



# Budget 2015 (highlights)

Dear All

As you are aware that, Finance Budget (bill) 2015 was presented in the Indian Parliament by Finance Minister Mr. Arun Jaitley on **February 28, 2015**.

The Budget has reiterated the commitment to introduce GST **w.e.f. April 1, 2016** and Direct Tax Code in offering has been more or less been shelved. Budget has rationalized many of existing provisions meeting the Industry expectation like giving comfort under Income Tax Act w.r.t. doubt over the taxability post Vodafone judgment. Tax benefits have been proposed towards implementation of the Government's key projects in India', '**Digital India**', **Skill India**, '**Ease of Doing Business**' and '**Swachh Bharat (Clean India)**'. Budget has also relaxed procedural issues faced by industry and corrected few of the erroneous provision of Act and Rules.

Some of the specific changes impacting us individually and Companies are as follows:

## **Direct Taxes: Key changes for individuals (Impacting in Payroll Calculation)**

1. **No change** in the tax rate slabs for the individuals.
2. Additional Surcharge introduced, for Individuals, HUF, AOP or BOI @ **2%** on total income exceeding **Rs 1 crore**.
3. Limit of contribution under section 80CCC to pension fund increased to **Rs 1.5 lakhs** from Rs 1 lakh.
4. 80D -health insurance premium deduction limit increased to **Rs 25000**, from 15000.
5. 80D - For senior citizens, health insurance premium deduction limit increased to **Rs 30,000**.
6. 80DDB max limit up to **80000**, from existing 60000.
7. PAN is mandatory for all transactions on purchase or transfer of property above Rs 1 lakh, this is to curb black money.
8. Exempted from tax on transportation allowance is increased to **Rs 1600** per month from Rs 800 per month.
9. Contribution to **Sukanya Samridhi** account, Swach Bharat kosh, and Clean ganga fund are deductible from total income.
10. The employee earning income under a specified limit will have the option for either investment in new pension scheme or contribution to EPF.
11. Additional deduction of Rs 50000 under section 80CCD contribution.
12. On failure to furnish return of income or on concealment of income, in relating to the foreign assets the penalty upto 300% of tax evaded and imprisonment of 10 years.



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## **Direct Taxes: Key changes for Companies**

1. The corporate tax rate to be reduced from 30% to 25% over the next 4 years, and simultaneously eliminate the exemptions under the act.
2. The rate of tax for foreign companies as covered under section 115A for income by way of royalty and fees for technical services has been reduced to 10%. (from 1st April 2016).
3. Dividend distribution tax rate increased to 12% . The Tax Deduction at Source, Tax Collection at Source and advance tax payments will now be at the increased rates .
4. The threshold limit of audit under the provision of transfer pricing of the specified domestic transaction covered under section 92BA increased to Rs. 20 crore from Rs 5 crore earlier.( from 1stApril 2016).
5. GAAR provision shall apply from 1st April 2018.
6. Wealth tax act 1957 has been abolished from 1st April 2016.

## **Indirect tax**

1. Tariff rate of basic excise duty rate increased from 12% to 12.5% (effective from 1.3.2015) Excise duty for Polypropylene and Sulphur increased from 12% to 12.5%.
2. Service tax rate increased from 12.36% to 14% (effective from date finance bill is passed ).
3. Additional Swatch Bharat CESS levied 2% on taxable value of services, (date to be notified).

### **Reading 2 & 3 together effective rate of service tax will be 16%**

4. Excise duty on MS & HSD remain as it is however CENVAT duty portion reduced and Special Additional Duty ( SAD ) has been increased as follows.
5. SAD for Naphtha import reduced from 4% to 2%.
6. Period for return of job work material increased from 6 months to 2 years.
7. Presently document for CENVAT credit for input and input service should not be more than 6 month prior to date of taking credit the period has been increased to 1 year.
8. Rationalization in penalty provision under CENVAT Credit Rules.
9. Digital signature provisions introduced w r t service tax and excise.
10. CENVAT credit for both full and partial reverse charge payment allowed once service tax payment is done and payment of service provider to happen in 3 months. Earlier this was limited to full reverse charge cases.



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- 11.** Relaxation in credit provisions in case of direct dispatches from dealer or importer to consignee and/ or job worker.
- 12.** GTA service is exempted for transportation of goods by Road from Factory to Land custom station or port or Airport. Abatement percentage has been reduced to tax 30 % value of GTA service value.
- 13.** Reverse charge in case of manpower service and security service has been brought under full reverse charge from partial reverse charge.

**This is for your information please and thanks for understanding.**

**Kind Regards,**  
Ajit K. Yadav

**--Thank You---**