes to reduce this time limit from two years to twenty one months, i.e., assessment proceedings for the financial year 2015-16 will have to be completed by December 31, 2018.

Advance tax

- Presently, companies have to remit advance tax in four installments and other assessees have to discharge their liability in three installments. It is now proposed to rationalise this by requiring all assessees to remit their advance tax liabilities in four installments. However, assessees who are remitting income tax on a presumptive basis may remit their entire liability in a single installment by March 15th of each year. Further, assessees who have income from profits & gains of business or profession for the first time will not be required to remit advance tax.

Interest on income tax refunds

- Interest on income tax refunds will now be payable from date of payment of tax or filing of the income tax return whichever is later till the date of granting the refund.
- Delays in issuing refunds arising out of an appeal will now be eligible for interest @ 9% per annum as against the regular 6% per annum.

Key highlights

- Sec. 43B widened to include payments to railways under its ambit.
- Taxation of long term capital gain of unlisted shares clarified.
- Scope of issuing Form 15G/15H widened to cover payments u/s 194I – Rent
- Valuation of immovable property on the basis of stamp duty on the date of agreement of sale proposed.

Widening the scope of Sec. 43B – Allowance of expenses on payment basis

- The existing provisions of section 43B have been widened to include payments to railways for use of railway assets. Hence, with effect from 01.04.2016 any expense in relation to payments to railways will be allowable as an expense only if payment is made on or before the due date of furnishing returns of income

Tax rate on long term capital gain on sale of unlisted share clarified

- In view of various judicial verdicts there was lack of clarity in relation to the applicability of tax rate of 10% (without indexation benefit) in relation to long term capital gain on sale of unlisted shares. The budget has addressed this issue by amending Sec. 112 by clarifying that the shares of a company in which public is not substantially interested will be covered under the term securities thereby eligible to claim reduced rate of 10% without indexation benefit.

Enabling Form 15G/15H for rental payments

- As per the existing provisions, payments in nature of rent u/s 194I are subject to TDS provisions. In order to provide relaxation to small tax payers having estimated total income not chargeable to tax the budget has proposed to give option to such tax payers to issue self declaration in Form 15G/15H to avoid tax deduction at source.

Amendments in valuation of consideration in case of transfer of immovable property

- As per existing provisions the consideration in relation to transfer of immovable property will be taken as the value adopted for stamp valuation or actual consideration whichever is higher.No relief was provided where seller had entered into an agreement to sell the property much before the actual date of transfer.
- Amendment to section 50C has been proposed to provide relief to assessees who have entered into agreement to sell much before the date of registration.
- In such cases an option has been provided to adopt the stamp duty value existing on the date of the agreement for sale for computing the consideration. Provided the consideration has been discharged by way of account payee cheque or demand draft or use of ECS through a bank.

Key highlights

- Taxation of Non-compete agreements entered by professionals clarified.
- Proposal to tax 60% of accumulated interest withdrawals from Recognized Provident Funds.
- Proposal to tax 60% of receipt from pension scheme referred to under 80CCD.
- Proposal to tax 60% of receipt on commutation of annuity purchased under approved superannuation fund.
- Contribution to RPF in excess of Rs. 1,50,000/- will be considered as perquisite u/s 17.
- Additional conditions notified for claiming exemption from long term capital on conversion of Company to LLP.

Taxation of non-compete fees and exclusivity rights in case of professional income

- The existing provisions of the Act contained provisions for charging to tax the receipt on account of non-compete fees, fees not to share know how, patent, copyright, etc. received on a recurring basis by an assesse deriving business income and any receipt on account of transfer of such rights was chargeable under the head capital gains. There was lack of clarity in relation to such receipts by an assesse deriving professional income.
- To address this anomaly the budget has proposed to amend clause (va) of section 28 by including income derived by professional too under its ambit.

Changes in taxation on proceeds from various pension schemes

- With respect to contribution to recognized provident funds and superannuation funds 60% of the accumulated interest attributable to such contributions on withdrawal shall be chargeable to tax. Tax will apply with respect to accumulated balance of contributions to such funds made after 1st April 2016.
- Any receipt on account of closure or opting out by an employee from pension scheme under National Pension System Trust will be chargeable to tax to the extent of 60% of the total amount. However, the whole amount received by the nominee on death of the assesse will be exempt.
- 60% of the payments received from an approved superannuation fund in connection with commutation of annuity purchased out of contributions made on or after 1st April 2016 will be chargeable to tax.
- Employers contribution to recognized provident fund in excess of Rs. 1,50,000/- will be chargeable to tax in the hands of the employee as perquisite u/s 17.

Rationalization of conversion of a Company to LLP

- As per existing provisions the conversion of a private or unlisted Company to an LLP was not subject to capital gain tax if certain conditions were satisfied.
- To rationalize the provisions an additional condition has been inserted which states that the value of total assets in the books of accounts of the Company in any of the three preceding previous years in which the conversion takes place should not exceed 5 crores.

