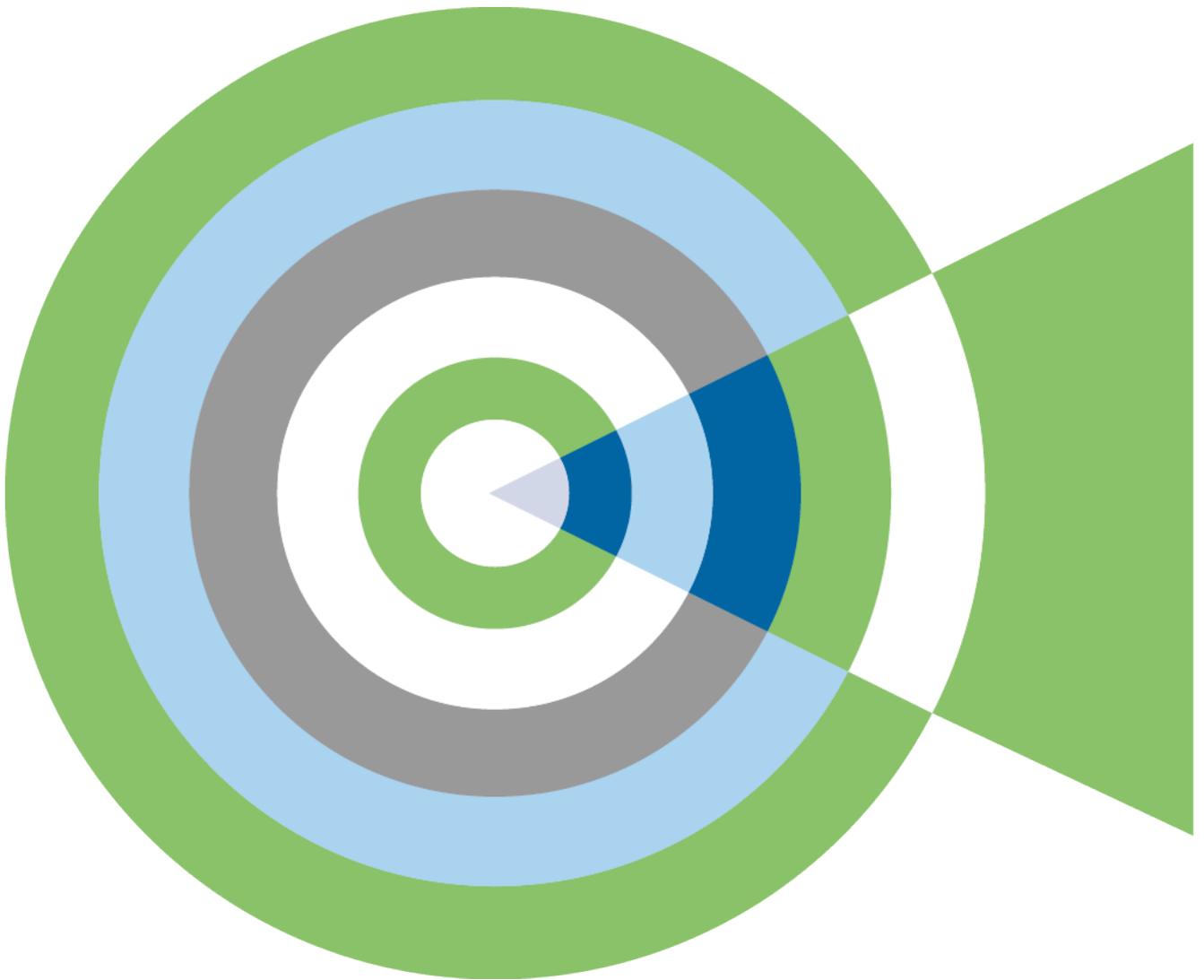


**BUDGET HIGHLIGHTS
2015**



BUDGET HIGHLIGHTS 2015

DIRECT TAX PROPOSALS

➤ **PERSONAL TAXATION**

- No change in basic exemption limit and tax slabs for individuals.
- In case of individuals, partnership firms, limited liability partnerships and trusts having a total income exceeding INR 1 crore (INR 10 million), the tax shall be increased by a surcharge of 12%.
- Education cess remains unchanged at 3% for all tax payers
- Transport (Conveyance) allowance exempt for salaried individuals increased to INR 1,600 pm from existing INR 800.
- Donations made to Swachh Bharat Kosh (Clean India Initiative) and Clean Ganga Fund and National Fund for Control of Drug Abuse (NFCDA) will be eligible for 100% deduction.
- Limit on deduction on account of contribution to a pension fund and the new pension scheme increased from INR 100,000 to INR 150,000.
- Additional deduction of INR 50,000 for contribution to the new pension scheme of the Central Government
- Deduction for medical treatment of specified diseases, enhanced to INR 80,000 from INR 60,000 in case of super senior citizen (80 years or above).
- The following tax benefits have been envisaged in the Sukanya Samridhi Account scheme:-
 - (i) The investments made in the Scheme will be eligible for deduction under section 80C of the Act.
 - (ii) The interest accruing on deposits in such account will be exempt
 - (iii) The withdrawal from the said scheme will be exempt from tax
- Deduction upto INR 30,000 shall be allowed for medical expenditure for self/family. Moreover, additional deduction upto INR 30,000 allowed for medical expenditure for parents.

➤ **CORPORATE TAX**

- Tax rates
 - Corporate tax rate remains unchanged for domestic (30%) as well as foreign companies (40%).
 - Proposal to reduce the corporate tax rate for domestic companies to 25% over the next 4 years starting from FY 2016-17.
 - Education cess remains unchanged 3%.

- Changes in surcharge for domestic companies:

Income	Existing	Proposed
Upto INR 1 crore (10 million)	Nil	Nil
INR 1 crore (10 million) to INR 10 crore (100 million)	5%	7%
Exceeding INR 10 crore (100 million)	10%	12%

Note: No change in surcharge rate for foreign companies – continues at Nil, 2% and 5% under the above categories.

Effective tax rates:

Tax/Tax payer	Taxable Income		
	< 1 crore	Rs. 1 crore – Rs. 10 crore	> Rs. 10 crore
Corporate – Indian company	30.90%	33.06%	34.61%
Corporate – Foreign company	41.20%	42.02%	43.26%
Minimum Alternate Tax - Domestic Companies	19.06%	20.39%	21.34%
- Foreign Companies	19.06%	19.44%	20.00%
Dividend Distribution Tax	20.36%		

