

HIGHLIGHTS – DIRECT TAX PROPOSALS OF UNION BUDGET 2015-16

Tax Rates

1. No change in the basic exemption limit and the tax rates of individuals
2. Corporate tax rates proposed to be reduced from 30% to 25% over the next four years, starting from next financial year.
3. The existing rate of tax on Income by way of Royalty and Fees for technical services in case of nonresidents @25% proposed to be reduced to 10%.
4. Additional surcharge @ 2% being levied on income exceeding Rs. 1 crore. This surcharge would be levied in place of Wealth-tax which is proposed to be abolished.

Deductions from Gross Total Income

1. Exempt-Exempt-Exempt (EEE) tax benefit proposed for assessee having a girl child and investing under the Sukanya Samriddhi Account Scheme. The investments made in the Scheme will be eligible for deduction under section 80C of the Act, the interest accruing on deposits in such account will be exempt from income tax and the withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax.
2. As a welfare measure towards very senior citizens, a deduction under section 80D is proposed for any payment made on account of medical expenditure in respect of a very senior citizen, subject to a limit Rs. 30,000. In view of continuous rise in the cost of medical expenditure, section 80D is proposed to be amended to raise the limit of deduction from Rs. 15,000 to Rs. 25,000. Further, the limit of deduction for senior citizens is also proposed to be increased from Rs. 20,000 to Rs. 30,000.
3. The limit for deduction under section 80DDB is proposed to be increased to Rs. 80,000 in respect of amount paid for medical treatment of very senior citizen.
4. Section 80DD and section 80U is proposed to be amended to increase the limit from Rs. 50,000 to Rs. 75,000 and from Rs. 1 lakh to Rs. 1.25 lakh, as the case may be.
5. In order to promote social security, deduction section 80CCC(1) which provides for deduction of amount paid or deposited to effect or keep in force a contract for any annuity plan of LIC or any other insurer for receiving pension from a fund set up under a pension scheme is proposed to be amended to raise the limit of deduction from Rs. 1 lakh to Rs. 1.5 lakh, within the overall limit provided in section 80CCE.

6. Section 80G is proposed to be amended to provide for 100% deduction in respect of donations made to the National Fund for Control of Drug Abuse.
7. With a view to encourage and enhance people's participation in the national effort to improve sanitation facilities and rejuvenation of river Ganga, section 80G is proposed to be amended so as to provide 100% deduction for donations made by any donor to the Swachh Bharat Kosh and to Clean Ganga Fund.

Measures to curb black money

1. In order to curb generation of black money by way of dealings in cash in immovable property transactions, section 269SS is proposed to be amended so as to provide that no person shall accept from any person, any loan or deposit or any sum of money, whether as advance or otherwise, in relation to transfer of an immovable property otherwise than by an account payee cheque or account payee bank draft or by electronic clearing system through a bank account, if the amount of such loan or deposit or such specified sum is twenty thousand rupees or more.
2. Similarly, section 269T also is proposed to be amended so as to provide that no person shall repay any loan or deposit made with it or any specified advance received by it in relation to transfer of an immovable property whether or not the transfer takes place, otherwise than by an account payee cheque or account payee bank draft or by electronic clearing system through a bank account, if the amount or aggregate amount of loans or deposits or specified advances is twenty thousand rupees or more.

General Anti Avoidance Rule (GAAR)

The implementation of General Anti Avoidance Rule (GAAR) is proposed to be deferred by two years. Accordingly, it would be applicable for the financial year 2017-18 (A.Y. 2018-19) and subsequent years. Further, it is also proposed that the investments made upto 31.03.2017 shall not be subject to GAAR.

Additional Investment Allowance and provisions in respect of additional depreciation

1. A new section 32AD is proposed to be inserted to provide for an additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee, if—
 - he sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any notified backward areas in the State of Andhra Pradesh and the State of Telangana; and
 - the new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 to 31st March, 2020. This deduction shall be available over and above the existing deduction available under section 32AC of the Act.

2. Further, in order to incentivise acquisition and installation of plant and machinery for setting up of manufacturing units in the notified backward area in the State of Andhra Pradesh or the State of Telangana, it is proposed to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or the State of Telangana on or after the 1st day of April, 2015.
3. To remove the discrimination in the matter of allowing additional depreciation under section 32(1)(iia) on plant or machinery used for less than 180 days and used for 180 days or more, it is proposed to provide that the balance 50% of the additional depreciation on new plant or machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation of such plant or machinery, shall be allowed in the immediately succeeding previous year.

Definition of charitable purpose

1. The definition for charitable purpose provided under section 2(15) is proposed to be amended to include the activity of Yoga as a special category of activity to be considered as charitable purpose on the lines of education.
2. The definition is proposed to be further amended to provide that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless,-
 - such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and
 - the aggregate receipts from such activity or activities, during the previous year, do not exceed 20% of the total receipts, of the trust or institution undertaking such activity or activities, for the previous year .

Cost of acquisition in the hands of resulting company

- There is no express provision under the Income-tax Act, with regard to value to be considered as cost of acquisition of a capital asset in the hands of resulting company on transfer of capital assets acquired on demerger. Accordingly, section 49 is proposed to be amended to provide that the cost of acquisition of an asset acquired by resulting company shall be the cost for which

the demerged company acquired the capital asset as increased by the cost of improvement incurred by the demerged company.

Direct Taxes Code

- Since the jurisprudence under the Income-tax Act is well evolved and a large number of provisions of the proposed DTC have already been included in the Income-tax Act, 1961 and the remaining are proposed to be included through the Finance Bill, 2015, the Government has expressed its resolve of not going ahead with the DTC.