Immunity from penalty and prosecution

- Budget proposes to grant immunity to assessees making application to the AO from imposition of penalty u/s 270AA and prosecution u/s 276C on satisfaction of certain conditions. The AO will grant immunity only in case the assesse pays the tax and interest payable as per the order of assessment within the time limit as per the notice and also undertakes not to file an appeal challenging the order.
- Application has to be made within one month of assessment order. The AO shall accept or reject the application within a period of one month from the date of application.

Key highlights

- Increase in threshold limits for deduction of tax at source in case of sections 194C and 194H.
- Decrease in threshold limits for deduction of tax at source in case of section 194D.
- Decrease in rates of deduction of tax at source in case of sections 194D and 194H.

Changes in Tax Deduction at Source (TDS) provisions

- The budget has sought to rationalize the rates and base for TDS provisions .
- Key changes in the existing threshold limit for deduction of tax at source and proposed changes are as under:

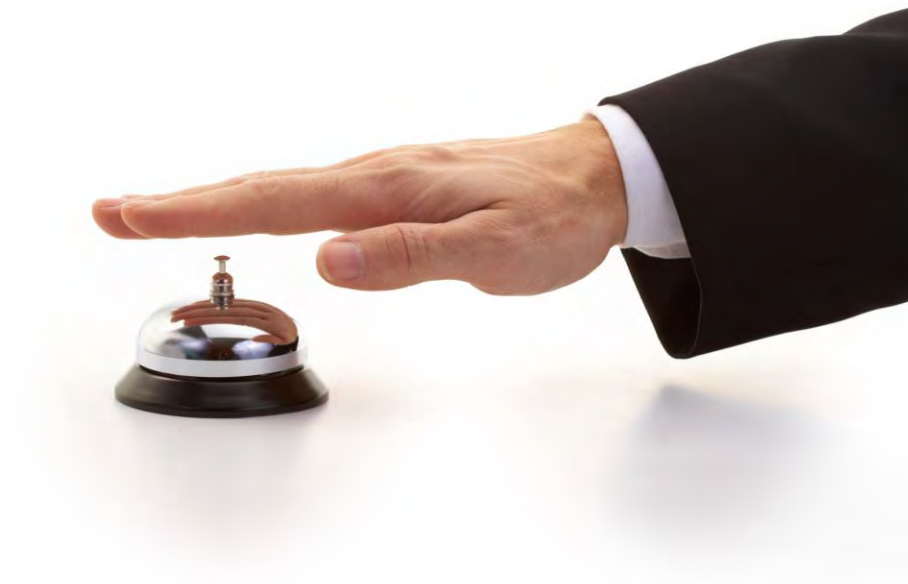
Section	Head	Existing limit	Proposed limit
194C	Payments to contractors	Aggregate annual limit of Rs. 75,000	Aggregate annual limit of Rs. 1,00,000
194D	Insurance commission	Rs. 20,000	Rs. 15,000
194H	Commission or brokerage	Rs. 5,000	Rs. 15,000

- Key changes in revision in rates of deduction of tax at source are as under:

Section	Head	Existing Rate	Proposed Rate
194D	Insurance commission	10.0%	5.0%
194H	Commission or brokerage	10.0%	5.0%

Rationalization of penalty provisions

- 271(1)(c) penalty on account of concealment of particulars of income or furnishing inaccurate particulars of income shall not apply in relation to the assessment on or after 1st April 2017. This change has been proposed on account of insertion of new section 270A which provides for levy of penalty in case of underreporting and misreporting of income.
- In case of under reported income rate of penalty u/s 270A shall be 50% of tax payable.
- In case of under reporting of income which results in misreporting of income the penalty u/s 270A shall be 200%.
- Rate of penalty u/s 271AAB has been rationalized by proposing a penalty of 60% of undisclosed income.



Indirect taxation

Key highlights

- Introduction of a 'Krishi Kalyan Cess' of 0.5% will now take the effective service tax rate to 15%.
- Budget 2016 seeks to further promote One Person Companies by extending the benefit of remitting service tax on a quarterly basis as well as computing service tax due on receipt basis instead of accrual basis.
- Interest rates on delayed remittance of service tax have been reduced from a maximum rate of 30% to 15% - 24%.
- Service tax assessees will now be required to file an annual return in addition to the existing half yearly returns by November 30th of the following financial year.

Introduction of Krishi Kalyan Cess

- Quick on the heels of the Swachh Bharat Cess of 0.5% which was introduced through the Finance Act, 2015, Budget 2016 proposes to introduce a new cess called 'Krishi Kalyan Cess' ('KKC') of 0.5% with effect from June 1, 2016. The effective service tax rate will now be 15%.

Remittance of service tax for OPCs

- Budget 2016 seeks to promote One Person Companies ('OPCs') by extending the benefit of quarterly payment of service tax which is presently available only to individuals and partnership firms.
- Further, OPCs with taxable turnover of less than Rs. 60 lakhs can now remit service tax on receipt basis instead of the present accrual basis which will free up working capital obligations.

