

# BUDGET 2015

## Analysis of Income tax provisions

Doing common things, *Uncommonly well.*

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

# Index



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

2

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

1.	Corporate Tax	3-4
2.	Tax Incentives	5-6
3.	International Taxation	7
4.	Tax Deducted at Source (TDS)	8-9
5.	Deduction under Chapter V-A	10-11
6.	Other Important Changes	12-15
7.	Procedural changes	16-18
8.	Personal Taxation	19
9.	About us	20
10.	Contact us	21





# 1. Corporate tax

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

3

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from									
Corporate Tax rates		<ul style="list-style-type: none"><li>Rate of corporate tax remains unchanged at 30% for Domestic Companies and 40% for Foreign Companies.</li><li>It has been proposed that there will be a phased reduction in rate of tax for domestic companies up to 25% in next 4 years.</li><li><b>Cess</b> - Education cess and Secondary &amp; Higher Education cess remains unchanged at 2% and 1% respectively.</li><li><b>Surcharge</b> -<ul style="list-style-type: none"><li>No change in the surcharge for Foreign companies i.e. 2% on total income exceeding 1cr but less than or equal to 10cr and 5% for total income exceeding Rs. 10 cr</li><li><b>Increase in surcharge</b> rates from A.Y. 2016-17 for <b>domestic companies:</b></li></ul></li></ul>	Assessment Year 2016-17									
		<table border="1"><thead><tr><th>Particulars</th><th>Existing Rate</th><th>Proposed Rate</th></tr></thead><tbody><tr><td>Total income greater than 1 cr but not exceeding 10 Cr</td><td>5%</td><td>7%</td></tr><tr><td>Total income greater than 10 Cr</td><td>10%</td><td>12%</td></tr></tbody></table>	Particulars	Existing Rate	Proposed Rate	Total income greater than 1 cr but not exceeding 10 Cr	5%	7%	Total income greater than 10 Cr	10%	12%	
Particulars	Existing Rate	Proposed Rate										
Total income greater than 1 cr but not exceeding 10 Cr	5%	7%										
Total income greater than 10 Cr	10%	12%										

## ....contd. (Corporate Tax)



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

4

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Wealth tax <b>abolished</b>	Wealth Tax Act, 1957	<ul style="list-style-type: none"><li>It has been proposed to abolish the Wealth Tax Act, 1957 to simplify the tax administration and surcharge has been raised on companies and persons other than companies to tax the super rich at a higher rate.</li></ul>	Assessment Year 2016-17
Changes in Minimum Alternative Tax (MAT)	115JB	<ul style="list-style-type: none"><li>Under the existing provision a company which is a member of AOP (Association of Person) is liable to pay MAT on it's share of income from BOP as it is not excluded from the book profit while computing MAT.</li><li>It is proposed to exclude the share received from AOP while computing the book profit for MAT liability.</li><li>Similarly, FII's income from Capital gain (taxed at concessional rate) will also be excluded for computation of book profit.</li></ul>	Assessment Year 2016-17

## 2. Tax Incentives



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

5

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Allowance of balance 50% of additional depreciation	32(1)(iia)	<ul style="list-style-type: none"> <li>As per existing language, it is interpreted that additional depreciation of 20% shall be restricted to 50% if the eligible asset is put to use for less than 180 days in the previous year.</li> <li>As a result of this misunderstanding, eligible assessee's used to push the investment to next year to get the full 20% additional depreciation by putting the asset to use for more than 180 days.</li> <li>Now, the language has been suitably modified which clearly mentions that balance 50% of additional depreciation shall be allowed in the immediate succeeding year.</li> </ul>	Assessment Year 2016-17
Additional depreciation for State of Andhra Pradesh and Telangana	32(1)(iia)	<ul style="list-style-type: none"> <li><b>Higher Additional Depreciation @35%</b> (instead of 20%) is allowable for acquisition and installation of new Plant and machinery in the notified backward area of the State of Andhra Pradesh and Telangana for the period between 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2020.</li> <li>This will provide major boost to the manufacturing sector in the backward areas of these two states.</li> </ul>	Assessment Year 2016-17

## ...contd. [2. Tax Incentives]



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

6

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Additional investment allowance for State of Andhra Pradesh and Telangana	<b>32AD (New Section)</b>	<ul style="list-style-type: none"><li>▪ <b>Additional investment allowance equal to 15%</b> of cost of assets installed in the notified backward area of the State of Andhra Pradesh and Telangana for the period between 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2020.</li><li>▪ This investment allowance is in addition to the existing investment allowance of 15% under Section 32AC.</li></ul>	Assessment Year 2016-17

