

DIRECT TAXES

1) INCOME TAX RATES A.Y. 2016-17

A. Resident Individual/Hindu Undivided Family/AOI/BOI

TAXABLE INCOME (Rs.)	MALE < 60 YRS.	FEMALE < 60 YRS.	SENIOR CITIZEN > 60 & < 80 YRS.	VERY SR. CITIZEN > 80 YRS.
Upto 2,50,000	Nil	Nil	Nil	Nil
2,50,001 to 3,00,000	10%	10%	Nil	Nil
3,00,001 to 5,00,000	10%	10%	10%	Nil
5,00,001 to 10,00,000	20%	20%	20%	20%
Above Rs. 10,00,000	30%	30%	30%	30%

Primary & Secondary Education Cess: 3% cess on tax in all cases

Rebate: The rebate under Section 87A inserted by Finance Act, 2013 being Rs.2,000/- for individual resident assessee, whose Taxable Income does not exceed Rs.5,00,000/- to continue.

Surcharge: The amount of Income-Tax computed as above, shall be increased by surcharge @ 12% of such Income-Tax in case, the person has taxable income exceeding Rs. 1 Crore. However, marginal relief shall be allowed to ensure that the surcharge payable on excess of income over Rs.1 crore is limited to the amount by which the income exceed Rs.1 crore.

B. Co-operative Societies & Firms

In the case of co-operative societies & FIRMS, the rates of income-tax will continue to be 30% as those specified for assessment year 2015-16. No surcharge will be levied for taxable income below 1 Crore. Surcharge increased from 10 to 12% for & on incomes over Rs. 10.0 Crores. Education cess is applicable @ 3 percent on income tax

C. Companies

The rates of income-tax in the case of companies will continue to be 30% as specified for the assessment year 2015-16. **Surcharge @ 7%** shall be levied in the case of a domestic company, if the total income **exceeds 1 Crore rupees** but does not exceed ten crore rupees. The **surcharge @ 12%** shall be levied, if the total income **exceeds Rs. 10 crore rupees**.

Corporate taxes are proposed to be reduced from the existing rate of 30% to 25% over the next 4 years

Secondary & Higher Education Cess @ 2 & 1% respectively will continue to be levied, on the amount of tax computed, including surcharge.

Marginal Relief on Surcharge - The amount payable as Income Tax and Surcharge on Total Income exceeding Rs.1Crore (or Rs.10 Crores for certain companies) shall not exceed the total amount payable as Income Tax on Total Income of Rs. 1 Crore (or Rs. 10 Crores) by more than the amount of Income that exceeds Rs. 1 Crore (or Rs. 10 Crores).

Minimum Alternate Tax (MAT)

The rate of MAT remains to be 18.5% relevant to the assessment year 2016-17. Surcharge as applicable in the case of companies

2) ALLOWANCES/REBATES/DEDUCTIONS/OTHERS

A. Additional Depreciation On Plant & Machinery

Additional depreciation @ 20% is allowed on new plant and machinery installed by a manufacturing unit or a unit engaged in generation and distribution of power. If the asset is installed after 30th September of the previous year only 10% of the additional depreciation was allowed. Now the remaining 10% of the additional depreciation will be allowed in the subsequent previous year.

B. Additional Allowance – State of A.P.

Additional investment allowance (@15%) and additional depreciation (@15%) to new manufacturing units set-up during the period 01.04.2015 to 31.03.2020 in notified areas of Andhra Pradesh and Telangana.

C. Deduction under 80JJAA

All manufacturing units are covered, shall be available to a 'person' deriving profits from manufacture of goods in a factory and paying wages to new regular workmen. The eligibility threshold of minimum 100 workmen is reduced to 50.

D. Increase In Deduction Under Section 80D

Investment limit under section 80D of the Income-tax Act raised from ` 15,000 to ` 25,000 for individual other than senior citizen and the limit raised from ` 25,000 to ` 30,000 for senior citizen.

