

Highlights of the Indian Budget 2016

Octagona India is pleased to share with you some of the key highlights of the Union Budget 2016 of India which was presented on 29th February 2016.

Individual Income Tax

1. No changes in tax slabs for individuals under Income Tax.
2. Income tax surcharge has increased from 12% to 15% for those having income more than INR 10 million.
3. Person who are not getting HRA and paying rent can claim benefit u/s 80GG up to INR 5,000/- per month (previously it was INR 2,000/- per month).
4. Rebate u/s 87A has been increased from INR 2,000/- to INR 5,000/- for those persons whose taxable income is up to INR 5,00,000/-.
5. Dividend tax of 10% has been introduced for those who are getting dividend over INR 10,00,000/- per annum.
6. Additional exemption of INR 50,000/- is available for first time house buyers on housing loan up to INR 3.5 million, provided the cost of house is not more than INR 5 million.

Corporate & Professional Income Tax

7. Companies having revenue less than INR 50 million now be taxed at 29% plus surcharge and Cess.
8. Service tax exemption is provided for housing construction of houses less than 60 sq. mtr.
9. Tax Audit Limit u/s 44AD has been revised for non-professional to INR 20 million from INR 10 million
10. Presumption taxation scheme for all professionals with gross receipts up to INR 5 million if income declared @ 50%.
11. The new manufacturing companies which are incorporated on or after 1.3.2016 are proposed to be given an option to be taxed at 25% + surcharge and cess provided they do not claim

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profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.

12. 100% deduction of profits for 3 out of 5 years for startups set up during April 2016 to March 2019. MAT will apply in such cases. Capital gains will not be taxed if invested in regulated/notified Fund of Funds and by individuals in notified startups, in which they hold majority shares.
13. Long Term Capital Gain on unlisted securities reduced to 2 year.
14. Tax Collected at Source @1% on purchase of assets over INR 200000 and purchase of luxury cars over INR 1 million.
15. Penalty for concealment of income reduced to 50% - 200% (previously 100% - 300%)

Indirect Taxes (Excise Duty, Service Tax etc.)

16. Excise duty on branded garments exceeding INR 1,000/- at '2% without input tax credit or 12.5% with input tax credit.
17. Agriculture development krishi kalyan surcharge cess of 0.50% has been introduced to make effective Service tax rate to 15% effective from June 01, 2016.
18. Securities transaction tax on option raised to 0.05% from 0.017%.
19. Service tax is exempted on the Annuity services provided by the National Pension System (NPS) and Services provided by EPFO to employees.

Miscellaneous

20. The determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.
21. Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.
22. In order to tap tax on income accruing to foreign e-commerce companies from India, it is proposed that a person making payment to a nonresident, who does not have a permanent establishment, exceeding in aggregate INR 1 lakh in a year, as consideration for online

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advertisement, will withhold tax at 6% of gross amount paid, as Equalization levy. The levy will only apply to B2B transactions.

23. Infrastructure cess of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs are levied.

24. Limited period Compliance Window for domestic taxpayers to declare undisclosed income or income represented in the form of any asset and clear up their past tax transgressions by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income.

Should you have any specific query please kindly get in touch with us.

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