

ANNUAL CIRCULAR 2016

By
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IMPORTANT RECENT AMENDMENTS

1. From 1st June 2015 No Cash transaction can be made of sum in excess of Rs 20,000/- as advance or otherwise in relation to transfer of an immovable property whether or not transfer takes place.
2. Wealth Tax has been abolished from Assessment Year 2016-17 (FY 2015-16)
3. Mandatory fees payable for late filing of the TDS return along with the TDS return.
4. Law of Service Tax has been substantially changed. Kindly get in touch with Ca Dhruv Seth (dhruv@sethsp.com) for the same.
5. Send your email address to ashok@sethsp.com for enabling regular tax updates.

May 26th 2016

Dear Assessee,

Some of the general important amendments in Income Tax laws made by the Finance Act 2016 and other general provisions which may be useful for you are as under: - [\(Recent changes have been marked in Red\)](#)

1. **RETURNS:** - The Due dates for filing return of **Income Tax & Wealth tax**

Whose accounts are required to be audited under any Law, all Companies and working partners of the firm whose accounts are required to be audited.	30th Sep
Assessee other than above	31 st July

✚ The carry forward of loss will be allowed only if return is filed in time as above.

✚ If return for year ending 31.3.2016 is not filed by 31.3.2017 penalty of Rs 5,000/- may be levied.

✚ [The return for Y.E. 31st March 2017 could be filed upto 31st March 2018 only.](#)

✚ [Return if not filed by due date as above, interest on refund if any would be calculated from the date of filing of return and not from 1st April.](#)

✚ Return filing mandatory-

1. Individual or HF etc. to file the return of income if the income before claiming the deduction u/s 80C etc. (i.e. on investments) exceeds minimum amount chargeable to tax.
2. All Companies and Partnership firm even having income below taxable limit are required to file the returns.
3. Filing of return is compulsory for Residents having any assets out of India (WEF from FY 2011-12)

2. **TAX RATES** - For Asstt Year 2016-17 (Y.E. 31st March 2016)

Individual\HUF \ AOP other than	Slab Rate	Surcharge	Education and SHE Cess
Upto Rs 2,50,000/-	Nil	Nil	Nil
2,50,001/- to 5,00,000/-	10%	Nil	3% of Income Tax
5,00,001/- to 10,00,000/-	20%	Nil	3% of Income Tax
Above 10,00,000/- Less Than 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	12%	3% of Income Tax & Surcharge
Senior Citizen more than 60 Yrs less than 80 yrs (DOB) 1-4-36 & 31-3-56)	Slab Rate	Surcharge	Education and SHE Cess
Upto Rs 3,00,000/-	Nil	Nil	Nil
3,00,001/- to 5,00,000/-	10%	Nil	3% of Income Tax
5,00,001/- to 10,00,000/-	20%	Nil	3% of Income Tax
Above 10,00,000/- Less Than 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	12%	3% of Income Tax & Surcharge

Very Senior Citizen more than 80 Years Born before 1-4-1936	Slab Rate	Surcharge	Education and SHE Cess
Upto Rs 5,00,000/-	Nil	Nil	Nil
5,00,001/- to 10,00,000/-	20%	Nil	3% of Income Tax
Above 10,00,000/- Less Than 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	12%	3% of Income Tax & Surcharge

Resident Individuals (Section 87A) - Tax Rebate of lessor of 100% of Income Tax or Rs 2,000/- if total income not exceeding 5 Lacs.

Partnership Firm	Slab Rate	Surcharge	Education and SHE Cess
Upto 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	12%	3% of Income Tax & Surcharge

Domestic Companies	Slab Rate	Surcharge	Education and SHE Cess
Upto 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore Less than 10 Crore	30%	7%	3% of Income Tax & Surcharge
Above 10 Crore	30%	12%	3% of Income Tax & Surcharge

3. TAX RATES - For Asstt Year 2017-18 (Y.E. 31st March 2017)

Individual\HUF \ AOP other than	Slab Rate	Surcharge	Education and SHE Cess
Upto Rs 2,50,000/-	Nil	Nil	Nil
2,50,001/- to 5,00,000/-	10%	Nil	3% of Income Tax
5,00,001/- to 10,00,000/-	20%	Nil	3% of Income Tax
Above 10,00,000/- Less Than 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	15%	3% of Income Tax & Surcharge
Senior Citizen more than 60 Yrs less than 80 yrs (DOB) 1-4-36 & 31-3-56)	Slab Rate	Surcharge	Education and SHE Cess
Upto Rs 3,00,000/-	Nil	Nil	Nil
3,00,001/- to 5,00,000/-	10%	Nil	3% of Income Tax
5,00,001/- to 10,00,000/-	20%	Nil	3% of Income Tax
Above 10,00,000/- Less Than 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	15%	3% of Income Tax & Surcharge