### 3. International Taxation



Title	Section	Changes proposed	Effective from
Reduction in tax rates on Royalty and Fees for Technical Services (FTS)	115A	<ul style="list-style-type: none"> <li>The rate of tax on payment of royalty and fees for technical services to non-resident is proposed to be <b>reduced from 25% to 10%</b>.</li> <li>Intention behind this reduction is to promote the technology inflow to small businesses at lower costs.</li> <li>This will certainly lower down the total cost for smaller companies who are required to bear this tax burden of withholding tax through grossing up arrangement.</li> </ul>	Assessment Year 2016-17
Rules for giving Foreign Tax Credit (FTC)	295(2)	<ul style="list-style-type: none"> <li>Presently, Income Tax Act does not provide the manner for granting credit of taxes paid in any country outside India.</li> <li>Now, it has been proposed to empower <b>CBDT to notify rules</b> for granting relief /credit of income tax paid outside India against the income tax payable in India.</li> </ul>	1 <sup>st</sup> June' 2015



## 4. Tax Deducted at Source (TDS)

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

8

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Premature withdrawal of balance in Recognized provident funds	<b>192A (New Section)</b>	<ul style="list-style-type: none"><li>▪ <b>Premature withdrawal of accumulated balance in EPF is now taxable</b> if employee withdraws the balance before the continuous service of 5 years and does not opt for transfer of accumulated balance to new employer.</li><li>▪ <b>TDS rate will be 10%</b> if payment is equal to or more than Rs. 30,000.</li></ul>	1 <sup>st</sup> June' 2015
TDS on payments made to transporters	194C	<ul style="list-style-type: none"><li>▪ As per current provisions of Section 194C, TDS is not deducted on payments made to a transporter if it furnishes its PAN.</li><li>▪ The legislative intention behind this provision was to provide the exemption from TDS for small transport operators (as defined in Section 44AE of the Act).</li><li>▪ As the current language of the section does not indicate this intention, all transporters (irrespective of their size) are claiming exemption from TDS under this section.</li><li>▪ To restore this legislative intention, section 194C is proposed to be amended to expressly provide that <b>exemption from TDS</b> under this section is available <b>only if:</b><ul style="list-style-type: none"><li>• Transport operator is not owning more than 10 goods carriages at any time during the previous year AND</li><li>• Who has furnished a declaration to this effect along with his PAN.</li></ul></li></ul>	1 <sup>st</sup> June' 2015





## ....contd. [4. Tax Deducted At Source]

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

9

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Furnishing information about payments to non-residents, <b>even if non-taxable</b>	195	<ul style="list-style-type: none"><li>▪ Presently, as per the language of Section 195, it appears that information in the prescribed format (Form 15 CA &amp; Form 15CB) is required to be submitted only if the sum payable is taxable.</li><li>▪ Intention of Revenue while asking for the desired information is two folds:<ul style="list-style-type: none"><li>• Whether tax has been deducted as per the applicable rate AND</li><li>• Whether payer has failed to deduct the tax at all</li></ul></li><li>▪ Therefore, the purpose of obtaining information about the payments which the payer declares to be taxable only, defeats the purpose of tracking whether payer failed to deduct the tax.</li><li>▪ Accordingly, amendment has been proposed to <b>obtain the information</b> in the prescribed format <b>for all remittances made to non-residents</b> even if the same is <b>not taxable</b> under the Act.</li><li>▪ Further, a <b>penalty of Rs. 1 lac</b> has also been proposed for <b>non-furnishing or incorrect furnishing</b> of specified information.</li></ul>	1 <sup>st</sup> June' 2015



