

**GJA Learning.**

**Tax News**

**June 2016**

**For private circulation only**

# **Recent Amendments on Income Tax & Service Tax**

# 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 – raphaelsharon@gja.co.in

**Smita Leslie**

Manager  
Cell : +91 98800 28566  
Email - smita.leslie@gja.co.in

**N. Vijayakumar**

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

Dear Reader,

We are pleased to present you with an update on the recent changes to the tax structure on both direct and indirect tax fronts.

Should you require any further clarifications, details or any assistance in the analysis of the impact of these updates 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, 1<sup>st</sup> Floor, Muttathil Lane  
Kadavanthra,  
Cochin – 682 020, Kerala  
Phone: +91 484 2207 411

**Bangalore office:**

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

Fax : +91 484 2207499  
Email - mail@gja.co.in

**Chennai office:**

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

## Key highlights

- ▶ Equalization levy at 6% for online advertisement expenses.
- ▶ Tax to be collected at source by sellers/service providers for cash sales exceeding Rs. 2 lakhs.
- ▶ Tax to be collected at source by seller of motor vehicle if value of sales exceeds Rs. 10 lakhs.

## Equalization levy at 6% for payments for online advertisements

- ▶ This levy has been made applicable from 1<sup>st</sup> June 2016.
- ▶ 6% levy has to be collected and remitted for all payments made to non-residents in relation to services received in the form of online advertisements, provision for digital advertising space or any other facility or service for the purpose of online advertisements or any other notified services.
- ▶ Non-resident means a person/company who does not have a permanent establishment in India.
- ▶ This levy need not be collected in cases where the aggregate amount of payment to the non-resident in year is Rs. 1 lakh or below.
- ▶ The levy so deducted should be remitted to the govt. within 7<sup>th</sup> day of the next month.
- ▶ New section 40(a)(ib) has been inserted in the Income Tax Act, 1961, which is made applicable from 1<sup>st</sup> June 2016. This section proposes to disallow the entire expenditure on which the equalization levy has not been deducted or where the levy was deducted but not remitted to the govt. within the due date of filing the income tax returns.

## Tax collection at source – Cash sales of goods and services

- ▶ W.e.f 1<sup>st</sup> June 2016 the provisions of section 206C of the Income Tax Act, 1961, which deals with tax collection at source, has been amended.
- ▶ Any seller or service provider who receives cash as consideration against any invoice raised and which exceeds Rs. 2 lakhs will have to collect tax at the rate of 1% from the customer and deposit the same with the government on or before the 7<sup>th</sup> day of next month.
- ▶ The provisions of this section will not apply in case of transactions where the customer is liable deduct tax at source while making payments to the seller/service provider.

## Tax collection at source – Sale of motor vehicle

- ▶ Seller of a vehicle will have to collect tax at source at the rate of 1% if the sales consideration of the vehicle exceeds Rs. 10 lakhs. This will apply irrespective of the mode of transaction i.e whether cash or bank transaction.
- ▶ This amendment come into effect from 1<sup>st</sup> June 2016.

## Key highlights

- ▶ Rationalization of due dates of paying advance tax for corporate & non-corporate assessees.
- ▶ Applicability of advance tax provisions for assessees opting for declaring income under Sec. 44AD.

## Payment of advance tax

- ▶ Earlier the due dates for payment of advance tax by Companies were different from the due dates applicable to the other assessees.
- ▶ Budget 2016 proposed to streamline this by implementing a common schedule irrespective of the constitution of the assessee.
- ▶ The amended schedule for payment of advance tax which come into effect from 1<sup>st</sup> June 2016 is as under:

Due Date of Installment	Amount Payable
On or before 15th June	15% of Advance Tax
On or before 15th September	45% of Advance Tax
On or before 15th December	75% of Advance Tax
On or before 15th March	100% of Advance Tax

- ▶ Earlier, the requirement of paying advance tax was not applicable with respect to 'eligible assessees' who opted for non maintenance of books of accounts under section 44AD and paid tax on 8% of the gross receipts. This benefit has been withdrawn to the extend that the assessee who opt for declaring income under section 44AD will have to remit 100% of the tax before 15<sup>th</sup> of March each year.

# Service tax – Amendments taking effect from 1<sup>st</sup> June 2016

## Key highlights

- ▶ Krishi Kalyan Cess of 0.5% has been introduced w.e.f June 1, 2016
- ▶ Effective rate of service tax increased to 15%

## Krishi Kalyan Cess

Krishi Kalyan Cess (KKC) was proposed in the Finance Budget 2016 and was passed by the parliament under Section 161 of Finance Act, 1961 and is now applicable on all services w.e.f. 1st June, 2016.

### Leviability

- ▶ This cess is leviable on all Services which are taxable as of today. It will not be applicable on manufacturers or traders. It will be equally leviable where service tax is required to be paid under reverse charge mechanism. However it will not be applicable on the services which are totally exempt from the payment of services tax.

### Tax rate

- ▶ It will be applicable at the rate of 0.5% on the entire value of service like service tax increasing the effective rate of service tax to 15% on value of services provided.

### CENVAT Credit

- ▶ The credit of Krishi Kalyan Cess shall be available for the payment of Krishi Kalyan Cess only. Also it has been clarified that the said cenvat credit shall not be adjustable when payment of Krishi Kalyan Cess is required to be made under Reverse Charge Mechanism. Hence, Cess payable at the time of RCM will have to be paid by challan only.

### Illustration

An illustration showing levy of Service tax and Swachh Bharat Cess ("SB Cess") & KKC is given below assuming Rs. 1,000/- as value of a taxable service:

Particulars		Amount
Value of taxable service:	(A)	1,000.00
Add: Service tax @ 14% on (A)		140.00
Add: SB Cess @ 0.5% on (A)		5.00
Add: KKC @ 0.5% on (A)		5.00
<b>Total</b>		<b>1,150.00</b>

- ▶ While issuing invoices, the tax @14%, SB Cess @0.5% and KKC @ 0.5% should be disclosed separately in the invoices.

# Key TDS Rates

## 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	Contracts / Sub contracts / advertisements	30,000 (single transaction)	1%	2%
194C	Contracts / Sub contracts / advertisements	100,000 (annual transaction limit)	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 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.
- No PAN for the payee – Tax has to be deducted @ 20% if deductee does not furnish PAN.

# Service tax – Reverse Charge Mechanism

## 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.

## 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:

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 exceeding 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.



# 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:

<b>Class of persons</b>	<b>Nature of transactions</b>	<b>Value of transaction</b>
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	Receipt from any person for acquiring shares including share application money	Aggregating to Rs. 10,00,000/- or more in a year
Company/institution issuing bonds/debentures	Receipt from any person for acquiring 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

# 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 1<sup>st</sup> 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 is to be done electronically in Form 61A. Form 61A will have to be furnished on or before 31<sup>st</sup> May each year.

# 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 – raphaelsharon@gja.co.in

**Smita Leslie**

Manager  
Cell : +91 98800 28566  
Email - smita.leslie@gja.co.in

**N. Vijayakumar**

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

G. Joseph & Associates (GJA) is a firm of Chartered Accountants registered under the Institute of Chartered Accountants of India. "Tax News" is a periodical publication by GJA, meant only for internal distribution and distribution among select clientele of GJA. The contents and views expressed in the document are the views of GJA alone and the reader should not consider the same as a decision making input or an aid in investment / financial planning decisions. Further, this document, any extracts from the same or any views presented herein are not meant for public circulation. GJA reserves the right to modify the contents.

## Notes:

**Cochin office :**

37/2038, 1<sup>st</sup> 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