Very Senior Citizen more than 80 Years Born before 1-4-1936	Slab Rate	Surcharge	Education and SHE Cess
Upto Rs 5,00,000/-	Nil	Nil	Nil
5,00,001/- to 10,00,000/-	20%	Nil	3% of Income Tax
Above 10,00,000/- Less Than 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	15%	3% of Income Tax & Surcharge

Resident Individuals (Section 87A) - Tax Rebate of lessor of 100% of Income Tax or Rs 5,000/- if total income not exceeding 5 Lacs.

Partnership Firm	Slab Rate	Surcharge	Education and SHE Cess
Upto 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore	30%	12%	3% of Income Tax & Surcharge

Domestic Companies	Slab Rate	Surcharge	Education and SHE Cess
Upto 1 Crore	30%	Nil	3% of Income Tax
Above 1 Crore Less than 10 Crore	30%	7%	3% of Income Tax & Surcharge
Above 10 Crore	30%	12%	3% of Income Tax & Surcharge

4. **If total turnover in FY 2015-16 does not exceed 5 crore tax rate would be 29%.**
5. **U/s 115BA In the case of newly setup Domestic Company engaged in manufacture or production tax rate of 25% can be opted from FY 2016-17 if: -**
- Company has been setup or registered after 1-3-2016**
 - Not carrying on any other business other than manufacturing and production**
 - Setoff of carry forward losses will not be allowed.**
 - Not claimed any benefit u/s 10AA, accelerated and additional depreciation, investment allowance, scientific research expenses etc. or under Part-C of chapter VI-A**
 - Option to choose this rate is furnished before due date of furnishing return which cannot be withdrawn later on.**
6. In case of Individual, HUF, AOP, BOI etc. if any addition is made u/s 68 (Cash Credits), or on account of unexplained investments or expenses u/s 69, 69A, 69B, 69C and 69D the tax of flat 30% shall be levied on such additions.
7. **From FY 2016-17 In case of Individual, HUF or firm tax rate of 10% will be applicable on Dividend income of more than Rs 10 Lacs if it has NOT suffered dividend distribution tax.**

8. **Other Rates**

a. Minimum Alternate Tax on Book Profits (MAT) Section 115JB

Domestic Companies	Slab Rate	Surcharge	Education and SHE Cess
Book Profits Upto 1 Crore	18.50%	Nil	3% of Income Tax
Book Profits Above 1 Crore Less than 10 Crore	18.50%	7%	3% of Income Tax & Surcharge
Book Profits Above 10 Crore	18.50%	12%	3% of Income Tax & Surcharge

- Dividend Distribution Tax Sec 115-O 15% + Surcharge and Cess etc.
- Tax on Short Term Gain u/s 111A 15% + Surcharge and Cess etc.
- Long Term Gain Sec 112 20% + Surcharge and Cess etc.

9. **ADVANCE TAX:** - The Advance tax is to be paid **by ALL** as under if exceeds Rs 10,000/-
- | | |
|-------------------|---------|
| By 15th June | 15% |
| By 15th September | 30% |
| By 15th December | 30% |
| By 15th March | Balance |

✚ **If assessee has opted for presumptive taxations u/s 44AD or 44AE then he has to pay advance tax of the whole amount by 15th March.**

✚ No Advance Tax payable by Senior Citizens (more than 60 years) if they do not have income from business or profession

10. **CASH EXPENSES:** - Any expense or purchase or aggregate of payment in a day to one party is in excess of Rs 20,000/- (Rs 35,000/- for payment of freight) the payment of it should be made by **A/c payee** Cheque or Bank Draft otherwise **entire payment** will be disallowed.
11. **LOANS/DEPOSITS (Sec 269SS):** - No person can take loan or deposit in cash equal to or more than Rs 20,000/-, if taken then penalty can be imposed equal to the amount so taken. It is advised

that all loans or deposit should be taken by A/c Payee Cheque/Draft or by way of RTGS/NEFT only. If in the account of person from whom loan or deposit is to be taken there is already some credit balance then only that amount can be taken in cash to make total in this account Rs 19,999/-. If the balance in the account before taking this loan is equal to or more than 20,000/- then even Rs 1/- cannot be taken in cash.

In the case of closely held companies the assessee will be required to prove to the satisfaction of AO the source of share capital, share premium etc. also.

