

Indian Union Budget – 2015

An overview

For

Layman as well Professionals

Analysis by

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Comments of author are in blue fonts.

Applicability date of budget proposals are in red fonts.

I. Taxation :

1. Income Tax rates are not changed but surcharge in almost all categories of tax payers is increased from 10% of income tax to 12% of income tax. [Not to worry situation for most of the tax payers as surcharge is applicable to so called super rich persons only. e.g., individuals with taxable income exceeding Rs. 1 crore.] [From A. Y. 2016-17]
2. Hitherto “charitable purpose” didn’t contain within its purview activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, “irrespective of the nature of use or application, or retention, of the income” from such activity, if receipts from such activities exceeds twenty five lakh rupees in the previous year. From A. Y. 2016-17, it will include any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, “irrespective of the nature of use or application, or retention, of the income” from such activity, if such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility “AND” the aggregate receipts from such activity or activities, during the previous year, do not exceed twenty percent of the total receipts, of the trust or institution undertaking such activity or activities, for the previous year .
3. Activity of YOGA is recognized as activity within the meaning of term charitable purpose from A.Y. 2016-17.
4. Wealth-tax which was introduced in 1957 is abolished with effect from A. Y. 2016-17.
5. Sukanya Samriddhi Account scheme is declared as EEE (exempt-exempt-exempt) method of taxation. So, (1) The investments made in the Scheme will be eligible for deduction under section 80C of the Act., (2) The interest accruing on deposits in such account will be exempt from income tax. and (3) The withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax by introduction of new clause (11A) under section 10 of the Income Tax Act, 1961 with effect from A. Y. 2015-16.
6. Section 80D deduction limit for medi-claim premium is revised from – (1) Earlier Rs. 15,000/- to Rs. 25,000/- and (2) for senior citizens from Rs. 20,000/- to Rs. 30,000/-. Further, **for very senior citizen (with age of 80 years or more)**, who are normally not covered by such medical insurance schemes, it is also proposed to provide that any payment made on account of “**medical expenditure**” in respect of a very senior citizen, “if” **no** payment has been made to keep in force an insurance on the health of such person, as does not exceed thirty thousand rupees shall be allowed as deduction under section 80D. The aggregate deduction available to any individual in respect of health insurance premium and the medical expenditure incurred would however can’t exceed Rs. 30,000/-. [with effect from A. Y. 2016-17.]

7. Deduction under section 80DDB (for expenditure for treatment of certain serious diseases) is revised as under. Further, requirement for getting certificate from specialist working in a **Government** hospital is dispensed with, so from **A. Y. 2016-17**, assessee will be required to obtain a prescription from a specialist doctor (**not necessarily working with Government hospital**) for the purpose of availing this deduction.

Category of Taxpayer	Deduction till A.Y. 2015-16	Deduction from A.Y. 2016-17
Very Senior Citizen (80 years and above)	upto 60,000/-	upto 80,000/-
Senior Citizen (60 years and above)	upto 60,000/-	upto 60,000/-
Other Individuals	upto 40,000/-	upto 40,000/-

8. Raised the limit of deduction under section 80DD and 80U for persons with disability from Rs. 50,000/- to Rs. 75,000/- and for persons with severe disability from Rs. 1,00,000/- to Rs. 1,25,000/- in view of the rising cost of medical care and special needs of a disabled person. [With effect from **A. Y. 2016-17**.]
9. Limit of deduction under section 80CCC (Annuity Plan) is increased from Rs. 1,00,000/- to Rs. 1,50,000/-. [With effect from **A. Y. 2016-17**.]
10. Separate limit (**Additional**) is specified for deduction under section 80CCD of Rs. 50,000/- by insertion of section (1B). **Overall limit of Rs. 1,50,000/- specified under section 80CCE is not applicable to this newly inserted section 80CCD(1B) as it covers only Section 80C, Section 80CCC and Section 80CCD(1).**
11. In previous budget (Year 2014), requirement for deduction of tax at source (TDS) was introduced by section 194DA @2% when payment in previous year exceeds Rs. 1,00,000/-. To save the people from genuine hardship, provisions of section 197A is amended by which self-declaration in Form No.15G/15H for non-deduction of tax at source can be submitted by the policy holder. [**With effect from 1st June, 2015**.]
12. Under Section 80G (Donations and Contributions to certain funds), some new funds are added in eligible fund list. Like, National Fund for Control of Drug Abuse, Swachh Bharat Kosh (donations made by **any** donor) and Clean Ganga Fund (donations made by **domestic** donors). [**National Fund for Control of Drug Abuse w.e.f. A.Y. 2016-17 and other two funds w.e.f. A.Y. 2015-16**].
13. Form No. 10 which is required to be submitted by the trust to avail exemption of income (for accumulation or setting apart unutilized income), will have to be submitted **before the due date of filing return of income specified under section 139 of the Act**. [With effect from **A. Y. 2016-17**.]
14. **With effect from 1st June, 2015**, TDS will be made from of payments to transporters also **except of those transporters** who furnish a declaration that he or she is in the business of transport i.e. plying, hiring or leasing goods carriage **and** who is eligible to compute income as per the provisions of section 44AE of the Act (i.e a person who is not owning more than 10 goods carriage at any time during the previous year) along with his PAN.
15. Hitherto, Tax Deduction at Source was to be made if interest exceeded Rs. 10,000/- threshold (branch-wise). Nowadays, core banking solution (CBS) is implemented by nearly all the big financing entities. So, henceforth, computation of interest income for the purposes of deduction of tax under section 194A of the Act should be made with reference to the income credited or paid by the **banking company or**

