Union Budget 2015-16

Key Impacts for SMEs and Individuals in a page

Key Areas- Direct Tax for Non-Individuals

- No change in basic income tax rate for AY 2016-17 for domestic companies. 12 percent surcharge if taxable income exceeds Rs. 10 crore. 7% if between Rs. 1-10 crore. Nil Surcharge if below Rs. 1 crore. So, Income tax for “super-rich” non-individuals **actually increased in AY 2016-17** which would come down by 1% every year for the next 4 years. However, as per the budget speech, it would also entail doing away with exemptions. So, the actual impact and assessment to be seen in future.
- Dividend distribution tax will attract a surcharge of 12% instead of 10%
- Abolition of wealth tax from AY 2016-17. However, corresponding increase in burden in income tax return filing by incorporating all details of “wealth”.
- Advance received or repaid in cash in relation to an immoveable property in excess of Rs. 20,000 to be made otherwise than by way of cash w.e.f. 01.06.2015. This clause comes into picture **only when** such receipts are advance in nature.
- Additional depreciation for acquisition of plant and machinery restricted to 50% if such new asset is put to use for less than 180 days during the previous year. Now from AY 2016-17 onwards balance 50% additional depreciation can be claimed in the immediately succeeding year as well.
- As per 80JJAA now all assesses having manufacturing units employing 50 or more new regular workmen will claim deduction for additional wages.
- Payment of Royalty and Fees for Technical Services to a non-resident would attract TDS @10% from 25% as earlier.
- An auditor so disqualified u/s 141(3) of the Companies Act, 2013 would also be disqualified under Income Tax Act in respect of such assesse from furnishing any audit report/certificate.
- If during seizure any information belonging to any other person would be handed over to the AO having jurisdiction of such other person.
- A Company would be treated as resident in India if its Place of Effective Management (POEM) was in India **any time** during the year.
- Increase of threshold limit for applicability of Domestic Transfer Pricing provisions from Rs. 5 crore to Rs. 20 crore.

Key Areas- Direct Tax for Individuals

- No change in tax slabs nor any major change in deductions available.
- Sukanya Samriddhi Account Scheme now made at par with PPF. Deposits, Interest and maturity proceeds all under EEE regime.
- Additional Rs. 50,000 savings u/s 80CCD for investment in NPS over and above Rs. 150,000 existing limit.
- Health insurance premium deduction raised to Rs. 25,000 (ordinary assesse) + Rs. 30,000 (sr. citizen) So, one can avail maximum of **Rs. 55,000** here as compared Rs. 35,000 earlier.
- Section 80DD and 80U limits raised. Just need to obtain a prescription by a specialist doctor for claiming deduction u/s 80DDB instead of a certificate by a doctor of a Govt. hospital. Deduction up to Rs. 80,000 for medical treatment of a very senior citizen.
- 100% 80G deduction for contribution in Swachh Bharat Kosh, Clean Ganga Fund and National Fund for Control of Drug Abuse.
- Increase in travel allowance from Rs. 9,600 to Rs. 19,200 per annum for salaried employees.
- Super rich tax payers with taxable income of more than Rs. 1 crore will have to pay 12% surcharge instead of 10%.
- Withdrawal from EPF more than Rs. 30,000 where its is taxable, will now attract TDS @10%. Non furnishing of PAN would entail deduction at maximum marginal rate.
- CBDT will prescribe rules for determination of period of stay in India of an Indian citizen, being a member of crew of a foreign vessel leaving India.
- **Amendments being made in FEMA to insert the power to seize assets in India equivalent to undisclosed assets held abroad**.
- Non filing of return or filing with inadequate disclosures would entail imprisonment as per the budget speech. However, no mention of that in the Finance Bill so far. Many more harsh consequences were mentioned during the budget speech.

Points to note in TDS

- Salary related claim forms and formats would be standardized.
- TDS on recurring deposits/time deposit of co-operative bank w.e.f. 01.06.2015.
- TDS threshold limit on time deposits of Rs. 10,000 would be bank as a whole instead of different branches.
- Section 194C(6) is now amended to provide that TDS would not be deducted only if payment is made **to a transporter subject to Section 44AE of the Act** (owning not more than 10 vehicles) and who has submitted a declaration as such along with the PAN. This amendment is effective 01.06.2015
- Form 15G/15H can now be filed in respect of life insurance payments which are subject to 2% deduction at source in excess of Rs. 100,000
- Individuals/HUFs not required to obtain TAN specially when the payment which is subject to deduction at source likely to be a single transaction. Furnishing of PAN would suffice. Rules are to be made here.
- **All payments** to non –residents would be required to be intimated to the Income tax department, instead of only payments which are subject to tax deduction at source.

Points to note in Central Excise

- Ad Valorem rate changed to 12.50% from 12.36%. Primary Education Cess and S&H Education Cess exempted w.e.f. 01.03.2015
- Goods(Inputs/Capital Goods) can be directly sent to job worker without first bringing to the factory of the manufacturer. Invoice should show manufacturer as buyer and job worker as consignee.
- Failure to file any return (ER-1 to ER-4 etc.) within the specified time will attract penalty @ Rs. 100 per day subject to **maximum of Rs. 20,000** for each such return.
- Existing registrants should update mobile number and email address, if not done earlier, within 3 months from 01.03.2015 by filing amendment application. Similarly, existing registrants to submit any business transaction number (such as IEC, Service Tax Number, VAT number, CIN etc.) by filing amendment application within 3 months.
- Daily stock account can be maintained in electronic form and each page to be digitally signed. Similarly, invoices can be digitally signed.
- CENVAT credit on inputs and input services can be taken **within one year** instead of six months from the date of invoice.
- Online registration to be granted within 2 working days.

Points to note in Service Tax

- Service Tax rate being increased to 14% and additional 2% Swachh Bharat Cess from the date to be notified so that effective tax rate **would be 16%** on the value of taxable services. Getting aligned towards 20%-24% GST model. Questions remain on the fate of existing balance in Primary Edu Cess and S&H Cess account.
- All services by Government/Local Authority to a business entity would be subject to Service tax
- CENVAT credit on inputs and input services can be taken within one year instead of six months from the date of invoice
- Manpower supply/ Security services provided by an individual/HUF/Firm to a body corporate would be under full reverse charge mechanism w.e.f. 01.04.2015
- **Value of taxable services would now include all reimbursable expenses**
- Penalty not to exceed 10% of the Service Tax amount in bonafide cases. No penalty if paid within 30 days of receipt of Show Cause notice. In case of malafide cases, penalty would be 100% of the service tax amount
- Uniform abatement of 30% for transport of goods by all means (rail, road and vessel)