## 5. Deduction under Chapter VI-A

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

10

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Deduction for contribution to pension scheme increased	80CCC	<ul style="list-style-type: none"><li>Limit of deduction under section 80CCC <b>increased from Rs. 1,00,000 to Rs. 1,50,000</b>, within the overall limit in section 80CCE.</li></ul>	Assessment Year 2016-17
Extra deduction of Rs. 50,000 in respect of National Pension System (NPS)	80CCD	<ul style="list-style-type: none"><li>The maximum limit of Rs. 100,000 as deduction u/s 80CCD has been <b>deleted</b> and now it would be calculated at 10% of salary/gross total income of an employee/individual.</li><li>However, to encourage people's contribution towards NPS, <b>additional deduction upto Rs. 50,000</b> in respect of contribution made <b>to NPS</b>.</li></ul>	Assessment Year 2016-17
Limit of deduction in respect of health insurance premium raised	80D	<ul style="list-style-type: none"><li>Limit of deduction allowed under section 80D for <b>individual</b> has been <b>raised</b> from the existing <b>INR 15,000 to INR 20,000</b>.</li><li>Limit of deduction allowed under section 80D for <b>senior citizens</b> (60 years and above) has been <b>raised</b> from the existing <b>INR 20,000 to INR 30,000</b>.</li><li>Further, for very senior citizens (80 years and above), who does not have a health insurance policy, a deduction up to Rs. 30,000 will be given for the medical expenses incurred.</li></ul>	Assessment Year 2016-17



## ....contd. [5. Deduction under Chapter VI-A]

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

11

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Donation for Swach Bharat Kosh, Clean Ganga Fund and National Fund for control of drug abuse	80G	<ul style="list-style-type: none"><li>100% deduction from total income is proposed for donations made to Swach Bharat Kosh by any donor and Clean Ganga Fund by any domestic donors.</li><li>100% deductions from total income to assessee for contribution made to National Fund for Control of Drug Abuse.</li><li>However, any sum spent in pursuance of Corporate Social Responsibility under Section 135(5) of the Companies Act, 2013 will not be eligible for the deduction from the total income of donor.</li></ul>	Assessment Year 2016-17
Deduction for employment of new workmen	80 JJAA	<ul style="list-style-type: none"><li>Presently, this deduction is available to <b>only Companies</b> who has employed more than 100 workmen. Companies are eligible for deduction equal to <b>30%</b> of additional wages to workmen in <b>excess of 100 workmen</b>.</li><li>To boost the manufacturing units in India, this section has been proposed to be amended to <b>extend the benefits of this section to all assessees having manufacturing units</b>.</li><li>Further, to extend this benefits to assessees having smaller manufacturing units, limit of 100 workmen has been <b>reduced to 50 workmen</b>. Now, any assessee having a manufacturing unit with more than 50 workmen will be eligible for deduction under this section.</li></ul>	Assessment Year 2016-17

## 6. Some important changes



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

12

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Conditions for determining the residential status of company amended	6(3)	<ul style="list-style-type: none"><li>As per the existing provisions, one of the condition to determine if a company is a resident in India in a previous year is that during that year the control and management of its affairs is situated wholly in India.</li><li>A company can easily avoid becoming a resident by simply holding a board meeting outside India.</li><li>This has facilitated creation of shell companies which are incorporated outside but controlled from India.</li><li>To control this, Section 6(3) is proposed to be amended to incorporate the internationally accepted concept of <b>Place of effective management (POEM)</b> to determine the residential status.</li><li>Now, a company will be considered a resident in India if its POEM is in India, anytime during the year.</li><li>POEM mean a place where key management and commercial decisions are made in substance which are necessary for the conduct of the business of an entity as a whole.</li><li>To remove the ambiguity around the definition of POEM, guiding principles for determination of PEM is expected to be issued in due course.</li></ul>	Assessment Year 2016-17

## ....contd. [6. Some important changes]



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

13

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Income deemed to accrue or arise in India	9(1)(i) & New Section 285A	<ul style="list-style-type: none"> <li>▪ As per the existing provisions, indirect transfer of the share or interest in a company incorporated outside India is taxable here if the company 'substantially' derived its value from the assets situated in India.</li> <li>▪ The above provisions were introduced after the famous Vodafone case and these were made effective from retrospective effect i.e. 1.4.1962.</li> <li>▪ It created an environment of fear and uncertainty among the foreign investors.</li> <li>▪ Now, the earlier provisions have been replaced with more objective and transparent measures regarding treatment of indirect transfer of assets which includes: <ul style="list-style-type: none"> <li>• Threshold of assets situated in India has been specified.</li> <li>• Quantum of substantial value from assets located in India has been specified.</li> <li>• Cases mentioned which would be exempt from taxation i.e. amalgamation, demerger etc. with specific conditions.</li> <li>• Mandatory for Indian company to furnish information or documents related to the off-shore transaction having the effect of modifying the ownership structure or control of the Indian company or entity.</li> <li>• Penalty of Rs. 5 lacs and penalty equivalent to 2% of the value of escaped transactions proposed.</li> </ul> </li> </ul>	Assessment Year 2016-17 <b>( w i t h prospective effect)</b>