- the co-operative bank or the public company (and not branch-wise)** which has adopted core banking solutions. [With effect from 1st June, 2015.]
16. Hitherto, Form No. 15CA and 15CB were required to be submitted only in respect of remittances which the remitter declared as taxable, but with effect from 1st June, 2015, section 195(6) will be amended by which the person responsible for paying to a non-resident, (not being a company), or to a foreign company, any sum, whether **or not** chargeable under the provisions of this Act, shall furnish the information relating to payment of such sum, in such form and manner, as may be prescribed. Further, it is proposed to insert a new provision in the Act to provide that in case of non-furnishing of information or furnishing of incorrect information under sub-section (6) of section 195(6) of the Act, a penalty of one lakh rupees shall be levied.
 17. Form No. 15G/H submission mechanism is also made applicable to transactions covering withdrawal from Employees Provident Fund before continuous service of five years (other than the cases of termination due to ill health, closure of business, etc.) and does not opt for transfer of accumulated balance to new employer. It is also proposed to provide a threshold of payment of Rs. 30,000/- for applicability of this proposed provision. [With effect from 1st June, 2015.]
 18. Section 32(1)(ia) of Income Tax Act, 1961, which provides for additional depreciation of 20% is amended to provide that the balance 50% (i.e., 50% of 20%) of the additional depreciation on new plant or machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation of such plant or machinery, shall be allowed in the immediately succeeding previous year. [Applicable from A.Y. 2016-17]
 19. Section 6 of Income Tax Act, 1961 is proposed to be amended in such a manner so that no company can easily avoid becoming a resident by simply holding a board meeting outside India. So, it is proposed to provide that company shall be said to be resident in India in any previous year, if- (i) it is an Indian company; or (ii) its place of effective management, at any time in that year, is in India. Further, it is proposed to define the place of effective management to mean a 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. [With effect from A. Y. 2016-17].
 20. It is proposed to amend section 288 of the Act to provide that an auditor who is not eligible to be appointed as auditor of a company as per the provisions of sub-section (3) of section 141 of the Companies Act, 2013 shall not be eligible for carrying out any audit or furnishing of any report/certificate under any provisions of the Income Tax Act in respect of that company. On similar lines, ineligibility for carrying out any audit or furnishing of any report/certificate under any provisions of the Income Tax Act in respect of non-company is also proposed to be provided. However, it is proposed to provide that the ineligibility for carrying out any audit or furnishing of any report/certificate in respect of an assessee shall **not** make an accountant ineligible for attending income-tax proceeding referred to in sub-section (1) of section 288 of the Act **as authorised representative** on behalf of that assessee. It is further proposed to provide that the person convicted by a court of an offence involving fraud shall not be eligible to act as authorised representative for a period of 10 years from the date of such conviction. [With effect from 1st June, 2015.]
 21. Some courts have held that penalty under section clause (c) of sub-section (1) of section 271 cannot be levied in cases where the concealment of income occurs under the income computed under general provisions and the **tax is paid under the provisions of section 115JB or 115JC of the Act**. Tax paid under the provisions

of section 115JB or 115JC over and above the tax liability arising under general provisions is available as credit for set off against future tax liability. Understatement of income and the tax liability thereon under general provisions results in larger amount of such credit becoming available to the assessee for set off in future years. Therefore, where concealment of income, as computed under the general provisions, has taken place, penalty under clause (c) of sub-section (1) of section 271 should be leviable even if the tax liability of the assessee for the year has been determined under provisions of section 115JB or 115JC of the Act. Accordingly, it is proposed to amend section 271 accordingly. [With effect from **A. Y. 2016-17**].

22. Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being fully exempted. Simultaneously, the standard ad valorem rate of duty of excise (i.e. CENVAT) is being increased from 12% to 12.5%. Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being subsumed in Basic Excise duty. **(Will come into effect immediately).**
23. LEDs and Electronic vehicles are given certain tax relaxations under customs and excise duties. Further clean energy cess (levied on coal, lignite and peat) is increased. **All these matters signal the intention of government to curb the consumption of electricity generated with coal and usage of fossil fuels, so that in long term, country can be made less polluted as well as deficit on current account can be controlled which is mostly represented by payment towards petroleum.**
24. Full exemption from excise duty is being extended to captively consumed intermediate compound coming into existence during the manufacture of Agarbattis.
25. Effective increase in Service Tax rate will be from existing rate of 12.36% (inclusive of cesses) to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. **The new Service Tax rate of 14% shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015. Let us check the effect of this increase. Refer to the following table.**

Services	Expenses (Rs.)	Current Service Tax @ 12.36% (Rs.)	Proposed Service Tax @ 14% (Rs.)	Increase in Bill (Rs.)
Restaurant Bill	1,000	49.44	56.00	6.56
Telephone Bill	1,000	123.60	140.00	16.40
Hotel Bill	1,500	111.24	126.00	14.76

26. Be ready for further increase in service tax in the form of Swachh Bharat Cess at a rate of **2% of the value of such taxable services** at a rate of 2% of the value of such taxable services with the objective of financing and promoting Swachh Bharat initiatives. Central Government is being empowered to impose a Swachh Bharat Cess on **all or any** of the taxable services. So, at that time, rate of service tax will be 16%. **[Applicable from a date to be notified by the Central Government]**
27. Certain entries from negative list of service tax are omitted now which includes admission to amusement facility, admission to entertainment events etc. **These proposed changes shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015.**
28. All services provided by the Government or local authority to a business entity, **except** the services that are specifically exempted, or covered by any other entry in

the Negative List, shall be liable to Service Tax **from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015.**

29. Hitherto, the term “government” has not been defined in the Act or the notification. This has given rise to interpretational issues. To address such issues, a definition of the term “government” is being incorporated in the Act. “Government” means the Departments of the Central Government, a State Government and its Departments and a Union territory and its Departments, but shall not include any entity, whether created by a statute or otherwise, the accounts of which are not required to be kept in accordance with article 150 of the Constitution or the rules made there under.
30. Section 80 that provided for waiver of penalty in specified situations, is being omitted.
31. At present, service tax is payable on 30% of the value of rail transport for goods and passengers, 25% of the value of goods transport by road provided by a goods transport agency and 40% for goods transport by vessels. The conditions also vary. A uniform abatement is now being prescribed for transport by rail, road and vessel. Service Tax shall be payable on 30% of the value of such services subject to a uniform condition of non-availment of Cenvat Credit on inputs, capital goods and input services. **[shall come into effect from the 1st day of April, 2015.]**
32. Rule 4 is being amended to provide that the CBEC, by way of an order, specify the conditions, safeguards and procedure for registration in service tax.
33. Provisions for issuing digitally signed invoices are being added along with the option of presentation of records in electronic form. The conditions and procedure in this regard shall be specified by the CBEC.
34. Manpower supply and security services when provided by an individual, HUF, or partnership firm to a body corporate are being brought to full reverse charge. Presently, these are taxed under partial reverse charge mechanism. **[will come into effect from 1.4.2015]**
35. Rule 4(7) is being amended to allow credit of service tax paid under partial reverse charge by the service receiver without linking it to the payment to the service provider. **[will come into effect from 1.4.2015]**