- Investment in new plant and machinery in units in notified backward areas of Telangana and Andhra Pradesh for 5 years beginning April 1, 2015 will be subject to investment allowance at the rate of 15%. Additional depreciation on such plant and machinery increased from 20% to 35%.
- In respect of new plant and machinery installed and used by a manufacturing unit or a unit engaged in generation and distribution of power and eligible for additional 20% depreciation, where such assets are used for less than 182 days in a year, additional depreciation can be availed at the rate of 10% in the year in which put to use and balance 10% in the next year.
- Tax on royalty and fees for technical services in case of non-residents reduced from 25% to 10%.
- Benefit of deduction for employment of new regular workmen extended to foreign companies as well. The eligibility threshold of minimum 100 workers now reduced to 50.
- Foreign companies considered as resident in India if “place of effective management” is in India.

➤ OTHER TAX PROPOSALS

- Goods and Service Tax (GST) to be operational from April 1, 2016.
- Wealth-tax has been abolished.
- Direct Tax Code to be scrapped.
- Comprehensive Bankruptcy Code of global standards to be introduced.

- Yoga to be included within the ambit of charitable purpose under Section 2(15) of the Income-tax Act. An activity in the nature of trade, commerce or business, or rendering of any service in relation thereto undertaken by a trust or institution to be considered as 'charitable purpose' only if such activity is undertaken in the course of actual advancement of its object of general public utility and aggregate receipts from such activities during the previous year do not exceed 20% of the total receipts.
- Liability arising out of an application made to Settlement Commission may be recovered out of seized assets.
- Threshold for domestic transfer pricing applicability increased to INR 20 crores (200 million) from INR 5 crores (50 million).
- General Anti Avoidance Rules (GAAR) to apply effective April 1, 2017.
- Person making payment to non-resident shall be liable to furnish Form 15CA and Form 15CB even if the remittance is not liable to tax.
- Fund Managers in India would not constitute business connection of the offshore funds.
- Definition of the place of effective management has been amended to include the place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.
- Formula for computing 'amount of tax sought to be evaded' introduced for levy of penalty
- Tax authorities can file an application with the Tribunal (with acceptance from the tax payer) stating that the appeal may be filed when the decision on the identical question of law pending before the Supreme Court becomes final.