## ....contd. [6. Some important changes]



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

14

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Limit of specified domestic transactions increased	92BA	<ul style="list-style-type: none"> <li>Small businesses were incurring huge compliance cost because of lower limit of specified domestic transactions to be Rs. 5 crore to invoke the <b>regulations of domestic transfer pricing.</b></li> <li>Now, it is being proposed to <b>increase</b> this limit 3 times, <b>from Rs. 5 crore to Rs. 20 crore.</b></li> </ul>	Assessment Year 2016-17
General Anti Avoidance Rules (GAAR) deferred by two more years	95(2)	<ul style="list-style-type: none"> <li>GAAR were to be made applicable from AY 2016-17.</li> <li>However, on review of situation around GAAR, it has been proposed to defer it's implementation by another two years.</li> <li><b>Now the GAAR will be applicable from AY 2018-19 (FY 2017-18).</b></li> <li>Accordingly, investments made up to 31<sup>st</sup> march 2017 would not be covered under GAAR.</li> <li>Main reason of deferment of GAAR is that BEPS (Base Erosion and Profit Shifting) project of OECD (Organization of Economic Cooperation and Development) is still continuing and report is awaited.</li> </ul>	AY 2018-19



## ....contd. [6. Some important changes]

Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

15

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Mode of acceptance 'specified sum' and repayment of 'specified advance' related to transfer of immovable property	269SS & 269T	<ul style="list-style-type: none"><li>To curb the generation of black money in real estate sector, both the sections have been proposed to be amended so that acceptance or repayment of any sum in relation to <b>transfer of immovable property in cash</b> does not exceed more than Rs. 20,000.</li><li>Any acceptance or repayment of money related to transfer of immovable property, exceeding Rs. 20,000 should be through an account payee cheque, account payee demand draft or use of electronic clearing system through a bank account.</li><li>Consequential amendments have been made in Section 271D and 271E to provide penalty for non- compliance.</li></ul>	1 <sup>st</sup> June' 2015
<b>Direct tax code (DTC) virtually dropped</b>		<ul style="list-style-type: none"><li>Finance Minister clarified that major features of DTC has already been incorporated in the current form of income Tax Act and hence, there is no logic of going ahead with the DTC.</li></ul>	

# 7. Procedural changes



Title	Section	Changes proposed	Effective from
<p>Procedure for appeal by revenue when an identical question of law is pending before Supreme Court</p>	<p><b>New section 158AA</b></p>	<ul style="list-style-type: none"> <li>▪ Presently, an assessee (u/s 158A) can approach an assessing officer or any Appellate Authority if a question of law arising in the relevant case is pending before High Court or Supreme Court in the case for another assessment year.</li> <li>▪ If the Assessing officer or Appellate Authority can admit the request of assessee, then decision on question of law by High Court or Supreme Court is applied in the relevant case before them and assessee doesn't agitate the same question of law once again.</li> <li>▪ This benefit was not available to Revenue (income tax department) hitherto. As a result of which, appeals are filed by the Revenue year after year on the same question of law until it is finally decided by the Supreme Court, thus multiplying litigation.</li> <li>▪ Now, with the introduction of this benefit to Revenue, Assessing officer (on instruction from the Commissioner or Principal Commissioner) can file an application before Appellate Tribunal (against the order of Commissioner-Appeals) if the question of law in the relevant case is identical to the question of law in another case of the same assessee which is pending before the Supreme Court (against the order of High Court in favor of assessee).</li> </ul>	<p>1<sup>st</sup> June' 2015</p>



## ....contd. [7. Procedural changes]



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

17

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Procedure for appeal by revenue when an identical question of law is pending before Supreme Court	New section 158AA	<ul style="list-style-type: none"> <li>.....contd. from previous slide.</li> <li>This application can be filed with in 60 days from the date of receipt of order of Commissioner (Appeals).</li> <li>This provisions enables the Revenue to defer filing of appeal till the time decision on the question of law becomes final in the earlier pending case before the Supreme Court.</li> <li>Acceptance of assessee is required to ascertain that question of law is identical in both the cases. In case of non-acceptance by assessee, Revenue can not avail this benefit.</li> </ul>	1 <sup>st</sup> June' 2015
Raising the income-limit of the cases by a single member bench of ITAT	255(3)	<ul style="list-style-type: none"> <li>Cases where limit of total income (as computed by the assessing officer) which can be disposed off by a <b>single member bench</b> of ITAT has been <b>increased from Rs. 5 lacs to Rs. 15 lacs.</b></li> <li>Limit of Rs. 5 lacs was last revised around 17 years back in 1998.</li> </ul>	1 <sup>st</sup> June' 2015

