The Finance Bill, 2016
Direct Tax Highlights
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Tax Rates
CORPORATE TAX RATES

- Corporate tax rates, with certain exceptions set out below, will remain same as applicable to Financial Year 2015-16
- Corporate tax rate reduced to 29% for companies with turnover not exceeding Rs. 5 crore
- Manufacturing Companies set up on or after 01.04.2016 can elect between Corporate tax rate of 30% or 25% (with no incentives and deductions)
- Securities Transaction Tax for ‘Options’ increased from 0.017% to 0.05%
- For domestic companies:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Taxable Income above Rs. 1 crore but less than Rs. 10 crores</th>
<th>Taxable Income above Rs. 10 crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rate</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Surcharge</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Tax Rate + Surcharge</td>
<td>32.10%</td>
<td>33.60%</td>
</tr>
<tr>
<td>Education Cess thereon</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>33.06%</td>
<td>34.61%</td>
</tr>
</tbody>
</table>

- For Foreign Companies (no change in surcharge rates):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Taxable Income above Rs. 1 crore but less than Rs. 10 crores</th>
<th>Taxable Income above Rs. 10 crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Tax Rate</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Surcharge</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Tax Rate + Surcharge</td>
<td>41.80%</td>
<td>42%</td>
</tr>
<tr>
<td>Education Cess thereon</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>42.02%</td>
<td>43.26%</td>
</tr>
</tbody>
</table>
PERSONAL TAX RATES

Basic income-tax rates/slabb will remain same as applicable to Financial Year 2015-16:

Individuals (residents as well as non-residents):

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding Rs. 250,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Over Rs. 250,000 but not exceeding Rs. 500,000</td>
<td>10%</td>
</tr>
<tr>
<td>Over Rs. 500,000 but not exceeding Rs. 1,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>Over Rs. 1,000,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Residents above the age of sixty years but less than eighty years:

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding Rs. 300,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Over Rs. 300,000 but not exceeding Rs. 500,000</td>
<td>10%</td>
</tr>
<tr>
<td>Over Rs. 500,000 but not exceeding Rs. 1,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>Over Rs. 1,000,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Residents above the age of eighty years:

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding Rs. 500,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Over Rs. 500,000 but not exceeding Rs. 1,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>Over Rs. 1,000,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

- There will be an increase in surcharge from 12% to 15% on taxable income above rupees one crore for individuals/HUFs
Corporate Tax Proposals
Reduction in the holding period of unlisted securities for the purposes of capital gains tax

Capital gains tax on sale of assets depends on whether the asset is long term asset or short term asset. The rate of tax for long term capital gains is lesser than the rate of tax for short term capital gains.

Prior to Finance Act, 2014, all securities were treated to be long term assets if held for more than a period of 12 months. The Finance Act, 2014 increased the holding period to 36 months for unlisted securities to qualify for long term capital gains tax.

It is now proposed to reduce the holding period for unlisted securities to a period 24 months. Accordingly, where the shares of private limited companies are held for a period of 24 months or more, such shares would be subject to lower rate of tax as applicable to long term capital gains tax.

This proposed amendment was mentioned by the Finance Minister in his Budget Speech, 2016. However, the same has been missed out of the Finance Bill, 2016. It is expected that the Bill would be rectified to incorporate the change declared in the Budget Speech.

Non-residents entitled to reduced rate of tax on sale of shares of private companies

Presently, non-residents enjoy reduced rate of long term capital gains tax of 10%, without indexation, on sale of shares of unlisted public companies.

It is proposed to extend the said benefit on sale of shares of private companies as well.

Increase in the rate of taxation of dividend income in excess of Rs. 10 Lakhs

At present dividends are subject to tax on distribution by the Company at an effective rate of 20.92%, known as Dividend Distribution Tax (DDT). Such dividends are not further taxed in the hands of the shareholder.

The flat rate of DDT was perceived as causing vertical inequality by the legislature, as a person with income more than Rs.10 lakhs bears tax on dividends at the base rate of 15%, whereas for other income of such person is subject to tax at the base rate of 30%.