Interest on service tax

- Interest rates on delayed remittance of service tax will now attract a lower rate of 15% as against the prevailing slab system of 18%, 24% and 30%. A summary is given in the table below:

Period / type of delay	Existing		Proposed	
	Small assessees	*Large assessees*	*Small assessees*	*Large assessees*
Up to six months	15%	18%	12%	15%
More than six months and up to one year	21%	24%	12%	15%
More than one year	27%	30%	12%	15%
Service tax collected, but not remitted	No separate rate	No separate rate	21%	24%

'Small assessees' means assessees with taxable turnover less than Rs. 60 lakhs in the preceding financial year.

Service tax annual return

- Service tax assessees will now be required to file an annual return by November 30th of the following financial year. A provision to revise this return within one month of filing has also been provided.
- Penalty provisions for delayed filing of this return which are similar to the present half yearly returns are also proposed to be enacted.

Rationalisation of abatements

- Abatements which are available for certain services have undergone a change. The key changes are detailed below:

Service	Existing	Proposed
Transport of goods and passengers by rail or through a vessel	4.2% [Without input service credit]	4.2% [With input service credit]
Construction of residential complex, building, civil structure or part thereof	3.5% / 4.2% [Depending on area]	4.2% [Merged into single category]
Tour operator providing package tour / other than package tour	3.5% / 5.6%	4.2% [Merged into single category]
Services of goods transport agency for shifting of used household goods	4.2%	5.6%

Refund of CENVAT Credit for exporters of services

- The time limit for refund of CENVAT credit for exporters of services is presently one year from the date of export. This time limit is proposed to be modified to one year from the date of receipt of payment against the exports in convertible foreign exchange. Where advances are received, the time limit will be one year from the date of issue of invoice.

Service tax removed on software products with retail sales price

- Budget 2016 has clarified that information technology software products which bear a Retail Sales Price ('RSP') will not be subject to service tax, thus removing possibilities for any double taxation risks which often arose with service tax and central excise.
- Further, it has been clarified that customised software which are not required to bear the RSP will be subject to service tax and not excise duty.

Limitation period for service tax not remitted

- In cases where service tax has not been levied or not paid or short levied or short paid, the service tax department is now proposing to have a time limit of up to 30 months from the present 18 months to initiate proceedings. However, in cases of suppression, the time limit still continues to be 5 years.

Withdrawal of exemptions and introduction of new exemptions

- The negative list which is the list of services exempt from service tax has been pruned further and a few items in the mega exemption notification have also been withdrawn. However, some new exemptions have been introduced through Budget 2016. Important amendments are detailed below:

Services which will now be taxed	Services which are now exempted
Services of a senior advocate to an advocate or a firm of advocates.	Construction services of low cost houses with a carpet area of up to 60 square metres under certain approved housing schemes.
Services of construction, erection, commissioning or installation of original works pertaining to monorail or metro under contracts entered into after March 31, 2016	Services of a performing artist in folk or classical art forms of music, dance or theatre for up to Rs. 1.5 lakh per event [existing limit was Rs. 1 lakh per event].
Air conditioned buses and other stage carriages	Services by the Employees' Provident Fund Organisation (EPFO), the Insurance Regulatory Development Authority (IRDA) and Securities & Exchange Board of India (SEBI).
Services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance is proposed to be taxed. Indian shipping lines will have to remit service tax on a forward charge basis and services availed from a foreign shipping line will be taxed under the reverse charge mechanism.	Construction services provided to the government, a local authority or a governmental authority in respect of construction of government schools, hospitals, ports and airports under contracts entered into prior to March 1, 2015, with retrospective effect.

Indirect Tax Dispute Resolution Scheme, 2016

- Budget 2016 proposes to introduce the Indirect Tax Dispute Resolution Scheme, 2016 under which cases pending before the Commissioner (Appeals) can be closed by paying the duty, interest and penalty equivalent to 25% of the duty by filing a declaration.
- Under the said scheme, the assessee will be able to get immunity from prosecution. However, the scheme will not be available where prosecution has already been launched.

Power to arrest

- Budget 2016 has increased the limit for situations where an assessee may be arrested for non remittance of service tax after collection of the same, from Rs. 1 crore to Rs. 2 crores.

Changes in CENVAT Credit rules

- Capital goods of up to Rs. 10,000 per piece will be treated akin to inputs. This will enable an assessee to avail full credit on such capital goods immediately, as against the present provision of availing credit in two financial years.
- Service by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India is being excluded from the definition of 'exempted service'. This would allow shipping lines to take credit on inputs and input services used in providing the said service.
- Rule 6 of Cenvat Credit Rules, which provides for reversal of credit in respect of inputs and input services used in manufacture of exempted goods or for provision of exempted services, is being redrafted with the objective of simplifying and rationalizing the same without altering the established principles of reversal of such credit.