## ....contd. [7. Procedural changes]



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

18

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Revision of order that is erroneous in so far as it is prejudicial to the interest of revenue	263(1)	<ul style="list-style-type: none"><li>▪ The interpretation of expression 'erroneous in so far as it is prejudicial to the interest of the revenue' in this Section has been a contentious issue.</li><li>▪ Now, it has been <b>made more subjective</b> by virtually giving unlimited powers to Principal Commissioner or commissioner where order passed by AO shall be deemed to be erroneous if in the <b><i>opinion of Principal commissioner or Commissioner:</i></b><ul style="list-style-type: none"><li>• The order is passed without making inquiries or verification which should have been made. Or</li><li>• The order is passed allowing any relief without inquiring into the claim. Or</li><li>• The order has not been made in accordance with any order, direction or instruction issued by CBDT under Section 119. Or</li><li>• The order has been passed by ignoring the decision of jurisdictional High Court or Supreme Court in the case of assessee or any other person which is prejudicial to the assessee.</li></ul></li></ul>	1 <sup>st</sup> June' 2015

# 8. Personal Taxation



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

19

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

Title	Section	Changes proposed	Effective from
Individual and others tax rates		<ul style="list-style-type: none"><li>▪ <b>No change</b> in the basic exemption limit and tax rates of individuals.</li><li>▪ <b>Surcharge</b> – The rate of surcharge has been increased to 12% for assessee having income exceeding Rs. 1 crore.</li><li>▪ <b>Cess</b> – Education Cess and Secondary &amp; Higher Education cess remains unchanged.</li></ul>	Assessment Year 2016-17
Sukanya Samriddhi Account Scheme – interest and withdrawals to be exempt	10(11A)	<ul style="list-style-type: none"><li>▪ The interest accruing on deposit in, and withdrawals from any account under the Sukanya Samriddhi Account scheme would be exempt from income tax with retrospective effect from 1<sup>st</sup> April'2015.</li></ul>	Assessment Year 2015-16

## 9. About us



Blue Consulting Pvt. Ltd.

A Finance & Accounts Outsourcing Company

20

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)

- Blue Consulting or 'BC' provides value added and high quality **Finance & Accounts Outsourcing Services to Companies in India.**
- Our services include taxation compliances on pan India level, Accounts payable, MIS, Payroll, Secretarial Compliances.
- We work as an extension of CFO's team and our services result in increase of managerial bandwidth of CFO's.
- We invest great deal of time and efforts in understanding our client's business which ensures that we **provide customized solutions** to their specific needs and requirements.
- We are a strong and stable of team of more than **70 people.**
- We are comfortable working on any ERP platforms i.e. SAP, Oracle, Navision, Baan, PeopleSoft, Xero, Tally.



# 10. Contact us

21

Index

## Chandan Goyal

Chief Executive Officer

chandan.goyal@blueconsulting.co.in

+91 98104 10421

+91 120 4821753

**A-18, 1st Floor**

**Sector-6**

**Noida-201301**

### Disclaimer


This publication is intended as a service to clients and to provide clients with the details of the important budget proposals on direct and indirect taxes. It has been prepared for general guidance on matters of interest only, and does not constitute professional advice. No person should act upon the information contained in this publication without obtaining specific professional advice. Due care has been taken while compiling the information, however no representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication.

Blue Consulting provides value added and high quality Finance & Accounts Outsourcing Services through its contemporary onsite and offsite service delivery model. Our goal is to be a trusted partner in your business by bringing value and serving as an integral part of your set up.

Blue Consulting, or BC, has its roots in a well established, four decade old chartered accountants firm. Utilizing forty years of industry experience and functional expertise, BC looks innovatively beyond standard solutions to develop new insights, drive tangible results, and empower clients to achieve greater results.

For further detail, please log on to:

[www.blueconsulting.co.in](http://www.blueconsulting.co.in)



*"A dream is not that  
which you see in sleep  
A dream is that  
which does not let you sleep"*