Accordingly, in addition to the DDT leviable, it is proposed to levy an additional tax at the rate of 10% on receipt of dividends exceeding Rs. 10 Lakhs. Such additional tax is levied on resident shareholders being an individual, HUF or a Firm (which includes LLP) and would be payable by the shareholder. Further, no deduction in respect of any expenditure or allowance or set off of loss would be allowed in computing such taxable dividend income.

DDT in its existing form is anyway perceived to be resulting in double taxation; the Company pays corporate tax on its profits which are further subject to tax on distribution of dividends. The proposed amendment would rather result in triple taxation of the same income. Such amendment would indirectly incentivise the use of LLP as a business vehicle as the same is a body corporate but does result in double taxation with there being no additional tax on withdrawal or on receipt of profits.
Additional condition for tax neutral conversion of Pvt Co. to LLP

LLP is a more tax efficient vehicle as compared to Companies; given that there is no further tax in the nature of DDT on withdrawal of profits.

Presently, for a Pvt. Ltd. Company to convert into an LLP, without any tax implication, it has to adhere to certain conditions. One of the existing conditions is that the turnover of the Company should not have exceeded Rs. 60 lakhs in any of the three years preceding to the year of conversion. Such conditions facilitated tax neutral conversion of only small size companies.

To ensure that such benefit of tax free conversion is restricted to small size Companies and the requirement of low turnover cannot be circumvented, it is proposed to insert an additional condition of maximum assets held by the Company. Accordingly, the Company should not have held assets with cumulative book value of more than Rs 5 crores in the three years preceding the year of conversion.

Tax on foreign e-commerce Aggregators; Equalisation Levy

Generally Foreign Companies and non-residents do not get taxed in India unless they have a Permanent Establishment (PE). Permanent Establishment results from some physical presence in the country. Due to e-commerce and the extent of digitalization, businesses can be carried out in a country without having any physical presence and hence are not treated to have a PE. This results in certain businesses, such as that of online aggregators etc., to be virtually carried out in the country, earn income within the country and yet pay no tax.

To tax such businesses in India, it is proposed that where a foreign e-commerce aggregator provides services to a resident person in connection with his business in India or in connection with the business carried out by a permanent establishment of a non-resident, the payor shall withhold tax at the rate of 6% on making such payments to the foreign company or non-resident.

Such tax would be the final tax and no deduction or allowance would be permitted to reduce the taxable income of the Foreign Service provider hence also reducing the compliance on such taxability.

As set out above, the liability to withhold tax is only on businesses or professions availing of such services for the purposes of their business or profession and not for personal use. There is also an exemption from the liability to withhold tax for small businesses or professions where such services amount to less than Rs. 1 lakh in a year.

A notification is proposed to be issued by the Central Government to appoint an effective date for such withholding tax obligation.

Deduction in respect of provision of bad or doubtful debt in case of NBFCs:

Considering the nature of business of NBFCs, it is proposed to allow a deduction from total income on account of provisions for bad and doubtful debts not exceeding 5%.

Tax incentives for International Financial Services Centre (IFSC)

At present, long term capital gains incurred on transfer of listed shares is exempt provided the same are subject to securities transaction tax (STT).
In order to incentivise growth of IFSC into a world class financial services hub, the legislature proposes to grant exemption from capital gains tax incurred on transaction undertaken in foreign currency at the recognised stock exchange located in IFSC even when such transaction won’t be subject to STT.

Further, it is proposed to reduce the rate of Minimum Alternate Tax (MAT) to 9% from 18.5% as applicable on units located in the IFSC.

It is also proposed to not levy any DDT on distribution of dividends by Companies being units located in IFSC, earning income solely in convertible foreign exchange, further such dividends would also not suffer any tax in the hands of the shareholders.

Also, exemption is provided from levy of Securities Transactional Tax (STT) and commodities tax on transactions undertaken in foreign currency at the recognised stock exchange located in IFSC.

**Taxation of non-compete fees and exclusivity rights in case of Profession**

At present any consideration received, whether in cash or kind, for not carrying out any activity in relation to any business is taxed as business income. Further, it is provided that the transfer of right to carry on business is subject to capital gains tax and necessary provisions are in place to make the computation mechanism workable including deeming of cost to be nil.

It is proposed to extend the scope of the taxing statues relating to non-compete fees to cover payments made with respect to not carrying out any profession or giving up the right to carry out a profession. Similar to the existing provisions applicable to non-compete fees relating to business, such income would either be subject to capital gains tax or be taxed as business profits.

