

CHARTERED ACCOUNTANTS**MR. VIMAL C. PUNMIYA**

B.Com., LL.B(Gen.) F.C.A.

MRS. DIMPLE N. PUNMIYA

B.Com., F.C.A.

MR. HIMANSHU GANDHI

B.Com., A.C.A., C.S.

ADVOCATES**MR. NIRAJ V. PUNMIYA**

B. Com., LL.B

MISS. AARTI V. PUNMIYA

B. Com., LL.B

VIMAL PUNMIYA & CO.

CHARTERED ACCOUNTANTS

501, NIRANJAN, 99, MARINE DRIVE,

MUMBAI 400 002,

PHONES : 2281 0635, 22813415,

FAX : 2281 8267, CELL 98219 36314

Email:vimalpunmiya@gmail.com/nirajvp@rediffmail.com

BUDGET 2016 HIGHLIGHTES**BY CA VIMAL PUNMIYA****FAVOURABLE:-**

1. **Voluntary disclosure of undisclosed income scheme:-** Domestic tax payer can disclosed his undisclosed income under this income tax disclosure scheme and liable for payment of total tax @ 45% (30% income tax + 7.5% Krishi surcharge + 7.5% penalty). Declaring person will not be prosecuted and no scrutiny proceeding will be conducted. Disclosing Window period will be 1/06/2016 to 30/09/2016. Scheme is also applicable on wealth tax.
2. First time home buyer will get additional Rs. 50000 deduction for house purchase having worth of RS. 50 lakh but loan will not exceed Rs. 35 lakh.
3. For generating employment the deduction u/s 80JJAA were extended to all industries with the relax norms of employee's days 300 to 240 days with condition that the salary payable to worker is less than 25000. Then the industry will get the addition 30% deduction of salary.
4. Limit of deduction under sec 87A has been increased from Rs. 2000 to Rs. 5000 giving an additional benefit of Rs. 3000 to assessee's whose income is less than Rs. 5,00,000/- . it will impact that the person having income less than 5 lakh will not required to pay tax upto income of Rs.3,00,000/-. Almost 2 Crore assessee will be benefited by this announcement.
5. Reform in 80GG:-Salaried person having NO house and NO H.R.A will be allowed an exemption of RS. 60,000 P.A. in this regard as compared to earlier of Rs. 24,000 p.a.,
6. Section 44AD:- Presumptive taxation applicability limit were increased to Rs. 2 crore of turnover as compared to 1 Crore earlier without making any change in the earlier rate of income @ 8%. This will lead a great relief to assessee and assessee will not required to get his books of account audited and maintaining detail books of account. Now this benefit were also extended to Professionals having receipt of Rs.50,00,000/- with the income rate of 50%. Earlier it is provided to businessman only and not professional. But once the scheme opts then assessee has to offer income under this scheme for 5 years. If in any one year income not offered as per this section that for next 5 years assessee will not be eligible for availing benefit of this scheme.
7. Tax audit limit u/s 44AB is also increased to Rs. 2 cr for business and to Rs.50 lakh for profession.
8. To achieve the "MAKE IN INDIA" tax holiday exemption is given to start-up business. Income of 3 years will be 100% exempt out of 5 years.
9. For expedient justice the hearing limit of single member bench in ITAT is enhancing to 50 lakh from 15 lakh.
10. Holding period for determining the long term period of unlisted shares the period now reduced to 2 years as against the earlier 3 years.
11. GAAR is implemented from 1.4.2017.
12. 14A disallowance would not be increasing the actual expenses.

13. Relief to employees, 40% withdrawal from national pension fund on retirement will be exempt.
14. One time scheme for dispute resolution for pending retrospective tax amendment cases. Case will be withdrawn if the tax arrears will pay. No interest and penalty will be levied.
15. Big relief to Non-resident not having PAN number. Earlier if no PAN than TDS @30% now NRI can provide the alternate ID, then the TDS will be applicable at the applicable rate.
16. First time in the tax provisions the assessing officer is accounted for delay in giving the effect of order of appellate authorities. If the effect of appellate tribunal not given within 90 days, then the rate of interest on refund will be given @ 9%.
17. Relax tax rate of 10% on income from worldwide exploitation of patents developed and registered in India by a resident.
18. Complete pass through of income-tax to securitization trusts including trusts of ARCs. Tax will be payable by the receipt of income i.e investor. It will reduce to cascading effect of the tax. But, the Securitisation trusts required deducting tax at source.
19. As roadmap given in Budget 2015-16 for reduction of corporate tax. First step is taken by lowering the corporate income tax rate from 30% to 29% for the corporate having the turnover less than RS. 5 Crore.
20. Income tax department also now contribute to achieve the dream of DIGITAL INDIA by making the assessment in digital form. For this initiation 7 major cities are selected.
21. New Dispute Resolution Scheme to be introduced. Assessee can settle his case when appeal is pending before CIT(A) by paying the disputed tax and interest upto date of assessment order. And No penalty will be levied if the disputed tax up to 10 lakh. And Cases with disputed tax exceeding 10 lakh to be subjected to 25% of the minimum of the imposable penalty. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty and tax interest on quantum addition.
22. Mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals). It is very great relief to assessee and reduce the harassment of the assessee for coercive recovery by AO for achieving their tax collection targets.
23. The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020.
24. Now the discretion of AO for levy of penalty in range of 100% to 300% abolished. Straight rate of penalty @ 50% of tax in cases where income has been under-reported, & 200% in cases where facts have been misreported. Remission of penalty in certain cases where taxes are paid and no appeal is to be filed.
25. Time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.
26. Annuity fund given to legal heir of pensioner will not be taxable.
27. Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.
28. New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.
29. No MAT on foreign company w.e.f. 1.4.2001 if foreign company does not have as a permanent establishment under relevant Double Taxation Avoidance Agreement or a place of business in india. This will give tax certainty to foreign corporate for doing business in india.