Key highlights

- Assessees will now be able to avail input credit of capital goods of up to Rs. 10,000 per piece in a single financial year as against the present provision of availing it in installments over two years.
- Domestic Shipping lines can look forward to a level playing field since they will now be able to take full credit of input and input services.
- Rule 6 of the Cenvat Credit Rules which was cause of considerable confusion to assessees and the authorities has been redrafted without altering the underlying principles of reversal of credit in the case of exempted services and goods.

Key highlights

- Baggage declaration procedures will be required to be complied with only by passengers carrying dutiable goods.
- Customs duty free allowances for international passengers have been increased.
- BCD, CVD and SAD for certain critical items such as hybrid electric vehicles and disposable sterilized dialyzer and microbarrier for artificial kidneys have been reduced to Nil.

Changes in baggage rules

- The Customs Bagage Rules for international passengers are being simplified so as to require the filing of baggage declaration only for those passengers who carry with them dutiable goods.
- Customs duty free allowances have also been increased. Major changes are as under:

Eligible passenger	Origin country	Duty free allowance
Passengers of Indian origin and foreigners residing in India, excluding infants	Other than Nepal, Bhutan, Myanmar	Rs. 50,000/-
Tourists of foreign origin, excluding infants	Other than Nepal, Bhutan, Myanmar	Rs. 15,000/-
Passengers of Indian origin and foreigners residing in India, excluding infants	Nepal, Bhutan, Myanmar	By air Rs. 15,000/- By land – Nil
Tourists of foreign origin, excluding infants	Nepal, Bhutan, Myanmar	By air Rs. 15,000/- By land – Nil
Indian passenger who has been residing abroad for over one year	Anywhere	Gold jewellery: Gentleman – 20 gms with a value cap of Rs. 50,000/- Lady – 40 gms with a value cap of Rs. 1,00,000/-
Passenger of 18 years and above	Anywhere	One laptop computer (note book computer)

Reduction in BCD, CVD and SAD

- Basic Customs Duty ('BCD') on engines of hybrid electric vehicles has been reduced to Nil. Countervailing Duty ('CVD') at 6% will apply to this item.
- In view of the proposal to start 'National Dialysis Services Programme' BCD, CVD and Special Additional Duty ('SAD') on disposable sterilized dialyzer and microbarrier for artificial kidneys have been reduced to Nil.
- BCD on refrigerated containers has been reduced to 6%.

Key highlights

- Export duty in relation to iron ore, chromium ore and bauxite have been reduced to Nil.
- Customs duties in the case of certain inputs have been increased to promote the 'Make in India' campaign and improve the competitiveness of the domestic industry.
- The period of limitation for issue of notices in the case of non payment of duties and interest has been increased from one year to two years.

Reduction in Export Duty

- Export duty in relation to iron ore, chromium ores and bauxite (natural) not calcined have been reduced to Nil.

Increase in BCD

- The following are the important items for which Budget 2016 has increased BCD.

Item	Existing	Proposed
Cashew nuts in shell	Nil	5.0%
E-readers	Nil	7.5%
Golf cars	10.0%	60.0%
Solar tempered glass	Nil	5.0%
Natural latex rubber made balloons	10.0%	20.0%
Imitation jewellery	10.0%	15.0%
Primary aluminium	5.0%	7.5%
Other aluminium products	7.5%	10.0%
Zinc alloys	5.0%	7.5%
Industrial solar water heater	7.5%	10.0%

Increase in period of limitation

- The time limit for issuing notice for payment of duties and interest has been increased from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement.

Key highlights

- Aviation and the branded and ready made garment sectors were the losers with increase in excise duties.
- As usual, increases ranging from 10 to 15% were announced for cigarettes and other tobacco products.
- Gold and diamond jewellery will now be subject to increase in excise duty at a time when the sector is going through a difficult period.
- Renewable energy and electric / hybrid vehicles received a boost with major cuts in excise duty.

The impact of Budget 2016 on key sectors are as follows:

Aviation

- Increase in excise duty on jet fuel from 8 % to 14% will lead to an increase in air travel costs.

Health

- Cigarettes and other tobacco products are likely to cost more as an increase ranging from 10 to 15 % has been proposed on these products.

Textiles and footwear

- Prices of branded and readymade garments are likely to see a 2 to 5% increase as Budget 2016 has brought branded readymade garments with a resale price of Rs. 1,000 or more within its ambit.
- Footwear are likely to cost less owing to a decrease in excise duty from 12.5% to 6%

Precious metals and jewellery

- Excise duty on refined gold bars and silver have been increased marginally by 0.5%.
- 1% excise duty on gold and diamond jewellery has been proposed which will have a major impact on this sector which is already reeling under twin problems of low prices and tepid demand.

Renewable energy

- Excise duty on solar lamps has been reduced to Nil.
- Items used in manufacture of wind operated electricity generators will now be subject to lower excise duty.