**General Anti Avoidance Rules (GAAR)**

GAAR were deferred repeatedly and was to come into effect from 01.04.2016. The GAAR provisions have not been proposed to be deferred further. Accordingly, the GAAR provisions would come into effect from 01.04.2016. Fortunately the GAAR provisions were watered down in accordance with the recommendation of the Shome Committee Report.

GAAR provisions would apply to enable the tax department to recategorize a transaction, which was entered primarily with the motive of tax avoidance, into the nature of transaction reflecting the real intention of the parties to the transaction. GAAR provisions may impact the applicability of DTAA and the benefits enjoyed under them and may hinder treaty shopping.

**Measure to phase out deductions**

As declared by the Finance Minister in his Budget Speech, 2015, the corporate tax rate is to be reduced from 30% to 25% over a period of five years. It was also stated by the Finance Minister that in order to ensure that such reduction of tax does not result in loss of revenue to the exchequer, certain incentives and deductions present in the Act were to be withdrawn. These measures have been taken towards simplification of the tax legislation.

As per statistics, at present the effective rate of corporate tax is said to be about 24% after factoring in several deductions and allowances, as also
mentioned in the Finance Minister’s Budget Speech, 2016. Reduction of gross corporate tax rate together with withdrawal of exemption though appears to be reducing the tax rate, it actually would increase the effective rate of tax payable by Companies. However, such amendment would result in simplification of the statutes together with eliminating litigation arising with respect to claiming of various exemptions and deductions.

It is proposed to phase out the following deductions:

- At present units in SEZ enjoy exemption from tax on their profits, subject to certain conditions. It is proposed to phase out the exemption provided to such units by providing a sunset date of 31.03.2020 for commencement of specified activity.

- Presently, there are accelerated rates of depreciation available under the Act to incentivise certain sectors. It is proposed to cap the highest rate of depreciation at 40%.

- At present, entities undertaking research and development activities are entitled to deduction at the rate of 150% of relevant expenditure. It is proposed to cap such deductions to a maximum of 100% of the relevant expenditure w.e.f. 01.04.2020.

- Currently, companies enjoy a deduction of 150% of the expenditure incurred on any skill development project as notified. It is proposed to provide a sunset date of 01.04.2020 for such incentive.
Wooing MNCs engaged in OIL, POWER and MINING sector to have presence in India
Exemption to Foreign Companies from storage and sale of crude oil

This amendment is proposed pursuant to the process of setting up underground facility for storage of crude oil as part of strategic reserves by Indian Strategic Petroleum Reserves Limited (ISPRL). In order to encourage Foreign National Oil Companies and Multi-National Companies to store their crude oil in India, to build up strategic reserves, it is proposed to exempt such Foreign Companies from charge of income-tax in India on income accruing on account of such storage and sale of crude oil to residents of India. Such exemption is subject to certain conditions.

Clarification to attract presence of foreign mining companies in India

Foreign Companies engaged in mining of diamonds have been permitted to have presence in India without any tax implications so long as their activities are confined to display of uncut and unassorted diamond in any special notified zone (SNZ) and no sales are made in India.

Incentive to enterprises engaged in the business of transmission of power

Presently entities engaged in the business of generation and distribution of power are entitled to additional depreciation at the rate of 20% on acquisition and installation of new plant and machinery. In order to rationalize the incentive in the power sector, the benefit is sought to be extended to the entities engaged in business of transmission of power as well.

Incentivising R&D sector and attracting high-value talent in such sector

Presently, income from royalties arising from a patent is taxable at the regular rate of tax for residents, which may go up to 30% (plus applicable cess and surcharge). In order to incentivise indigenous research & development activities and to make India a global R & D hub, it is proposed to reduce the rate of tax on royalties with respect to patents developed and registered in India, received by an eligible assessee, to 10% (plus applicable cess and surcharge). Furthermore, world-wide income from such patents would be taxable in India.