From 1st June 2015 no Cash transaction (receiving or re-payment) can be made of sum in excess of Rs 20,000/- as advance or otherwise in relation to transfer of an immoveable property whether or not transfer takes place. It is also immaterial whether the property is short term, long term or as business current assets

12. **LOAN REPAYMENTS (Sec 269T):** - No person can make repayment of any loans or deposit of any nature in cash if the amount of deposit together with the Interest is equal to or more than Rs 20,000/-. **The payment can be made only by A/c Payee Cheque/Draft or by electronic transfer in the name of the person who has made loan or depositor. So even LIP, taxes or other debits also cannot be made directly from the loan account they have to be routed through savings bank account of depositor.**
13. **GOVERNMENT TAX & FEES ETC. (Sec 43-B):** - The deduction for Tax, duty or other sums e.g. Provident Fund, Mandi Tax, Purchase Tax, Excise Duty, Sales Tax, Bonus to staff, House/Water Tax, E.S.I., Interest to Central & State Financial Institutions, Interest on Loans and advances from Scheduled Banks, Leave salary of staff and amount Payable to Indian Railways will be allowed on payment basis. However amounts due as on 31st March will be allowed in that year if these are paid before due date of filing the return.
14. **Remuneration to Partners in partnership firm and LLP:** - The partner's salary allowable is as under.

Book Profits (profit as per books before partners Salary & Income Tax)	Amount Deductible
In loss	Rs 1,50,000/-
In case of Profits	Higher of Rs 1,50,000/- or 90% of Book profits
<ul style="list-style-type: none"> • On first Rs 3,00,000/- • On balance profits 	60%

15. **TAX TO BE DEDUCTED AT SOURCE (TDS) :** - For Financial Year 2015-16
Now Surcharge and Education Cess is not to be included for TDS purposes.

Type of Payment	Minimum limit	Rate of TDS
a) Interest (194A)	5,000/-	10%
b) Professional & Technical Services including Payment to Directors other than Salary (194-J)	30,000/- or more per yr.	10%
c) Commission & Brokerage (194-H)	<u>Rs 15,000/- or more per yr.</u> (earlier it was 5,000/-)	<u>5%</u> (Old 10%)
d) Rent (194-I)		
(i) for Land, Building, or Furniture or fitting	1,80,000/- or more per yr.	10%
(ii) Plant & Machinery		2%
e) To all contractors including Advertising and sub contract (U/s 194-C)	30,000/- per contract or <u>Rs 1,00,000/- in a year</u> (earlier it was 75,000/-)	1% on Payment to Individual or HUF (4 th letter of PAN "P" or "H")

		Others @ 2%
Note: - No TDS required to be deducted from transporters if transporter furnishes his PAN and gives declaration that he owns 10 or less carriers at any time during the year. (The requirement declaration from 1 st June 2015)		
f) Salary (U/s 192)	Taxable Income	Average rate of tax plus Education Cess (3%)
g) All Purchaser shall deduct TDS on Transfer of Immoveable Property other than Agricultural Land (U/s 194-IA)	Rs 50 Lacs or more	1%

- ✓ Following beside general work contract are also covered in definition of Work: -
 - Broadcasting and telecasting
 - Carriage of goods and passengers by any transport other than Railways
 - Catering
 - Carrying out manufacturing when material is supplied by the buyer.
- ✓ **From 1st June 2016** For deducting TDS from salary income for the purposes of estimating the income of employee the employer **has to obtain details in form 12bb** from the employee the evidence or proof of various claims of employee such as payments for deduction u/s 80-C of LIC etc. and interest etc. claimed as deduction from property income.
- ✓ **In case of work contract involving manufacturing if material value is given separately in the invoice then TDS has to be deducted on labour element only otherwise on total bill.**

From 1st April 2010 if PAN is not provided by the deductee TDS @20% will have to be deducted.