Automobiles

- Electric vehicles and hybrid cars are likely to become cheaper owning to cuts in excise duty on specified parts and engine.

Electronic and IT hardware

- Chargers, battery, headsets, speakers supplied to mobile phone manufacturers as OEMs have been brought under the excise duty ambit.
- Manufacturers of routers, broadband modems, set top boxes for gaining access to internet, etc. have been given an option to apply 4% duty without taking the benefit of CENVAT credit. The duty on parts and components of the above items have been brought down to Nil.

Key highlights

- A new 'infrastructure levy' has been proposed on vehicles ranging from 1 to 4%.
- The number of excise returns have been reduced to 13. However, a new annual return has been introduced.
- A facility for revision in returns which was missing till now has been introduced.
- The period of limitation for issue of notices in the case of non payment of duties and interest has been increased from one year to two years.

Infrastructure cess on motor vehicles

- A proposal to levy infrastructure cess on motor vehicles ranging from 1% to 4% will lead to an increase in the cost of motor vehicles. Diesel driven cars, cars with higher engine capacity, bigger sedans and SUV's are the categories to face the highest rate of this cess.
- No credit of this cess may be availed.
- Three wheeled vehicles, electrically operated, hybrid vehicles, hydrogen vehicles, taxies, ambulances etc. will be exempt from this cess.

Miscellaneous amendments to Central Excise Rules, 2002

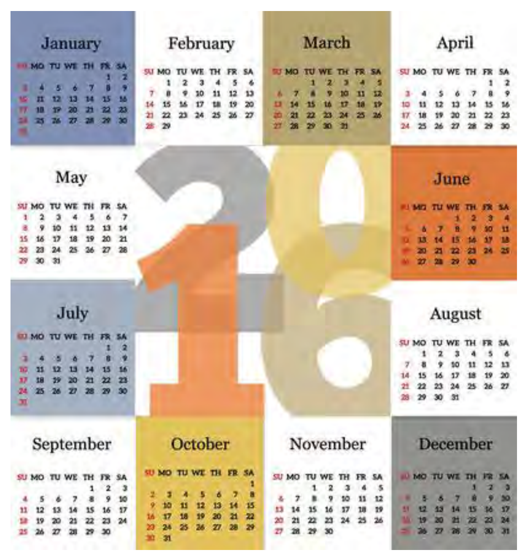
- Number of returns to be filed has been reduced to 13. One annual return and 12 monthly returns are to be e-filed.
- A facility to revise returns has been extended to assessees.
- Withdrawal of prosecution in cases involving duty of less than five lakhs and pending for more than 15 years have been proposed.

Increase in period of limitation

- The time limit for issuing notice for payment of duties and interest has been increased from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement.

Ready Reckoner

- Key TDS rates
- Reverse charge mechanism
- Other important recent amendments
- Compliance calendar



Key TDS Rates

- In the following table we have provided the key rates applicable for tax withholding.

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194	Deemed dividend	-	10%	10%
194A	Interest other than interest on security (by bank)	10,000	10%	10%
194A	Interest other than interest on securities (by others)	5,000	10%	10%
194C(1)	Contracts	30,000	1%	2%
194C(2)	Sub contracts / advertisements	30,000	1%	2%
194H	Commission or brokerage	15,000	5%	5%
194I	Rent (Land / building / furniture)	180,000	10%	10%
194I	Rent (plant & machinery / equipment)	180,000	2%	2%
194J	Professional / Technical charges / Royalty / Non-compete fee	30,000	10%	10%
194J(1)(ba)	Any remuneration or commission paid to director of the company (other than those covered under Sec. 192)	-	10%	10%

Notes

- 194C - Also where the aggregate of the amounts paid/credited or likely to be paid/credited to Contactor or Sub-contractor exceeds INR 100,000 during the financial year, TDS has to be deducted.

- No PAN for the payee – Tax has to be deducted @ 20% if deductee does not furnish PAN.

- No TDS on goods transport - No deduction shall be made from any sum credited or paid to the account of a contractor during the course of business of plying, hiring or leasing goods carriages if he furnishes declaration that he owns not more than 10 goods carriage vehicles and also furnishes his PAN, to the person paying or crediting such sum.