Eligible assessee has been defined to mean the person who is the true and first inventor of the invention and whose name is entered on the patent register as the patentee.
Taxation of Pension funds, National Pension Schemes and Recognised Provident Funds

Presently, with respect to National Pension Schemes (NPS), the monthly/periodic payment made is allowed as a deduction from the income and the income earned from such contribution is also exempt from tax. However, the terminal benefits on exit or superannuation, on lump-sum withdrawal are subject to tax.

It is proposed to exempt the lump-sum withdrawal on termination to the cap of 40% of the accumulated balance.

Similar benefit is proposed to be conferred to payment by National Pension System Trust to an employee on account of closure or on opting out of the scheme whereby 40 % of the lump-sum payable to him on such closure is not taxed.
Taxation of Start-ups
Tax incentives for start-ups

Exempt income

The profits of eligible start-ups are proposed to be exempt from tax for any consecutive three years out of the five years beginning from the year in which the start-up in incorporated. However, the book profits of the start-ups would be subject to Minimum Alternate Tax (MAT).

Sheltering of long term capital gains tax on investment in fund set up for start-ups

In order to attract investment in fund set up for financing start-ups, it has been proposed to provide capital gains exemption up to an amount of Rs. 50 Lakhs per assessee, where the following conditions are met:

- The amount of long term capital gains (on any capital asset) subject to a maximum cap of Rs. 50 Lakhs is reinvested for purchase of the units of such specified fund;
- The units are purchased within a period of six months from the date of the gain; and
- The units are held at-least for a period of three years.

Exemption from capital gains tax on sale of residential house if invested in start-ups

It is proposed to provide an exemption from long term capital gains tax to individuals or HUFs incurring gains on sale of residential house. The exemption is available where such gains are reinvested in subscribing to shares of a Company which qualifies to be an eligible start-up. Such individual or HUFs should hold more than 50% of shares of such start-up Company. Furthermore, the Company shall utilise the subscription amount towards purchase of new assets before the specified date.
Affordable Housing
Incentivising developing and building of affordable housing projects

In order to incentivise affordable housing further, it is proposed to exempt the profits of entities developing and building affordable housing projects subject to certain conditions such as:

- The project is approved by the competent authority prior to 31st March, 2019;
- The project is completed within a period of three years from the date of approval;
- Where the project is located within 25 kms from the municipal limit of four metros namely Delhi, Mumbai, Chennai and Kolkata, the minimum land area shall be 1000 sq mtrs and the size of residential units shall not exceed 30 sq. mtrs.; and
- Where the project is located in any other location, the minimum land area shall be 2000 sq mtrs and the size of residential units shall not exceed 60 sq. mtrs.

Additional deduction for interest on loan taken for residential house property

It is proposed to allow a deduction up to Rs. 50,000/- per financial year, towards payment of interest paid by first home buyers for loans up to Rs. 35 Lakhs taken to purchase a house of a value of less than Rs. 50 Lakhs. This deduction is in addition to existing deduction available up to Rs. 2 Lakhs.

Receipt of shares as part of a scheme of arrangement not taxable in the hands of individuals or HUFs

At present where a Company or a Firm receives shares as a consequence of a demerger or amalgamation such receipt of shares, without consideration, is not subject to tax in the hands of the Company or the Firm receiving such shares.

It is now proposed to extend the exemption from tax, on receipt of shares as part of demerger or amalgamation, even to individuals and HUFs.
**Real Estate**

**REITs- Exemption from DDT**

At present there is a special regime for taxation of Real Estate Investment Trusts (REITs), whereby most of the income of the REIT is granted a pass-through status and only gets taxed in the hands of the investors directly.

REIT is permitted to either hold the rent yielding assets directly or through an SPV. SPV can either be a Company or an LLP. Where the REIT holds the asset directly, the rental income is not taxed in the hands of the REIT and is taxed directly in the hands of the investor.

Whereas, where the rental income is earned by the SPV being a Company, such income is subject to corporate tax in the hands of the SPV Company, thereafter the profits of the SPV Company distributed to the REIT by way of dividends are subject to DDT. Such dividends are then not subject to any further tax in the hands of the REIT or the investors.

It is proposed to rationalize the taxation of the REIT structure and bring the taxation in the case where the asset is held through the SPV and where the asset is directly held by the REIT at par. Accordingly, it is proposed to exempt the levy of DDT on distribution of dividends by the SPV Company. In such case, there will only be one time tax in the hands of the SPV Company and thereafter the dividends would not be subject to DDT or be taxed in the hands of the REIT or the investors.