30. Section 56(2)(vii) will not apply to individual & HUF if shares were received due to demerger or amalgamation of the company.
31. Exemption limit of annual contribution by employer to superannuation fund increased to RS.1.5 lakh as against the 1 lakh of earlier.
32. Standard deduction of 30% in house property will be allowed on unrealized rent also.
33. Holding period of asset will be counted from the date of agreement fixing the amount of consideration and not from the date of registration of agreement.
34. Rationalize the TDS provision so the funds of assessee will not block due to TDS. The revised limits are as under:-

Measures for TDS / TCS Rationalisation

Sec.	Heads	Existing Threshold Limit	Proposed Threshold Limit
192A	Payment of accumulated balance due to an employee in EPF	30,000	50,000
194BB	Winnings from Horse race	5,000	10,000
194C	Payments to Contractors	Aggregate annual limit of 75,000	Aggregate annual limit of 1,00,000
194LA	Payment of Compensation on acquisition of certain Immovable Property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194G	Commission on sale of lottery tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000

Present Section	Heads	Existing Rate of TDS (%)	Proposed Rate of TDS (%)
194DA	Payment in respect of Life Insurance Policy	2%	1%
194EE	Payments in respect of NSS Deposits	20%	10%
194D	Insurance commission	10%	5%
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or brokerage	10%	5%
194K	Income in respect of Units	To be omitted w.e.f 01.06.2016	
194L	Payment of Compensation on acquisition of Capital Asset	To be omitted w.e.f 01.06.2016	

35. NO TDS will be deducting on rent on self certification if income does not exceed maximum amount not chargeable to tax.
36. Return cannot be treated as defective only because self-assessment or interest thereon not paid before the date of furnishing return.
37. NO appeal by income tax department against the order of DRP.
38. Revocation of attachment u/s 281B on furnishing bank guarantee.
39. Before passing the order u/s 143(3) return has to be process u/s 143(1).
40. Belated return now can be revise before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
41. Deduction of 100% profit from housing project approve between june 2016 to march 2019 if the project complete within 3 years from approval with condition that area of flat is 30 sq.mtr in 4 metro cities and 60 sq/mtr in other cities.

🚩 Unfavorable:-

- No change in slab rate. Thus, no relief to person having income above Rs.5 lakh.
- Increase in Surcharge from 12% to 15% for individual/HUF/ firm/ society having income more than 1 cr. It will put additional burden on taxpayers.
- Individual, HUF & firm having dividend income above RS.10,00,000/- will be liable for payment of additional tax @10%. It will also create litigation in section 14A as the tax payer is now paying

the tax @10% on dividend, then said investment will still be continued as exempt income fall under section 14A.

4. Phasing out deduction under Income Tax:

- a) Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 1.4.2017
 - b) Benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020.
 - c) Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
 - d) Weighted deduction u/s 35AD will be restricting to 100% as compare to earlier of 150% w.e.f. 1.4.2017.
 - e) Deduction u/s 35AC on social project will not be allowed from A.Y. 2018-19.
 - f) Deduction u/s 35CCC deduction on expenses on agricultural extension project restrict to 100% instead of 150% w.e.f. A.Y. 2018-19.
 - g) Deduction u/s 35CCD deduction on expenses on Skill development project restrict to 100% instead of 150% w.e.f. A.Y. 2021-22.
 - h) Deduction u/s 80IA on development of infrastructure facility will not be allow w.e.f. 1.4.2017. But later on deduction will allowed u/s 35AD.
 - i) No deduction u/s 80IAB on development of SEZ w.e.f. 1/4/2017.
5. Tax to be deducted at source at the rate of 1 % on purchase of luxury cars exceeding value of ten lakh and purchase of goods and services in cash exceeding two lakh. But, the Farmers and notified class person can give the notified form for exemption of deduction of TCS.
 6. Securities Transaction tax in case of 'Options' is proposed to be increased from .017% to .05%.
 7. Payment to railway will be fall in section 43B and allowed if paid on or before the due date for filing of return of income.
 8. Non-compete fee will now taxable in case of professional also.
 9. Trust ceases to be charitable all the net assets on the date of such cessation will be income of trust and liable for additional tax.
 - 10.No set off losses shall be allowed against deemed undisclosed income u/s 68 to 69D.
 - 11.One more condition on conversion of company to LLP that in past 3 years assets of the company not exceed 5 cr. It is greatly adverse effect on the conversion of company into LLP.
 - 12.Exemption u/s 10(38) will not be counted for determining the return filing limit u/s 139(1).
 - 13.Return file in response to notice u/s 142(1) cannot be revised.
 - 14.Advance tax installment for individual/ HUF and Firm increase to 4 as earlier of 3. Now the advance tax rate installments for corporate and non corporate are same.
 - 15.Presumptive income assessee also required to pay advance tax in 1 installment on or before 15th march.
 - 16.ITAT order can be rectify within 6 months against the 4 years earlier.
 - 17.Case me be open u/s 147 on information culled out from the date base by the directorate of systems indicating that income has escaped assessment.
 - 18.Refund will be adjusted at the time of passing intimation u/s 143(1).