

BUDGET HIGHLIGHTS 2016-2017

Honourable Finance Minister, Sh. Arun Jaitley presented his third consecutive budget today, the highlights of the budget are summarised here in under:

INCOME TAX:

1. Increase in Surcharge on Individuals or HUFs or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person whose income exceed Rs.1 Crore from 12% to 15%.
2. Increase in Deduction from income tax due to Rs.5000/- from the existing deduction available amounting to Rs.2000/- under section 87A to Individuals having taxable income of Rs.5 Lacs or less.
3. Newly setup domestic companies engaged solely in the business of manufacture or production of article or thing, shall have an option to pay income tax as per provisions of new section 115BA i.e. @ 25% subject to certain conditions or at normal rates.
4. Lower corporate for next financial year for companies upto Rs 5 crore turnover to 29 per cent for 2015.
5. Any income by way of dividend in excess of Rs. 10 lakh shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India, at the rate of ten percent (10%). The taxation of dividend income in excess of ten lakh rupees shall be on gross basis.
6. An equalisation levy of 6 % of the amount of consideration for specified services received or receivable by a non-resident not having permanent establishment ('PE') in India, from a resident in India who carries out business or profession, or from a non-resident having permanent establishment in India. Further, in order to reduce burden of small players in the digital domain, it is also provided that no such levy shall be made if the aggregate amount of consideration for specified services received or receivable by a non-resident from a person resident in India or from a

non-resident having a permanent establishment in India does not exceed one lakh rupees in any previous year.

7. A tax collected at source (TCS) @ 1% on purchase value of motor vehicle exceeding Rs.10 Lacs and above.
8. A tax collected at source (TCS) @ 1% on purchase of any goods (except gold and jewellery) value exceeding Rs.2 Lacs.
9. Profit linked, investment linked and area based deductions will be phased out for both corporate and non-corporate tax payers.
10. The provisions having a sunset date will not be modified to advance the sunset date. Similarly the sunset dates provided in the Act will not be extended.
11. In case of tax incentives with no terminal date, a sunset date of 31.3.2017 will be provided either for commencement of the activity or for claim of benefit depending upon the structure of the relevant provisions of the Act.
12. There will be no weighted deduction with effect from 01. 04.2021.
13. A deduction of one hundred percent of the profits and gains derived by an eligible start-up from a business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. The benefit of hundred percent deductions of the profits derived from such business shall be available to an eligible start-up which is setup before 01.04.2019.
14. To incentivise first-home buyers availing home loans, by providing additional deduction in respect of interest on loan taken for residential house property from any financial institution up to Rs. 50,000. This incentive is proposed to be extended to a house property of a value less than fifty lakhs rupees in respect of which a loan of an amount not exceeding thirty five lakh rupees.
15. An assessee engaged in the business of transmission of power shall also be allowed additional depreciation at the rate of 20% of actual cost of new machinery or plant acquired and installed in a previous year.

16. Where the total income of the eligible assessee income includes any income by way of royalty in respect of a patent developed and registered in India, then such royalty shall be taxable at the rate of ten per cent (plus applicable surcharge and cess) on the gross amount of royalty.
17. A weighted deduction of 130% shall be provided under section 80JJA in respect of cost incurred on any employee whose total emoluments are less than or equal to twenty five thousand rupees per month. No deduction, however, shall be allowed in respect of cost incurred on those employees, for whom the entire contribution under Employees' Pension Scheme notified in accordance with Employees' Provident Fund and Miscellaneous Provisions Act, 1952, is paid by the Government.
18. To claim the weighted deduction referred in Para above further relaxations in the norms for minimum number of days of employment in a financial year from 300 days to 240days and also the condition of ten per cent increase in number of employees every year is withdrawn now any increase in the number of employees will be eligible for deduction under the provision.
19. Under section 80GG an assessee who does not own a house and does not get HRA shall be entitled to get deduction of rent paid subject to Rs. 5000/- p.m. the limit is increased from Rs.2000/- p.m.
20. Interest paid on capital borrowed for acquisition or construction of a self-occupied house property shall be available if the acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed the time has been extended from the present three years.
21. New Section 44ADA will be inserted in the act to estimate the income of an assessee who is engaged in any profession referred to in sub-section (1) of section 44AA such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette and whose total gross receipts does not exceed fifty lakh rupees in a previous year, at a sum equal to fifty per cent. of the total gross receipts, or, as the case may be , a sum higher than the aforesaid sum earned by the assessee. The scheme will apply to such resident assessee who is an individual, Hindu undivided family or partnership firm but not Limited Liability partnership firm.