**Rationalisation of deemed sales consideration provisions on transfer of immovable property**

Presently where a capital asset being land or building or both is transferred by a person, capital gains are computed with respect to the actual sales consideration received or the ready reckoner value, whichever is higher. There is a corresponding provision under the income-tax Act, which applies the same principle on transfer of land or building or both where the same is held as stock in trade as opposed to capital asset.

The provisions dealing with stock in trade set out that where the agreement has been entered and registered on a separate date then for the purposes of computing the sales consideration the reckoner value on the date of the agreement shall be taken and not the reckoner value on the date of registration. This benefit is available provided full or part consideration was paid on or before signing of the agreement.

To rationalize the two provisions dealing with deemed sales consideration on transfer of immovable property held as stock in trade and capital asset, it is proposed to amend the provisions dealing with transfer of capital asset to adapt the reckoner value of an earlier date of the agreement instead of the value on the date of registration.
Reducing Litigation
Scheme to reduce litigation before CIT (Appeals)

Commissioner of Income-tax (Appeals) is the first appellate authority and is a quasi-judicial body. The pendency of cases before the CIT (Appeals) is very high due to the number of cases filed before the said authority.

In order to reduce the number of pending cases and to curb litigation before the CIT (Appeals), it is proposed to introduce Direct Tax Dispute Resolution Scheme, 2016. The scheme would be in relation to tax arrears and specified tax. The scheme provides for settlement of cases on waiver of interest and penalty or part penalty as the case may be. The salient features of the Scheme are as follows:

- The scheme shall be applicable to tax arrears which include the amount of tax together with interest and penalty under Income-tax Act, 1961 or Wealth Tax Act, 1957;
- The scheme would be applicable to pending assessment order or penalty order;
- Where the disputed tax amount is less than Rs. 10 Lakhs, the taxpayer would only be required to pay the tax amount together with interest and the penalty would be waived;
- Where the disputed tax amount is more than Rs. 10 Lakhs, the taxpayer would be required to pay the tax amount together with interest and penalty amounting to only 25% of the tax amount instead of the possibility of being subject to penalty at the rate of 100% to 300% of the tax amount.
- Further, the declaration under the scheme would grant immunity from prosecution; and
- On filing of declaration such pending proceedings before he CIT (Appeals) would deemed to be withdrawn.

Bringing certainty with respect to the amount of penalty to be levied

Presently, an assessing officer can levy penalty ranging from 100% to 300% of the tax amount, in the case of concealment of income. This confers wide discretion to the assessing officers and also results in disputes and increases litigation burden.

In order to reduce the number of disputes with respect to the interpretation of penalty provisions, it is proposed to reduce the amount of penalty equal to 50% of the tax amount, in the case of under-reporting of income. There would be a fixed penalty of 200% (again could be seen as reduced as opposed to possibility of 300% penalty), in the case of misreporting of facts. Also, there may be scope for remission of penalty where taxes are paid and appeal is not file by the taxpayer.

Option of seeking immunity from prosecution

Where a taxpayer has wilfully concealed income, he is subject to prosecution in accordance with the existing provisions of Income-tax Act, 1961. The prosecution proceedings are carried out before the Magistrate.

It is proposed to grant an option to the taxpayer to apply for immunity from prosecution, provided the taxpayer pays the amount of tax demanded together with interest and does not appeal against the assessment order. The assessing officer shall on fulfilment of conditions proposed to be stipulated grant immunity from prosecution.
SIMPLIFICATION MEASURES
Relaxing conditions with respect to the special regime of taxation of offshore funds

At present there is a special regime of taxation of offshore funds where an eligible offshore fund would not be treated to be resident of India or be treated to having a business connection in India merely because its eligible fund manager is situated in India.

For the fund to be an eligible fund there are certain conditions required to be met. One of the conditions is that the offshore fund must be a resident of a jurisdiction with which India has entered into a Double Tax Avoidance Agreement (DTAA) or a Tax Information Exchange Agreement (TIEA). Such conditions prevent certain funds, which are not resident of any jurisdiction such as large pension or mutual funds from USA or SICAVs from being entitled to the benefit of the special regime and end up being treated as resident if their fund manager is located in India.

