Union Budget 2015-16 Highlights

INVESTMENT PROPOSALS

AIDS TO THE UNFUNDED

- Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of INR 20,000 crores, and credit guarantee corpus of INR 3,000 crores to be created with priority of lending to be given to SC/ST enterprises
- MUDRA Bank will be responsible for refinancing all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana.
- A Trade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
- Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- NBFCs registered with RBI and having asset size of INR 500 crore and above may be considered for notifications as ‘Financial Institution’ in terms of the SARFAESI Act, 2002

MOVE TOWARDS SOCIAL SECURITY

- Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of INR 2 Lakh for a premium of INR 12 per year.
- Atal Pension Yojana to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries’ premium limited to INR 1,000 each year, for five years, in the new accounts opened before 31st December 2015.
- Pradhan Mantri Jeevan Jyoti Bima Yojana to cover both natural and accidental death risk of INR 2 lakh at premium of INR 330 per year for the age group of 18-50.
- Unclaimed deposits of about INR 3,000 crores in the PPF, and approximately INR 6,000 crores in the EPF corpus. These amounts to be appropriated to a corpus, which will be used to subsidize the premiums on these social security schemes through creation of a Senior Citizen Welfare Fund in the Finance Bill.

SELF RELIANT INFRASTRUCTURE

- National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of INR 20,000 crores to it.
- Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.
- PPP mode of infrastructure development to be revisited and revitalized.
- (SETU) Self-Employment and Talent Utilization) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business. INR 1000crore to be set aside as initial amount in NITI.
- An expert committee to examine the possibility and prepare a draft legislation where the need for multiple prior permission can be replaced by a pre-existing regulatory mechanism. This will facilitate India becoming an investment destination.
- 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode

STRENGTHENING FINANCIAL MARKETS

- Forward Markets commission to be merged with SEBI.
- Proposal to create a Task Force for establishing sector-neutral financial redressal agency that will address grievance against all financial service providers.
- India Financial Code to be introduced soon in Parliament for consideration.
- Vision of putting in place a direct tax regime, which is internationally competitive on rates, without exemptions.
- Government to bring enabling legislation to allow employee to opt for EPF or New Pension Scheme. For employee's below a certain threshold of monthly income, contribution to EPF to be option, without affecting employees' contribution.
- Introduction of Gold monetization scheme to allow the depositors of gold to earn interest in their metal accounts and the jewelers to obtain loans in their metal account to be introduced.
- Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed

TAX PROPOSALS

DIRECT TAXATION

CORPORATE TAXATION

- Proposal to reduce Corporate income tax from 30% to 25% over the next four years, starting from next financial year.
- Rationalization and removal of various tax exemptions and incentives to reduce tax disputes and improve administration.
- Bill for a comprehensive new law to deal with black money parked abroad to be introduced in the current session which includes Imprisonment upto 10 yrs and 300 % penalties in case of evasion of tax in relation to Foreign Assets. Further it has also been made Non Compoundable offence.
- PML Act, 2002 and FEMA to be amended to enable administration of new Act on black money
- Benami Transactions (Prohibition) Bill to curb domestic black money to be introduced in the current session of Parliament.
- Acceptance or re-payment of an advance of INR 20,000 or more in cash for purchase of immovable property to be prohibited.
- PAN being made mandatory for any purchase or sale exceeding Rupees 1 lakh.
- Third party reporting entities would be required to furnish information about foreign currency sales and cross border transactions
- Tax "pass through" to be allowed to both category I and category II alternative investment funds.

- Permanent Establishment (PE) norm to be modified to encourage fund managers to relocate to India.
- General Anti Avoidance Rule (GAAR) to be deferred by two years and will be made applicable prospectively for investments made on or after 01.04.2017
- Additional investment allowance (@ 15%) and additional depreciation (@35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana.
- Rate of Income-tax on royalty and fees for technical services reduced from 25% to10% to facilitate technology inflow.
- Threshold limit for applicability of Domestic transfer Pricing has been increased from Rs 5 cr to Rs 20 cr.
- Benefit of deduction for employment of new regular workmen to all business entities and eligibility threshold reduced
- Balance of 50% of additional depreciation @ 20% for new plant and machinery installed and used for less than six months by a manufacturing unit or a unit engaged in generation and distribution of power is to be allowed immediately in the next year.
- Wealth-tax replaced with additional surcharge of 2 per cent on super rich with a taxable income of over INR 1 crore annually
- Donation made to National Fund for Control of Drug Abuse (NFCDA) to be eligible for 100% deduction u/s 80G of Income-tax Act.
- Seized cash can be adjusted towards assessees tax liability.
- 100% deduction for contributions, other than by way of CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund.
- Yoga to be included within the ambit of charitable purpose under Section 2(15) of the Income-tax Act