II. Measures to Curb Black Money:

1. “Acceptance” or “re-payment” of an “advance” of Rs. 20,000 or more in cash for purchase of immovable property will be covered under prohibitory provisions of section 269SS and section 269T of the Income Tax Act, 1961 **with effect from 1st June, 2015.**
2. Evasion of tax in relation to foreign assets to have a punishment of rigorous imprisonment upto 10 years, be non-compoundable, have a penalty rate of 300% and the offender will not be permitted to approach the Settlement Commission.
3. Undisclosed income from any foreign assets to be taxable at the maximum marginal rate.
4. Non-filing of return/filing of return with inadequate disclosures to have a punishment of rigorous imprisonment upto 7 years.
5. PML Act, 2002 and FEMA to be amended to enable administration of new Act on black money.
6. Leverage of technology by CBDT and CBEC to access information from either’s data bases.
7. Swiss authorities have agreed to provide information in respect of cases independently investigated by IT department but **major breakthrough can be said to be got when automatic exchange of information is finalized.**

III. Creation of more Business Friendly Environment as well as Creation of Jobs in India.

1. Applicability of General Anti Avoidance Rule (GAAR) is deferred till **A.Y. 2018-19**.
2. To relocate fund managers of off-shore funds in India a specific regime has been proposed in the Act by which eligible fund manager (fulfilling certain conditions) acting on behalf of such fund shall not constitute business connection in India of the said fund which will reduce their tax burden. **[Applicable from A.Y. 2016-17]**
3. Reduction in rate of tax on Income by way of Royalty and Fees for technical services in case of non-residents is reduced from 25% to 10%. **[Applicable from A.Y. 2016-17]**
4. Section 80JJAA of Income Tax Act, 1961, which provides deduction for employment of new workmen is applicable to Indian “companies” only. Now, it will be applicable to all assesseees having manufacturing units rather than restricting it to corporate assesseees only. **[Applicable from A.Y. 2016-17]**
5. Section 92BA of Income Tax Act, 1961 : Threshold limit for specified domestic transaction is proposed to be increased from 5 crores to 20 crores rupees in the previous year. **[Applicable from A.Y. 2016-17]**
6. Monetary limit for a case to be heard by a single member bench of Income Tax Appellate Tribunal is increased from Rs. 5 lakh to Rs. 15 lakh (total income as computed by the Assessing Officer). **[With effect from 1st June, 2015.]**
7. Approval regime for issuance of notice for re-assessment: It is proposed to provide that **no** notice under section 148 shall be issued by an assessing officer upto 4 years from the end of relevant assessment year without the approval of Joint Commissioner and beyond 4 years from the end of relevant assessment year without the approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner. **[With effect from 1st June, 2015.]**
8. More clear provision as to what constitutes order that is erroneous in so far as it is prejudicial to the interests of revenue (Section 263) : order passed by the Assessing Officer shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Commissioner or Commissioner,— (a) the order is passed without making inquiries or verification which, should have been made; (b) the order is passed allowing any relief without inquiring into the claim; (c) the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or (d) the order has not been passed in accordance with any decision, prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person. **[With effect from 1st June, 2015.]**

IV. Public Welfare:

1. FM promised to build 6 crore toilets in the country. 50 lakh toilets have been already constructed in 2014-15. Swachh Bharat is not only a programme of hygiene and cleanliness but, at a deeper level, a programme for preventive health care, and building awareness.
2. To use unclaimed deposits of about Rs. 3,000/- crore in Public Provident Fund and Rs. 6,000/- crore in Employees Provident Fund to create a senior citizen welfare fund.
3. The government has decided to give members of EPF scheme an option to shift out from EPF to NPS. NPS that also invests in equities may provide higher returns as compared to that of EPF.

4. Insurers will soon launch Pradhan Mantri Sursksha Bima Yojana to cover **accidental risk** of Rs. 2 lakh for a premium of just Rs. 12 p.a. It will be debited to person's bank account under Pradhan Mantri Jan Dhan Yojana.
5. Pradhan Mantri Jeevan Jyoti Bima Yojana will provide a cover of Rs. 2 lakh against both **natural and accidental** death at a premium of Rs. 330/- p.a. for the people in the age group of 18 to 50 years.
6. Atal Pension Yojana: Government will contribute 50% of the beneficiaries' premium limited to Rs. 1,000/- p.a. for five year in the new account opened before 31st December, 2015.

Conclusion: In my opinion, budget is fairly above the average, but adequate roadmap and framework to implement the various initiatives must be there.

About the Author:

- ✚ Practicing Chartered Accountant from last 8 years as a proprietor of T. K. Andharia & Co. at Bhavnagar (Gujarat) in various fields like Accounting, Auditing, Income Tax, Service Tax, Information Technology, Finance, NRI Consultancy, Management Consultancy etc.
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