An additional benefit given to super Senior citizen (aged more than eighty years):- it is also proposed to provide that any payment made on account of medical expenditure in respect of a very senior citizen, if no payment has been made to keep in force an insurance on the health of such person, as does not exceed thirty thousand rupees shall be allowed as deduction under section 80D ***i.e. the deduction under 80D can be claimed on the basis of expenditure incurred irrespective of payment of insurance made or not.***

Note:-

a) The aggregate deduction for health insurance premia and medical expenditure incurred in respect of parents would be limited to thirty thousand rupees.

b) These amendments will take effect from 1st April, 2016 i.e. the deduction is available from FY 2015-16 i.e. AY 2016-17.

E. Additional Deduction Under Section 80CCD

An additional deduction in respect of any amount paid, of upto fifty thousand rupees for contributions made by any individual assesses under the National Pension Scheme. This limit is not covered under the overall limit mentioned in section 80CCE of the Act except of section 80CCD (1).

Note:-

a) These amendments will take effect from 1st April, 2016 i.e. the deduction is available from FY 2015-16 i.e. AY 2016-17.-

F. Addition Of Sukanya Samriddhi Account Scheme For Deduction Under Section 80C & Other

The following tax benefits have been envisaged in the Sukanya Samriddhi Account scheme:

- i) The investments made in the Scheme will be eligible for deduction under section 80C.
- ii) The interest accruing on deposits in such account will be exempt from income tax.
- iii) The withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax.

Note:-

- a) These amendments will take effect retrospectively from 1st April, 2015 i.e. the deduction is also available for FY 2014-15 i.e. AY 2015-16.
- b) Investment limit under section 80C of the Income-tax Act is ` 1.5 lakh

G. Abolition Of Levy Of Wealth-Tax Under Wealth-Tax Act, 1957

It is proposed to abolish the levy of wealth tax under the Wealth-tax Act, 1957 with effect from the 1st April, 2016. Wealth Tax has been abolished w.e.f. Financial Year 2015-16 and onwards. This is however sought to be compensated by the additional 2% surcharge on income of more than 1.0 crore. It is proposed that information relating to assets that were required to be submitted in wealth tax returns will have to be provided in the Income Tax Returns.

H. Mode Of Taking Or Accepting Certain Loans, Deposits And Specified Sums And Mode Of Repayment Of Loans Or Deposits And Specified Advances

269SS:- It is proposed to amend section 269SS, of the Income-tax Act 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.

269T:- It is also proposed to amend section 269T of the Income-tax Act so as to provide that no person shall repay any loan or deposit made with it or **any specified advance received by it**, 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.

The specified advance shall mean any sum of money in the nature of an advance, by whatever name called, in relation to transfer of an immovable property whether or not the transfer takes place.

Note:-

- a) It is further proposed to make consequential amendments in section 271D and section 271E to provide penalty for failure to comply with the amended provisions of section 269SS and 269T, respectively
- b) The education cess to continue at 3 percent.

Crux:-

Acceptance or re-payment of an advance of ` 20,000 or more in cash for purchase of immovable property to be prohibited.

- The Indian entity in the chain obligated to furnish information relating to transaction; failure to report may attract a penalty up to 2% of transaction value
- PAN being made mandatory for any purchase or sale exceeding Rupees 1 lakh.

I. TDS & TCS Changes

Please refer to TDS/TCS Chart section for F.Y. 2015-16.

J. Employees Under EPF & ESI To be Provided With Other Options

The Union Finance Minister Shri Arun Jaitley has announced that with respect to Employees Provident Fund (EPF), the employee needs to be provided two options. Firstly, the employee may opt for EPF or the New Pension Scheme (NPS). Secondly, for employees below a certain threshold of monthly income, contribution to EPF should be optional, without affecting or reducing the employer's contribution.

He said, with respect to ESI, the employee should have the option of choosing either ESI or a Health Insurance product, recognized by the Insurance Regulatory Development Authority (IRDA).

The Finance Minister announced that he intends to bring amending legislation in this regard, after stakeholders' consultation.

K. 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.