INDIVIDUAL TAXATION

- Tax Slabs have remain unchanged
- Limit of deduction of health insurance premium increased from INR 15000 to INR 25000,for senior citizens limit increased from INR20000 to INR30000.
- Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of INR 30000 towards medical expenditures.
- Deduction limit of INR 60000 with respect to specified decease of serious nature enhancedto INR 80000 in case of senior citizen.
- Additional deduction of INR 25000 allowed for differently abled persons.
- Limit on deduction on account of contribution to a pension fund and the new pensionscheme increased from INR 1 lakh to INR1.5 lakh.
- Transport allowance increased from Rs 800 per month to Rs 1600 per month

- Additional deduction of INR 50000 for contribution to the new pension scheme u/s 80CCD.
- Payments to the beneficiaries including interest payment on deposit in Sukanya Samriddhi scheme to be fully exempt

<u>**INDIRECT TAXATION**</u>

GST to go live by 1st April 2016

EXCISE DUTY

- Excise Duty will now be 12.50% after subsumation of EC & SHEC
- Specific rates of central excise duty in case of certain other commodities revised.
- Excise levy on cigarettes and the compounded levy scheme applicable to pan masala,gutkha and other tobacco products also changed
- Excise duty on footwear with leather uppers and having retail price of more than INR 1000 per pair reduced to 6%.
- Online central excise and service tax registration to be done in two working days.
- Time limit for taking CENVAT credit on inputs and input services increased from 6 months to 1 year
- Clean energy cess increased from `100 to `200 per metric tonne of coal, etc. to finance clean environment initiatives.
- Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.
- Conversion of existing excise duty on petrol and diesel to the extent of INR 4 per litre into Road Cess to fund investment.
- Excise duty exemption for captively consumed intermediate compound coming into existance during the manufacture of agarbathi.
- Excise duty on chassis for ambulance reduced from 24% to 12.5%.

SERVICE TAX

- Service-tax plus education cesses increased from 12.36% to 14% to facilitate transition to GST
- Services by common affluent treatment plant exempt from Service-tax
- Service-tax exemption on Varishtha Bima Yojana.
- Service Tax exemption extended to certain pre cold storage services in relation to fruits and vegetables so as to incentivise value addition in crucial sector.
- Negative List under service-tax is being slightly pruned to widen the tax base.
- Service-tax to be levied on service provided by way of access to amusement facility, entertainment events or concerts, pageants, non recoganised sporting events etc.
- Service-tax exemption:
    - 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, wile life sanctuary and tiger reserve.
- Transport of goods for export by road from factory to land customs station.

- Enabling provision made to exclude all services provided by the Government or local authority to a business entity from the negative list.
- Service-tax exemption to construction, erection, commissioning or installation of original
- works pertaining to an airport or port withdrawn.
- Transportation of agricultural produce to remain exempt from Service tax

CUSTOM DUTY

- Basic Custom duty on certain inputs, raw materials, inter mediates and components in 22 items, reduced to minimise the impact of duty inversion.
- All goods, except populated printed circuit boards for use in manufacture of ITA bound items, exempted from SAD.
- SAD reduced on import of certain inputs and raw materials
- Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016
- Artificial heart exempt from basic custom duty of 5% and CVD.
- Increase in basic custom duty:

    - Metallergical coke from 2.5 % to 5%.
    - Tariff rate on iron and steel and articles of iron and steel increased from 10% to15%.
    - Tariff rate on commercial vehicle increased from 10 % to 40%.

- Basic custom duty on digital still image video camera with certain specification reduced to nil.