Reverse Charge Mechanism

- The reverse charge mechanism introduced w.e.f. July 2012 for an extended list of services, placed the onus of paying service tax partly on the service provider and partly on the service recipient. The respective liability for the service provider and service receiver are as follows:

Description of service	% of ST payable by the service provider	% of ST payable by the service recipient
Services provided by an insurance agent to any person carrying on insurance business	Nil	100%
Services provided by a goods transport agency in respect of transportation of goods by road	Nil	100%
Sponsorship	Nil	100%
Services provided by an arbitral tribunal	Nil	100%
Legal Services provided by an individual advocate or a firm of advocates	Nil	100%
Support services provided by Govt / local authority in relation to (1) renting of immovable property (2) other specified services (postal service, transportation of goods or passengers, services in relation to aircrafts or vessels)	Nil	100%
Renting of motor vehicles to carry passengers on abated value basis	50%	50%
Renting of motor vehicle to carry passengers on non-abated value basis	60%	40%
Supply of manpower	Nil	100%
Execution of works contract	50%	50%
Services provided by a person located in a non-taxable territory to a person located in a taxable territory	Nil	100%

- **Compliances for service provider** – The service provider shall issue an invoice with details indicating the name, address and the registration number of the service provider; the name and address of the person receiving taxable service; the description and value of taxable service provided or agreed to be provided; and the service tax payable thereon.
- **Availability of CENVAT Credit** – Typically, the credit of the entire tax paid on the service received by the service receiver would be available to the service recipient. The credit of tax paid by the service provider would be available on the basis of the invoice while the credit of tax paid by the service recipient would be available on the basis of the tax payment challan.

Other important recent amendments: Quoting of PAN

Transactions in relation to which permanent account number is to be quoted in documents

As per the amendment effected to the income tax rules every person should quote their PAN in all documents pertaining to transactions prescribed. List of such transactions are as below:

- These provisions came into effect from January 1, 2016.

Nature of transaction	Value of transaction
Sale / Purchase of motor vehicle	All transactions
Application for opening bank account	All transactions
Application for credit / debit cards	All transactions
Opening DEMAT account with depositor	All transactions
Payment to a hotel or restaurant against a bill or bills at any one time	Cash payments exceeding Rs.50,000
Payments in connection for travelling to a foreign country including purchase of foreign currency	Cash payments exceeding Rs.50,000
Purchase of mutual fund units	All payments exceeding Rs.50,000
Purchase of debentures and bonds in a Company or an institution	All payments exceeding Rs.50,000
Deposit with a banking company or a co-operative bank	Cash payments exceeding Rs.50,000
Purchase of bank drafts or pay orders or bankers’ cheques	Cash payments exceeding Rs.50,000
Fixed deposits with banks, post office, NBFC’s and Nidhi Companies	Payments exceedings Rs.50,000 or aggregating to more than Rs.5,00,000 during a financial year
Life insurance premium paid	Amounts aggregating to more than Rs.50,000 during a financial year
Sale or purchase, by any person, of shares of an unlisted company	Payments exceeding Rs.1,00,000 per transaction
Sale or purchase of securities other than shares	Payments exceeding Rs.1,00,000 per transaction
Sale or purchase of immovable property	Payments / value as per stamp valuation exceeding Rs.10,00,000
Any other sale or purchase, by any person, of goods or services	Amount exceeding Rs.2,00,000 per transaction

Form 60

Any person entering into any transaction referred in the above table and raising bills should ensure that the PAN has been correctly furnished and the same has been mentioned in the document. In case the PAN is not available then a declaration to that extend should be obtained in Form 60.

Details of declarations received in Form 60 needs to be filed with the Income Tax Department on half yearly basis by 31st October and by 30th April each year in Form 61.

Other important recent amendments: Financial transactions

Furnishing of statement of financial transactions

With effect from 1st April 2016 prescribed class of persons will have to furnish details of certain financial transaction entered by them during the year with the Income Tax Department.

The list of such transactions which has to be reported by persons/entities are given below:

Class of persons	Nature of transactions	Value of transaction
Any entity/person who is liable for audit under Income Tax Act, 1961	Receipt of cash against sale of goods or services	Cash payments exceeding Rs. 2,00,000/- in a year
Company issuing shares	Reciept from any person for aquiring shares including share application money	Aggregating to Rs. 10,00,000/- or more in a year
Company/institution issuing bonds/debentures	Reciept from any person for aquiring shares including share application money	Aggregating to Rs. 10,00,000/- or more in a year
Banks	Payments made by any mode other than cash against credit card bills settlement	Aggregating to Rs. 10,00,000/- or more in a year
Company listed in a stock exchange	Buy back of shares from any person	Aggregating to Rs. 10,00,000/- or more in a year
Banks and post office	Cash deposits in one or more accounts	Aggregating to Rs. 10,00,000/- or more in a year
Banks/post office/nidhis/NBFC's	One or more fixed deposits in a year	Aggregating to Rs. 10,00,000/- or more in a year
Banks	Payments made in cash against credit card bill settlement	Aggregating to Rs. 1,00,000/- or more in a year
Banks	Payments made by any mode other than cash against credit card bills settlement	Aggregating to Rs. 10,00,000/- or more in a year

Other important recent amendments: Financial transactions

Furnishing of statement of financial transactions – Continued ...

