Key Highlights of Union budget 2016-17

Deduction under Sec-80

>Raise the ceiling of tax rebate under section 87A from Rs 2000 to Rs 5000 to lessen tax burden on individuals with income upto Rs5 lakhs.

> Increase the limit of deduction of rent paid under section 80GG from Rs 24000 per annum to Rs 60000, to provide relief to those who live in rented houses.

AUDIT

> Increase the turnover limit under Presumptive taxation scheme under section 44AD of the Income Tax Act to Rs 2 crores to bring big relief to a large number of assessees in the MSME category.

> Extend the presumptive taxation scheme with profit deemed to be 50 per cent, to professionals with gross receipts up to Rs 50 lakh.

Phasing out deduction under Income Tax:

> Accelerated depreciation wherever provided in IT Act will be limited to maximum 40 per cent from 1.4.2017

Other-Deductions

> Benefit of deductions for Research would be limited to 150 per cent from 1.4.2017 and 100 per cent from 1.4.2020

> Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.

> The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020

TAX

New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25 per cent + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.

> Lower the corporate tax rate for the next financial year for relatively small enterprises i.e companies with turnover not exceeding Rs 5 crore (in the financial year ending March 2015), to 29 per cent plus surcharge and cess.
> Surcharge to be raised from 12 per cent to 15 per cent on persons, other than companies, firms and cooperative societies having income above Rs 1 crore.
> 100 per cent deduction of profits for 3 out of 5 years for startups setup during April, 2016 to March, 2019. MAT will apply in such cases.
> 10 per cent rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident.
>Domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30 per cent, and surcharge at 7.5 per cent and penalty at 7.5 per cent, which is a total of 45 per cent of the undisclosed income. Declarants will have immunity from prosecution.
> Penalty rates to be 50 per cent of tax in case of underreporting of income and 200 per cent of tax where there is misreporting of facts.
> Disallowance will be limited to 1 per cent of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.
> Time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.
> For non-residents providing alternative documents to PAN card, higher TDS not to apply

> Domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30 per cent, and surcharge at 7.5 per cent and penalty at 7.5 per cent, which is a total of 45 per cent of the undisclosed income. Declarants will have immunity from prosecution.
> New Dispute Resolution Scheme to be introduced. No penalty in respect of cases with disputed tax up to Rs 10 lakh. Cases with disputed tax exceeding Rs 10 lakh to be subjected to 25 per cent of the minimum of the imposable penalty. Any pending appeal against a penalty order can also be settled by paying 25 per cent of the minimum of the imposable penalty and tax interest on quantum addition.

Housing Deduction

>Deduction for additional interest of Rs50,000 per annum for loans up to Rs35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs 50 lakh.

> Excise duty of 1 per cent without input tax credit or 12.5 per cent with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs 6 crores and Rs 12 crores respectively.

Excise Duty

> Excise on readymade garments with retail price of Rs 1000 or more raised to 2 per cent without input tax credit or 12.5 per cent with input tax credit.
> Excise duties on various tobacco products other than beedi raised by about 10 to 15 per cent.
> Assignment of right to use the spectrum and its transfers has been deducted as a service leviable to service tax and not sale of intangible goods.
>Revision of return extended to Central Excise assesses.

Other

>Limit for contribution of employer in recognized Provident and Superannuation Fund of Rs 1.5 lakh per annum for taking tax benefit. Exemption from service tax for Annuity services provided by NPS and Services provided by EPFO to employees.

>Rs 1,000 crore allocated for new EPF (Employees' Provident Fund) scheme

>Govt. will pay EPF contribution of 8.33% for all new employees for first three years

> Reduce service tax on Single premium Annuity (Insurance) Policies from 3.5 per cent to 1.4 per cent of the premium paid in certain cases.

> Additional tax at the rate of 10 per cent of gross amount of dividend will be payable by the recipients receiving dividend in excess of Rs 10 lakh per annum.

> Surcharge to be raised from 12 per cent to 15 per cent on persons, other than companies, firms and cooperative societies having income above Rs 1 crore.

> Tax to be deducted at source at the rate of 1 per cent on purchase of luxury cars exceeding value of Rs ten lakh and purchase of goods and services in cash ..

> Surcharge on luxury cars costing more than Rs.10 lakh

> Expansion in the scope of e-assessments to all assessees in 7 mega cities in the coming years.

> Interest at the rate of 9 per cent p.a against normal rate of 6 per cent p.a for delay in giving effect to Appellate order beyond ninety days. > 'e-Sahyog' to be expanded to reduce compliance cost, especially for small taxpayers.