It is proposed to liberalise such conditions to enable funds located in jurisdictions, other than DTAA and TIEA jurisdictions, to be notified by the Central Government to be entitled to the benefit of the special regime and not be treated as a resident if their eligible fund managers are located in India.

Deferral of POEM as a condition for determining residency of foreign companies

Prior to Finance Act, 2015, a foreign company was treated to be a resident of India where its control and management was wholly said to be situated in India. Finance Act, 2015 amended the residency provisions to treat foreign companies having their place of effective management (POEM) in India to be treated as residents of India.

The Income-tax department came across cases where the foreign companies were treated to be residents based on their POEM being situated in India but such companies had never been assessed to tax in India before and hence couldn’t adhere to several requirements such as payment of advance tax, set-off/carry-forward of losses and unabsorbed depreciation etc. In order to provide for a transition mechanism for such foreign companies, it is proposed to defer the requirement of a foreign company being treated as a resident of India based on its POEM by one year.

Rationalisation of TDS on payment by AIF (Cat-I & II) to investors

At present, under the special regime for taxation of AIFs (Cat I & II), a pass through status has been granted, where the AIF does not pay tax and investors are taxed as if the income was earned by them directly. However, the AIF is required to deduct tax at source on payment to the investors at the rate of 10%. This lead to some difficulty as certain investors who are based in favorable jurisdictions do not have to pay any tax owing to the provisions of the DTAA between such country and India. Also, the current mechanism of obtaining a nil or reduced withholding tax certificate is not available for payments being made by AIFs.

In order to simplify and rationalize the provisions, it is proposed to change the rate of TDS from 10% to the applicable rate in the case of non-resident. This would be nil, where the DTAA provisions so provide. Also, the mechanism of obtaining nil or reduced withholding tax certificates has been extended to payments to be made by AIFs. With respect to payment to be made to resident investors AIF would continue to deduct tax at the rate of 10%.
**Increased deduction towards payment of rent**

Individuals who do not own a house and also don’t get any house rent allowance (HRA) are entitled to deduction towards rent payment made. However, such deduction is capped at Rs. 2000/- per month. It has been proposed to increase the permissible deduction to Rs. 5000/- per month.

**Increase in the threshold for presumptive basis of taxation and audit for professionals**

In order to reduce compliance burden, it is proposed to increase the present turnover-threshold for professionals to get their accounts audited from Rs. 25 Lakhs to Rs. 50 Lakhs.

Furthermore, presently, presumptive basis of taxation is available for eligible businesses, whereby, a sum equal to 8% of the turnover of the business is taxed. The business is deemed to have availed of deductions and is not required to maintain any books of accounts. The present limit of turnover to qualify for such scheme is Rs. 1 crore. It is proposed to extend the benefit of presumptive tax to eligible businesses having turnover up to Rs. 2 crores.

**Additional tax on purchase of luxury cars and cash transactions**

In order to curb black money it is proposed to levy an additional tax at the rate of 1% on purchase of cars having a value of more than Rs. 10 lakhs. Such tax will be collected by the seller from the buyer.

Further, it is proposed that the seller of any goods or provider of any service shall collect tax at the rate of 1% on providing such goods or services where the consideration in cash exceeds Rs. 2 Lakhs.
AMNESTY SCHEME FOR RESIDENTS

At present if a resident person defaults in payment of tax, he would have to pay tax at the rate of 30% (together with cess and surcharge) on undisclosed income, he would also be subject to interest and would also have to pay penalty at the rate of 100% to 300% of the tax amount, depending on the discretion of the Assessing Officer. In addition, such person may also face prosecution.

It is proposed to offer a one-time opportunity to tax defaulters to regularize their tax compliance by payment of a total effective tax at the rate of 45% of undisclosed income. Defaulters electing for the scheme would also enjoy immunity from prosecution and immunity under Benami Transactions (Prohibition) Act, 1988.

The sunset date for such scheme would be notified by the Central Government in Official Gazette.

Also, such scheme would not be available for undisclosed amount already under scrutiny in on-going proceedings or where the information with respect to the undisclosed amount is received by the Income-tax Department under an agreement with a foreign company or such cases are covered under the Black Money Act, 2015.
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