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Budget Highlights 2016



ROHIT

on 01 March 2016

Key Budget Highlights 2016

- Three major schemes have been introduced to help the underprivileged: Pradhan Mantri Fasal Yojana, Health insurance scheme, launching initiative to ensure LPG connection for BPL families.
 - Focus to pass GST and bankruptcy code
 - FY17 will cast an additional burden due to One Rank One Pension, Seventh Pay Commission recommendations
 - Foreign exchange reserves touched highest ever level of about 350 billion US dollars
- Plan to give a statutory backing to AADHAR platform to ensure benefits reach the deserving.

Tax Reforms

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- No change in the tax rates in case of individuals, Hindu Undivided Family (HUF), co-operative societies, firms and local authorities.
- Surcharge of 15% (earlier 12%) to be levied in case of person (Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person) having total income exceeding Rs 1 crore. Surcharge rate continues to remain 12% for co-operative societies, firms and local authorities.
- 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 but lack HRA benefits.
- It is proposed to tax any income by way of dividend in excess of Rs. 10 lakh in case of an individual/ HUF or a firm resident in India at the rate of 10% on a gross basis with effect from AY 2017-18. Dividend received by LLP would be liable to 10% tax.
- In view of the fact that housing projects often take longer time for completion, amends second proviso of clause (b) of Sec 24 to provide that deduction on account of interest paid on capital borrowed for acquisition/ construction of a self-occupied house property shall be available if the acquisition/ construction is completed within 5 years from the end of the financial year in which capital was borrowed.
- In order to reduce the compliance burden of the small tax payers, increases the threshold limit for presumptive taxation of 1 crore rupees specified in the definition of "eligible business" to 2 crore rupees.
- Where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five consecutive AYs relevant to the previous year succeeding such previous year not in accordance with the provisions of sub-section (1), he shall not be eligible to claim the benefit of the provisions of this section

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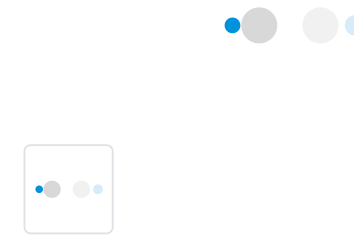
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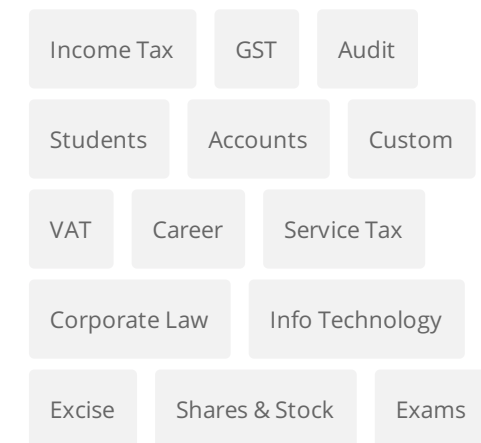
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for 5 AYs subsequent to the assessment year in which the profit has not been declared in accordance with the provisions of sub-section (1).

- Inserts new Sec 44ADA to provide for estimating income of an assessee engaged in any profession referred to in Sec 44AA(1) 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 and whose total gross receipts does not exceed Rs. 50 lakh in a previous year, at a sum equal to 50% of the total gross receipts, or, as the case may be, a sum higher than the aforesaid sum earned by the assessee. The scheme is applicable to such resident assessee who is an individual, HUF or partnership firm but not LLP firm.
- In order to reduce the compliance burden, increases the threshold limit of total gross receipts, specified u/s 44AB for getting accounts audited, from 25 lakhs to 50 lakhs in the case of persons carrying on profession.
- In order to rationalise the rates and base for TDS provisions, the existing threshold limit for deduction of tax at source and the rates of deduction of tax at source are proposed to be revised.
- Time limit for filing belated return reduced which now can be filed till the end of relevant AY or completion of assessment whichever is earlier. Further, even a belated return can be revised u/s 139(5).
- Processing of return u/s 143(1) made mandatory in case where a notice u/s 143(2) is issued.
- Advance tax slabs for assesseees other than companies to be same as slabs for corporate assesseees except for assesseees covered u/s44AD who needs to pay whole amount of advance tax on or before March 31
- Consequential changes in Sec. 234C in line with above provisions proposed. Further, no 234C interest leviable in case of assessee having income under the head PGBP for the first time