INDIRECT TAX PROPOSALS

Goods and service tax (GST) to be implemented from April 1, 2016.

➤ SERVICE TAX

- Service tax rate has been increased from 12.36% (including 3% cess) to 14% (no cess) from a date to be notified.
- Additional service tax @ 2% as 'Swachh Bharat Cess' to be levied on specified services from a date to be notified.
- All reimbursements of costs to be included in the value of taxable services.
- Single premise registration proposed to be granted in two days.

- **CENVAT credit**
 - Time limit for availing CENVAT credit on inputs and input services increased from 6 months to 1 year.
 - CENVAT credit of service tax paid under a partial reverse charge can be availed on payment of service tax even where the value is not paid.
 - CENVAT credit deemed to be used on the last day of the month.

- Exemption to the following services withdrawn; now taxable:
 - Services provided by way of admission to entertainment events or access to amusement facilities.
 - Services by way of contract manufacturing/job work production of alcoholic liquor for human consumption for a consideration.
 - All services provided by the Government or local authorities to business entities.
 - Services by way of construction, erection, commissioning, or installation of original works pertaining to airports and ports.
 - Services by way of transportation of foodstuff except milk, salt and food grain (including flour, pulses and rice).
 - Services provided by mutual fund agents, distributors to mutual fund/asset management companies and marketing agents of lottery tickets.
 - Services by way of making telephone calls from a public telephone (departmentally run, guaranteed public telephone and free telephone at airports and hospitals).
 - Services provided by performing artists in folk or classical art forms of music, dance and theatre for an amount greater than INR 0.1 million.

- Service-tax exemption provided to following:
 - Services of pre-conditioning, pre-cooling, ripening etc. of fruits and vegetables.
 - Life insurance service provided by way of Varishtha Pension Bima Yojana.
 - All ambulance services provided to patients.
 - Admission to museum, zoo, national park, wild life sanctuary and tiger reserve.
 - Transport of goods for export by road from factory to land customs station

➤ **EXCISE**

- Excise duty rate has been increased from 12.36% to 12.5% (with no cess) from March 1, 2015.
- Education Cess of 2% and Secondary and Higher Education Cess of 1% exempted on all products.
- Excise duty on mobile handsets increased from 6% (with CENVAT) to 12.5% (with CENVAT). Excise duty remains unchanged at 1% on mobile handsets in case CENVAT facility not availed.
- Excise duty on chassis of ambulances reduced from 24% to 12.5% subject to actual user condition.
- Excise duty on inputs used in manufacture of specified components for LED lights or fixtures, including LED lamps, reduced from 12% to 6%.
- Excise duty on tablets reduced from 12% to 2% (without CENVAT) or 12.5% (with CENVAT).
- Exemption from excise duty on parts, components and accessories for use in manufacture of tablets and their sub-parts.

- Excise duty on wafers for use in manufacture of IC modules for smart cards reduced from 12% to 6%.
- Exemption from excise duty on specified raw material for use in manufacture of pacemakers.
- Exemption to round copper wire and tine alloys for use in the manufacture of specified component of solar PV cells and modules.
- Excise duty on condensed milk and peanut butter increased to 2% (without CENVAT) and 6% (with CENVAT).

➤ CUSTOMS

- Basic Custom Duty (BCD) on iron and steel and articles of iron and steel increased from 10% to 15%.
- BCD increased from 2.5% to 5% on metallurgical coke.
- Effective rate of Additional Duty of Customs levied on petrol and high speed diesel oil increased from INR 2 per litre to INR 6 per litre.
- BCD and CVD exempted on parts, components and accessories for manufacture of tablets and their sub-parts for manufacture of these items.
- BCD exempted on High Density Polyethylene for manufacture of telecommunication grade optical fibres or optical fibre cables.
- Concessional BCD of 5% extended to Active Energy Controller for manufacture of Renewable Power System inverters.
- BCD reduced from 10% to Nil on specified Digital Still Image Video Cameras and from 5% to Nil on parts and components for manufacture of such Digital Cameras.
- BCD reduced on specified LED TV panels from 10 % to Nil.
- BCD reduced from 5% to Nil on magnetron (upto 1 KW) used for manufacture of domestic microwave oven.
- BCD increased on commercial vehicles from 10% to 20%, except in CKD condition, where 10% BCD continues.
- Exemption from BCD extended up to 31 March 2016 for specified goods used in manufacture of hybrid and electrically operated vehicles.

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