Class of persons	Nature of transactions	Value of transactions
Mutual fund	Receipt from any person for acquiring units of one or more schemes of a Mutual Fund	Aggregating to Rs. 10,00,000/- or more in a year
Authorized dealer in foreign exchange	Receipt from any person for sale of foreign currency including credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to Rs. 10,00,000/- or more in a year
Registrar or sub-registrar	Sale or purchase of any immovable property	Payments/value as per stamp valuation exceeding Rs. 10,00,000/-

Annual reporting of transactions in Form 61A

With effect from 1st April 2016 all transactions covered under the various provisions mentioned in the above table will have to be reported to the Income Tax Department. The reporting will be done electronically in Form 61A. Form 61A will have to be furnished on or before 31st May each year.

Key highlights

- Eligibility limits increased to Rs. 21,000/- per month.
- Ceiling limits of bonus increased to Rs. 7,000/-
- Five days of grace permitted for PF contributions has been withdrawn. All contributions will have to be remitted by 15th of the following month.

Payment of Bonus Act, 1965

Significant changes have been made to the Payment of Bonus Act, 1965 ('Bonus Act') through The Payment of Bonus (Amendment) Act, 2015. ('Amendment Act').

The key changes are:

- The limits for eligibility of an employee to be covered under the provisions of the Bonus Act has been increased from a salary of Rs. 10,000/- to Rs. 21,000/- per month.
- Ceiling limit of salary for the purpose of bonus calculations have been increased from Rs. 3,500/- to Rs. 7,000/-.

Effective date of applicability of the Bonus Act.

- The provisions of the Amendment Act was to be made with retrospective effect from April 1, 2014.
- The retrospective nature of this amendment is a challenge to various industries considering that the financial year had been closed and the bonus paid before the amendment came into effect.
- The retrospective nature of this provision was challenged in the Honourable High Court of Kerala by United Planters' Association of Southern India ('UPASI') and an interim relief by way of stay was granted by the court. A similar stand was taken by the High Courts of Karnataka and Madhya Pradesh.

The Employees' Provident Funds Scheme, 1952 ('EPF Scheme')

- Under the EPF scheme the employers were required to discharge their EPF liability within 15 days of the close of the respective month. A grace period of 5 days was allowed by the Employers' Provident Fund Organisation ('EPFO').
- With effect from the month of January 2016, the extension of time in the form of grace period was lifted thereby making all employers liable for remittances of dues within 15 days of the close of each month.
- Monthly dues of January 2016 onwards have to be paid within the 15th of the next month.
- Any delay in remittance of employee contribution within the 15th of the next month will lead to disallowance of the amount under Sec. 36(1)(va) of the Income Tax Act, 1961. Further, delays will also invite claim of interest and damages from the EPFO.

Compliance Calendar

2016 April

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
				1	2	3
4	5	6 **Service Tax Payment**	7	8	9	10 **Excise Return**
11	12	13	14	15 **PF,KVAT Return**	16	17
18	19	20	21 **ESIC**	22	23	24
25 **ST Return (Oct-Mar'16)**	26	27	28	29	30 **TDS Form 61 submission**	

2016 May

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
						1
2	3	4	5	6 **Service Tax Payment**	7 **TDS**	8
9	10 **Excise Return**	11	12	13	14	15 **PF,KVAT Return**
16	17	18	19	20	21 **ESIC**	22
23	24	25	26	27	28	29
30	31					

Compliance Calendar

2016 June

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
		1	2	3	4	5
6 **Service Tax Payment**	7 **TDS**	8	9	10 **Excise Return**	11	12
13	14	15 **PF,KVAT Return, Advance Tax**	16	17	18	19
20	21 **ESIC**	22	23	24	25	26
27	28	29	30			

2016 July

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
				1	2	3
4	5	6 **Service Tax Payment**	7 **TDS**	8	9	10 **Excise Return**
11	12	13	14	15 **PF,KVAT Return**	16	17
18	19	20	21 **ESIC**	22	23	24
25	26	27	28	29	30	31 **Income tax return filing A.Y 2016-17**

Compliance Calendar

2016 August

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
1	2	3	4	5	6 **Service Tax Payment**	7 **TDS**
8	9	10 **Excise Return**	11	12	13	14
15 **PF,KVAT Return**	16	17	18	19	20	21 **ESIC**
22	23	24	25	26	27	28
29	30	31 **Professional Tax(Apr-Sep'16)**				

2016 September

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
			1	2	3	4
5	6 **Service Tax Payment**	7 **TDS**	8	9	10 **Excise Return**	11
12	13	14	15 **PF,KVAT Return, Advance Tax**	16	17	18
19	20	21 **ESIC**	22	23	24	25
26	27	28	29	30 **Income tax return filing A.Y 2016-17**		

Compliance Calendar

2016 October

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
					1	2
3	4	5	6 **Service Tax Payment**	7 **TDS**	8	9
10 **Excise Return**	11	12	13	14	15 **PF,KVAT Return**	16
17	18	19	20	21 **ESIC**	22	23
24	25 **ST Return**	26	27	28	29	30
31 Form 60 submission						

