

BUDGET 2015 SNAPSHOT

KEY TAX PROPOSALS

In this newsletter, we provide highlights of the key tax proposals made by the Finance Minister

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INDIVIDUALS / HUF

Additional surcharge of 2% on income of super rich

Wealth tax abolished

Tax rates

- ▶ No change is proposed in income-tax slabs, tax rates, cess for individuals. The surcharge for assessees whose total income is more than INR 1 crore is increased to 12% (as against 10% earlier).

Tax deductions

- ▶ Additional deduction of INR 50,000 p.a. to be available in respect of the individual's contribution to National Pension Scheme.
- ▶ Deduction for health insurance premium
 - ▶ For individual, it is to be increased from INR 15,000 p.a to INR 25,000 p.a.
 - ▶ For senior citizens (60 years of age or above), it is to be increased from INR 20,000 p.a to INR 30,000 p.a .
 - ▶ For very senior citizens (80 years of age or above) not covered under health insurance, medical expenditure incurred to qualify for deduction within the said limit of INR 30,000 p.a.

- ▶ Deductions for self and dependent in case of disability to be increased from INR 50,000 p.a. to INR 75,000 p.a. and in case of severe disability from INR 100,000 p.a. to INR 125,000 p.a.

- ▶ For salaried individuals, exemption for transport allowance to be doubled from INR 800 per month to INR 1,600 per month

- ▶ Investment by parents in name of girl child under Sukanya Samridhi Scheme will be covered within overall limit of Rs. 1.5 lakh u/s 80C.

Wealth Tax

- ▶ Currently wealth-tax is levied on an individual and HUF, if net wealth of such person exceeds INR 30 lakhs. It is proposed to abolish the levy of wealth-tax.
- ▶ It is proposed that assets earlier covered in wealth tax returns will be disclosed in individual's tax returns

COMPANIES

Tax rate proposed to be reduced from 30% to 25% over next 4 years

Tax rates

- ▶ Tax rate remains unchanged at 30% (plus applicable surcharge and e. cess) for domestic companies. For foreign company, the rate remains same at 40% (plus applicable surcharge and e. cess)
- ▶ Rate of surcharge is increased by 2%. (from 5%/10% earlier to 7%/12%).

- ▶ It is proposed to reduce corporate tax rates from 30% to 25% over next 4 years in a phased manner starting from Financial year 2016-17.

Tax on royalty and fee for technical services

- ▶ It is proposed to reduce rate of tax on royalty and fee for technical services earned by non-residents from 25% to 10%.

FIRMS & OTHERS

Tax rates

- ▶ There is no change in tax rates for firms and co-operative societies.

WITHHOLDING TAX (TDS)

Payments towards immovable property can now only be made by account payee cheques / drafts / bank transfers. Cash payments are prohibited to curb black money.

Salary

- ▶ It is proposed to prescribe the form and manner in which the employer shall obtain evidence / documentary proof for various deductions from employees while determining withholding tax on salary.

Payments towards immovable property

- ▶ Amounts towards sale or purchase of immovable property (above Rs. 20,000) can only be made by way of account payee cheque / draft / bank transfer. This measure is aimed at curbing generation of

black money by way of dealing in cash in property transactions.

Non-compliance will attract penalty equal to the amount of payment made or received.

Payments to transporters

- ▶ TDS u/s 194C (Contractors) is to be deducted in case of payments being made to transporters. Exemption is available only in cases where transporter submits specified declaration (towards coverage u/s 44AE) to the deductor.

SERVICE TAX

Tax rate increased to 14%

Swachh Bharat Cess of 2% to be introduced

Tax rates

- ▶ Effective service tax rate increased from the existing rate of 12.36% to 14% (cess of 3% exempted).
- ▶ Swachh Bharat Cess to be imposed on all or any of the taxable services (as may be notified) at the rate of 2 per cent of the value of taxable services.

Trimming of Negative List of services

Following services have been removed from the Negative List, and hence would now be taxable:

- ▶ Service provided by way of admission to entertainment events or access to amusement facilities.
- ▶ Services by way of contract manufacturing/job work production of alcoholic liquor for human consumption for a consideration.
- ▶ All services provided by the Government or local authorities to business entities.

Scope of Mega Exemption Notification widened

Exemption expanded to include:

- ▶ Service by way of right to admission to award function, concert, pageant, musical performance or any sporting event (other than a recognised sporting event) where the amount charged is less than INR500; recognised sports event or exhibition to cinematographic film, circus, dance, etc. continue to be exempt.
- ▶ Ambulance services provided by way of transportation of patient.
- ▶ Life insurance services provided under Varishtha (senior citizen) Pension Bima Yojna.

- ▶ Services provided by Common Effluent Treatment Plant operator for treatment of effluent.
- ▶ Services provided by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change/ alter the essential characteristics of fruits or vegetables.
- ▶ Services provided by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo.
- ▶ Services provided by way of exhibition of movie by an exhibitor to the distributor or an association of persons (consisting of the exhibitor as one of its members).

Trimming of Mega Exemption Notification

Exemptions withdrawn:

- ▶ Services provided to government by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of:
 - a civil structure meant for use other than for commerce, industry, etc.
 - a structure meant predominantly for use as an educational, clinical, or an art or cultural establishment.
 - a residential complex predominantly meant for self-use or the use of their employees.
- ▶ Services by way of construction, erection, commissioning, or installation of original works pertaining to airports and ports.
- ▶ Services by way of transportation of foodstuff except milk, salt and food grain (including flour, pulses and rice).
- ▶ Services provided by mutual fund agents, distributors to mutual fund/asset

SERVICE TAX

Manpower supply and security services now under full reverse charge

Unpaid amount of service tax declared in return can now be recovered without issuance of show-cause notice.

management companies and marketing agents of lottery tickets.

- ▶ Services provided by performing artists in folk or classical art forms of music, dance and theatre for an amount greater than INR0.1 million.

CENVAT credit

- ▶ Time limit for availment of Cenvat credit on inputs and input services increased from six months to one year from the date of issuance of any of the specified documents.
- ▶ Power of recovery of Cenvat credit extended even to cases where Cenvat credit has been wrongly taken but not utilised.
- ▶ Term 'export of goods' defined for computing refund of Cenvat credit as any goods which are to be taken out of India to a place outside India.
- ▶ In case of partial reverse charge, the Cenvat credit can be availed by the service recipient as under:
 - With respect to service tax to be paid by the service recipient, credit can be claimed on depositing the same with the Government Treasury.
 - With respect to service tax charged by the service provider, credit can be

claimed immediately on receipt of invoice. However, credit to be reversed if payment not made within a period of three months which can be re-availed on making payment.

Reverse charge

- ▶ Manpower supply & security services provided by Individual, HUF or firm to a body corporate is now brought under full reverse charge mechanism.

Penalties

- ▶ Unpaid amount of self-assessed service tax declared in the return by tax payer can now be recovered without issuance of show cause notice.
- ▶ Penalties have been segregated into separate sets depending on whether or not the case involves fraud, wilful misstatement, collusion or suppression of facts.
- ▶ Discretionary power to waive penalty has been removed for cases where a reasonable cause for default on part of tax payer existed. This may cause undue hardship to certain genuine tax payers.

Registration

- ▶ Service Tax registration process is now proposed to be faster.

EXCISE AND CUSTOM DUTY

Tax rates

- ▶ Excise duty rate increased from 12.36 per cent to 12.5 per cent.

- ▶ Education Cess of 2 per cent and Secondary and Higher Education Cess of 1 per cent exempted on all products
- ▶ Peak rate of customs duty maintained at 10%



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