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- 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.
- Phasing out deduction under Income Tax:
 - Accelerated depreciation wherever provided in IT Act will be limited to maximum 40 percent
 - Pension society—Exemption of service tax for NPS, 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.
- In case of domestic company, the rate of tax shall be 29% of the total income if the total turnover or gross receipts of the company in the previous year 2014-15 does not exceed Rs 5 crores and in all other cases the rate shall be 30% of the total income.
- In order to provide relief to newly setup domestic companies, it is proposed to insert Sec 115BA to provide that income-tax payable in respect of the total income of a domestic company for AY 2017-18 onwards shall be computed at 25% at the option of the company, if:
 - the company has been setup and registered on or after 1st day of March, 2016
 - the company is engaged in the business of manufacture or production of any article or thing and is not engaged in any other business
 - the company while computing its total income has not claimed any benefit u/s 10AA, benefit of accelerated depreciation, benefit of additional depreciation, investment allowance, expenditure on scientific research and any deduction in respect of certain income under Part-C of Chapter-VI-A other than the provisions of Sec 80JJAA
 - the option is furnished in the prescribed manner before the due date of furnishing of income
- No change in surcharge rates for domestic / foreign companies
- Affordable housing—100% deduction on profits for flats up to 30 sq.m in metro cities from 2016-19; MAT will apply

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Taxpayers

- First-time home buyers— Additional exemption of Rs. 50,000 for housing loans up to Rs. 35 lakh, provided cost of house is not above Rs. 50 lakh.
- Service tax exempted for housing construction of houses less than 60 sq. m
- 0.5% Krishi Kalyan surcharge cess on all taxable services from 1 June 2016, to be given to agriculture development
- Pollution cess of 1 per cent on small petrol, LPG and CNG cars; 2.5 per cent on diesel cars of certain specifications; 4 per cent on higher-end models.
- Excise duty raised from 10 to 15 per cent on tobacco products other than beedis
- 1 per cent service charge on purchase of luxury cars over Rs. 10 lakh and in-cash purchase of goods and services over Rs. 2 lakh.
- Excise 1 per cent imposed on articles of jewellery, excluding silver.

Health

- Almost 2.2 lakh new patients of end-stage renal diseases get added in India every year.
- Propose to start National Dialysis Programme with fund generated under PPP scheme
- A new health protection scheme for health cover upto 1 lakh per family.
- Senior citizens will get additional healthcare cover of Rs 30,000 under the new scheme.
- PM Jan Aushadhi Yojana to be strengthened, 3000 generic drug store to be opened

Education

- Next big step by focusing on quality education—commitment to improve higher education institutions
- Decided to set up a higher education financing agency (non-profit) with an initial corpus of Rs.1,000 crore.

- 10 public and 10 private educational institutions to be made with world-class standards.
- Rs. 1,700 crore earmarked for 1500 multi-skill development centres.
- 62 new navodaya vidyalayas to provide quality education to students.
- Digital literacy scheme to be launched to cover 6 crore additional rural households
- Entrepreneurship training to be provided across schools, colleges and massive online courses.
- Objective to skill 1 crore youth in the next 3 years under the PM Kaushal Vikas Yojna.
- National Skill Development Mission has imparted training to 76 lakh youth. 1500 Multi-skill training institutes to be set up.
- SC and ST entrepreneurs—Rs.500 crore to promote this under Stand-Up India.

Social

- Rs. 38,500 crore earmarked for Mahtma Gandhi MGNREGA for 2016-17
- Swacch Bharat Abhiyan allocated Rs.9,500 crores.
- 2.87 lakh crore grants to gram panchayats and municipalities.
- Government is launching a new initiative to provide cooking gas to BPL families with the support of the state.
- LPG connections to be provided under the name of women members of family: Rs 2000 crore allocated for 5 years for BPL families.

Agriculture

- Plan to increase Farmers income by 2020, with total allocation for agriculture and farmer welfare at Rs 35984 crores.

- 28.5 lakh hectares of land will be brought under irrigation
- A dedicated irrigation fund with Rs.20,000 crore under Nabard.
- Major programme for sustainable groundwater management
- 5 lakh acres to be brought under organic farming over a three year period
- Government to set apart Rs.412 crore to encourage organic farming

Infrastructure

- Implementing Pradhan Mantri Gram Sadak Yojana as never before—scheme to be allocated Rs.19,000 crore in FY17; Rs.27,000 crore in total—to advance completion target to 2019 from 2022.Total outlay for infrastructure in Budget 2016 now stands at Rs. 2,21,246 crore.
- Total outlay for infrastructure in Budget 2016 now stands at Rs. 2,21,246 crore.
- 100 per cent FDI in marketing of food products produced and marketed in India.
- Further reforms in FDI policy—area of insurance and pension, stock exchanges etc
- Duty drawback scheme widened to include more products, countries.
- Speeded up road construction—to allocate Rs.55,000 crore for roads and highways, additional Rs.15,000 crore to be raised by National Highways Authority of India (NHAI) through bonds. Total allocation of Rs.97000 crore.
- Natural resources: To incentivise gas production from deep sea, high temperature areas.

Regards,

CA Rohit R Sharma

BCOM, CA, LLB - GEN, CERT - FAFP.

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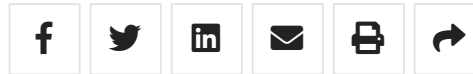
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