2016 November

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
	1	2	3	4	5	6 **Service Tax Payment**
7 **TDS**	8	9	10 **Excise Return**	11	12	13
14	15 **PF,KVAT Return**	16	17	18	19	20
21 **ESIC**	22	23	24	25	26	27
28	29	30				

2016 December

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
			1	2	3	4
5	6 **Service Tax Payment**	7 **TDS**	8	9	10 **Excise Return**	11
12	13	14	15 **PF,KVAT Return, Advance Tax**	16	17	18
19	20	21 **ESIC**	22	23	24	25
26	27	28	29	30	31	

2017 January

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
						1
2	3	4	5	6 **Service Tax Payment**	7 **TDS**	8
9	10 **Excise Return**	11	12	13	14	15 **PF,KVAT Return**
16	17	18	19	20	21 **ESIC**	22
23	24	25	26	27	28	29
30	31					

Compliance Calendar

2017 February

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
		1	2	3	4	5
6 **Service Tax Payment**	7 **TDS**	8	9	10 **Excise Return**	11	12
13	14	15 **PF,KVAT Return**	16	17	18	19
20	21 **ESIC**	22	23	24	25	26
27	28 **Professional Tax(Oct-Mar'17)**					

2017 March

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
		1	2	3	4	5
6 **Service Tax Payment**	7 **TDS**	8	9	10 **Excise Return**	11	12
13	14	15 **PF,KVAT Return, Advance Tax**	16	17	18	19
20	21 **ESIC**	22	23	24	25	26
27	28	29	30	31		

Glossary

AO	: Assessing Officer
BCD	: Basic Customs Duty
Budget 2016	: Union Budget for 2016 - 17
CENVAT	: Central Value Added Tax
CIT(A)	: Commissioner of Income Tax (Appeals)
COFEPOSA	: Conservation of Foreign Exchange and Prevention of Smuggling Activities Act
Crores	: Ten millions
CVD	: Countervailing Duty
DDT	: Dividend Distribution Tax
DTAA	: Double Taxation Avoidance Agreement
ECS	: Electronic Clearing System
ED	: Excise Duty
EPF	: Employee Provident Fund Scheme, 1952
EPFO	: Employees Provident Fund Organisation
GDP	: Gross Domestic Product
GJA	: G. Joseph & Associates
INR /Rs.	: Indian Rupee
IRDA	: Insurance Regulatory & Development Authority
IT Act	: Income Tax Act, 1961
ITAT	: Income Tax Appellate Tribunal
KKC	: Krishi Kalyan Cess
Lakhs	: Hundred thousands
LLP	: Limited Liability Partnership
MAT	: Minimum Alternate Tax
PAN	: Permanent Account Number
POEM	: Place of Effective Management
PPF	: Public Provident Fund
OPC	: Original Equipment Manufacturer
OPC	: One Person Company
RPF	: Recognized Provident Fund
RSP	: Retail Sales Price
SAD	: Special Additional Duty
SEZ	: Special Economic Zone
SEBI	: Securities & Exchange Board of India
STT	: Securities Transaction Tax
TCS	:Tax Collected at Source
TDS	:Tax Deducted at Source

Notice to the reader

In relation to this publication you may contact:

George Joseph
Managing Partner
Cell : +91 97464 00575
Email – gj@gja.co.in

P. Rajagopal
Partner
Cell : +91 93886 09990
Email – pr@gja.co.in

Umesh Bhat
Partner
Cell : +91 98472 74567
Email – umeshbhat@gja.co.in

Reuben Joseph
Partner
Cell : +91 98952 09307
Email – reuben.joseph@gja.co.in

Jose Mekkalath
Partner
Cell : +91 96450 80504
Email – jose.mekkalath@gja.co.in

Sunil Kallamangalam
Principal
Cell : +91 95001 26020
Email – sunil.kallamangalam@gja.co.in

Allen Joseph
Partner
Cell : +91 90483 06882
Email – allen.joseph@gja.co.in

Raphael Sharon
Partner
Cell : +91 99462 03087
Email – raphael.sharon@gja.co.in

Smita Leslie
Partner
Cell : +91 98800 28566
Email - smita.leslie@gja.co.in

N. Vijayakumar
Principal – Indirect taxes
Cell : +91 94463 62533
Email - vjkumar@gja.co.in

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We have used the following sources while preparing this document

1. The Economic Survey of India, 2016
2. The Finance Bill, 2016
3. Budget Memorandum 2016
4. The Finance Minister's Budget speech, 2016

Notes:

Cochin office :
37/2038, 1st Floor, Muttathil Lane
Kadavanthra,
Cochin – 682 020, Kerala
Phone: +91 484 2207 411
Fax : +91 484 2207499
Email - mail@gja.co.in

Bangalore office :
#343, Ranka Nest Apartments
35/1 KKS Road, Oakalipuram
Bangalore 560 021, Karnataka

Chennai office :
New No. 27, (Old No: 16)
Veerabadra Street, Nungambakkam
Chennai 600 034, Tamil Nadu
Phone: +91 44 4266 1765

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