- ✓ PAN has to be mentioned in all correspondence (bills, vouchers, and documents) exchanged between deductor and deductee.
- ✓ **Sec 40(a)(ia)- Any expense on which TDS was deductible but was not deducted or was deducted but not paid then 30% of expense would not be allowed as expenditure till such TDS is deposited.** (Till Assessment year 2014-15 this was 100%)
- ✓ TDS is to be deducted at the time of payment or credit, whichever is earlier. For late payment of TDS interest @ 1.50% p.m. will be payable
- ✓ **PAYMENT:** - TDS is required to be paid within 7 days of the end of the month in which deduction has been made. TDS deducted on amounts credited / paid during the month of March is to be paid by **30th April**. However any TDS on salary is to be paid within 7 days of such payment or credit.
- ✓ **RETURN:** - Quarterly Return of TDS is to be filed
 - ✚ Quarter 1 - 1st April to 30th June 30th July
 - ✚ Quarter 2 - 1st July to 30th September 31st October
 - ✚ Quarter 3 - 1st October to 31st December 31st January
 - ✚ Quarter 4 - 1st Jan to 31st March 30th May
- ✓ **TDS has to be deducted by** all firm & Company, however in case of Individual and HUF if the sale\gross turnover during last year was more than 1 Crore then they also have to deduct TDS. On salary TDS has to be deducted by all persons.
- ✓ For not deducting TDS on Interest (**or for Rent also from FY 2016-17**) to any person, (Other than Company and firm) form 15G/15H will have to be taken from recipient in duplicate before the first time Interest is paid or credited during the year. **Form 15G/15H will have to be E-filed** within seven days of end of the month in which form 15G/15H was received. This form will have to be obtained and filed every year.
- ✓ **In TDS return even those interest on which no TDS has been deducted will have to be reported.**
- ✓ Professional services include legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration or advertising.
- ✓ TDS certificates are required to be issued in form No 16A for all except salary (form 16). Such Form 16A need to be issued within 15 days of TDS return being furnished as mentioned above. For salary deductions the form is to be issued before 30th April. **Please note manual forms 16A would not be valid and only those forms 16A which have been generated through the Income Tax**

website would be valid.

- ✓ **Fees and penalty for delay in filing of TDS/TCS return and penalty** for incorrect information in TDS/TCS returns
- There will be mandatory fees for delay in filing of TDS/TCS returns
 - The fees would be Rs 200/- per day of delay but maximum would be amount of TDS/TCS during the period of the statement.
 - The Fees and interest if any will have to be paid before filing of the TDS/TCS return.
 - However if delay is more than one year then penalty also can be levied ranging from 10,000/- to 1,00,000/-
 - Penalty may be levied for incorrect filling of the TDS/TCS returns ranging from 10,000/- to 1,00,000/-

16. **Tax Collection at Source (TCS)** on Cash sale of Bullion and Jewelry Section 206C(1D)

Every seller who receives any amount **in cash in excess of Rs 5 Lacs for sale of Jewelry** or Rs 2 Lacs for sale of **Bullion (including coin weighing less than 10gm)** shall collect from the buyer TCS @1% of sale consideration.

From 1st June 2016 there have been very important amendments in provisions of Tax Collection at Sources (TCS)

- A. Sec 206C(1D) - Every "Seller" who receives **any** amount **in cash** as a consideration for sale of -
 - Bullion (exceeding Rs. 2 Lacs),
 - Jewelry (exceeding Rs. 5 Lacs), or

- Any other goods or any service (exceeding Rs. 2 Lacs) (from 1st June 2016)

Shall, at the time of receipt of such amount in cash, collect from the buyer, TCS @ 1% of sale consideration. (No TCS shall be required on any amount on which TDS has been made by the buyer under chapter XVII-B.)

PI Note:-

- a) TCS to be made only if Sale consideration (each Bill/invoice) is more than 5 Lacs or 2 lacs as the case may be AND any amount is received in Cash for example:-

Invoice	Amount Received in Cash	TCS
Less than 5 lacs or 2 Lacs as case may be	Nil	No
Less than 5 lacs or 2 Lacs as case may be	Yes	No
More than 5 lacs or 2 Lacs as case may be	Nil	No
More than 5 lacs or 2 Lacs as case may be say 2,50,000/- for other than jewelry	60,000/-	Yes on full invoice of 2.50 lacs

Even if 1/- is collected in cash on invoice of more than 2 Lacs TCS would have to be collected on full invoice value

- B. From 1st June 2016 U/Section 206C(1F) Every "Seller" who receives **any** amount as a consideration for sale of "Motor Vehicle" of the value exceeding 10 Lacs shall at the time of receipt of such amount, collect from the buyer 1% of TCS of the sale consideration.

PI Note:-

Unlike a) above in this TCS is for all invoices more than 10 Lacs Motor Vehicle irrespective of the made of payment cash or cheque. Even if total amount received by cheque TCS have to be collected.

PI also note that the sale of Motor Vehicle less than 10 lacs shall be covered in Point A above.

C. NOTES:

- "Seller" includes any Company or firm. But in case of Individual or HUF means person whose turnover exceeds limit of Tax Audit preceding the F.Y. in which the goods are sold/ services are provided.
- TCS number has to be obtained before depositing TCS
- Tax collected at source shall be deposited within one week from the last day of the month in which collection is made.