22. Tax Audit for professionals shall be applicable in case of gross receipts exceeds 50 lacs or profit is lower than the prescribed in section 44ADA.
23. Limit for presumptive taxation scheme on eligible assessee has been increased from the present 1 Crore to 2 Crore. Under the scheme 8% of the turnover is treated as income.
24. A Voluntary disclose scheme will be open for the assessee to declare undisclosed income subject to tax @ 30%+7.5% Interest+7.5% Penalty(Total of 45%) subject to certain conditions. The scheme shall be open from 01st June, 2016 to 30Th September 2016.
25. A Direct Tax Dispute Resolution Scheme, 2016 in relation to tax arrears and specified tax where in the assessee in dispute the pending appeal could be against an assessment order or a penalty order. The declarant under the scheme be required to pay tax at the applicable rate plus interest up to the date of assessment. However, in case of disputed tax exceeding rupees ten lakh, twenty-five percent of the minimum penalty leviable shall also be required to be paid.
26. In case of pending appeal against a penalty order, twenty-five percent of minimum penalty leviable shall be payable along with the tax and interest payable on account of assessment or reassessment
27. E Assessment to 7 mega cities.
28. Rationalization of TDS provisions to benefit the Individuals.
29. Governmentt will pay interest of 9 per cent instead of 6 per cent in case there is a delay in apellate cases beyond 90 days. Officers to be held accountable.
30. 100% deduction for profits of undertakings from housing projects in cities during Jun 2016 - Mar 2019 building houses upto 30 sq. mtrs.
31. Proposed to withdrawal up to 40 per cent of corpus under National Pension scheme to be tax free. Annuity also to be tax free.
32. Tax treatment should be uniform for defined benefits and contribution of pension scheme and plans.

33. Accelerated Depreciation limited to maximum of 40%.
34. LTCG on unlisted securities limited to 2 years.
35. Penalty for concealment of Income from 100-300% to 50-200%.
36. With a view to ensure the prompt payment of dues to Railways for use of the Railway assets, it is proposed to amend section 43B so as to expand its scope to include payments made to Indian Railways for use of Railway assets within its ambit. Deduction shall be available if the payment is made on or before the due date of income tax return.
37. A person during the previous year earns income which is exempt under clause (38) of section 10 (Dividend Received) and income of such person without giving effect to the said clause of section 10 exceeds the maximum amount which is not chargeable to tax, shall also be liable to file return of income for the previous year within the due date.
38. A belated return under section 139(4) can be filed up to before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
39. The return filed without payment of due tax and interest shall not be treated as defective merely on account of non payment of due tax.
40. Assessment under section 143 and 144 to be completed within 21 months from the end of the assessment year from the present 24 months from the end of the assessment year.
41. Non Corporate Assesseees to pay Advance Tax in 4 installments on 15th June – 15%, 15th Sep – 45%, 15th Dec-75% & 15th Mar-100% (similar to the Corporate)
42. The assessee eligible for presumptive tax under section 44AD now shall be liable to pay advance tax though in a single instalment i.e on or before 15th of March every year.
43. New condition for conversion of a company into Limited Liability Partnership (LLP). The value of the total assets in the books of accounts of the company in any of the three previous years preceding the previous

year in which the conversion takes place, should not exceed five crore rupees.

44. Limit for contribution of employer in recognized Provident and Superannuation Fund of 1.5 lakh per annum for taking tax benefit.
45. No higher TDS for non-residents if alternative documents to PAN card provided.