- d. Quarterly TCS statement in form 27EQ shall be required to be filed on or before 15th June, 15th Oct., 15th Jan or 15th May as the case may be. *[Rule 31AA]*
- e. TCS certificate in form 27D shall be furnished to the collectee on or before 30th June, 30th Oct., 30th Jan or 30th May as the case may be. *[Rule 37D]*
- f. The buyer from whom TCS is collected will get credit of this TCS in his returns.
- g. Buyer can obtain lower TCS certificate on making an application in form 13 from the A.O. [S. 206C(9) rule 37G]

17. Tax Audit U/s 44AB

Tax audit would be required if the Gross turnover is more than in case of business Rs 1 Crore and Rs 50 Lacs in case of profession (Increased from 35 Lacs). The Tax auditor is required to upload the report with his DSC to Income Tax website.

18. MAINTENANCE/AUDIT OF BOOKS OF ACCOUNTS & DEEMED PROFITS: -

The Salient features of presumptive taxation u/s 44AD & 44AE are as under:-

- Applies to resident assessee who is Individual, HUF or a firm (Other Than LLP).
- Extends to cover **all** business having turnover or gross receipts upto Rs 1 Crore (Rs 2 Crore from FY 2016-17) (other than business of plying, firing or leasing of goods a carriage and Profession for which there is separate section).

Shall not be applicable on: -

- Persons carrying on profession referred to in section 44AA(1) (upto FY 2015-16)
- Person earning income in the nature of commission or brokerage
- Person carrying on any agency business.
- Presumptive income shall be 8% of total turnover or gross receipts or the income claimed to have been earned from such business whichever is higher
- Partnership firm can claim deduction of salary & interest to partners within limits of section 40(b) (from FY 2016-17 the deduction of Partners interest and salary will not be allowed from 8%).
- The assessee who is covered u/s 44AD the maintenance of books of accounts is not required
- The Assessee will be required to maintain books of accounts and also get them audited if he claims that profits & gains from such business is less than deemed profit of 8% as calculated u/s 44AD and if his total income exceeds the basic exemption limit.
- **FOR TRUCK OWNERS u/s 44AE:-** If own upto 10 trucks any time during the year profit will be assessed @ 7,500/- per vehicle per month.
- **FROM FY 2016-17 FOR PROFESSIONAL u/s 44ADA:-** if Gross Turnover does not exceed 50 Lacs the profit will be assessed @50% of turnover. The deduction of Partners interest and salary will not be allowed from 50%

19. DEPRECIATION RATES: - FULL RATE IF PURCHASED BEFORE 2nd OCT, OTHERWISE HALF RATE WOULD APPLY.

ASSET	Rate
Other than Residential building	10%
Residential buildings	5%
Plant & Machinery	15%
Furniture and fittings including Electrical fittings e.g. wiring, switches, sockets, other fittings and fans etc.	10%
Motor Cars purchased after 1.4.90	15%
Motor Cars Purchased before 1.4.90	15%
Scooter/Cycles etc.	15%
Motor Buses, motor Lorries and motor Taxis used in a business of running them on hire	30%
Mould used in Rubber & Plastic Goods factories	30%
Computers & Software	60%
Specified Air Pollution Control Equipment, Water Pollution Control Equipment, Solid	100%

waste control equipment	
Specified Energy Saving Devices	80%
Specified Renewal Energy Devices	80%
Intangible assets like know-how, patents, copyrights, trademark, licenses, franchises or any other business or commercial rights of similar nature	25%

Initial Depreciation

Those assessee who are engaged in the business of manufacture or production, will get Initial depreciation of 20% of the cost of the new plant and machinery added after 31st March 2005. This initial depreciation will not be available in respect of (i) machinery or plant used either in India or outside by any other person (ii) machinery or plant installed in office or residential complex (iii) office appliance or road transport vehicle (iv) machinery or plant the whole cost of which is allowed as deduction. The initial depreciation will be taken into account while computing the written down value.

20. INVESTMENT ALLOWNCE- Section 32AC from Asstt Year 2014-15

Deduction to manufacturing companies investing more than 25 crores (after 1st April 2015 but before 31st March 2018) in specified New Assets (Plant and Machinery) shall get deduction of 15% of the cost of such specified assets.

21. LONG TERM CAPITAL GAINS

- ❖ U/s 50C The Long term capital gains on sale of land and buildings will be levied on the basis of the value adopted for the purposes of stamp duty. **From 1st October 2009**. The provisions have been extended to transfer which may not require to be registered. In such cases the amount assessable (the price which the stamp valuation authority would have adopted if it was referred to such authority) shall be deemed value of consideration. From FY 2016-17 if agreement to sell has been executed before sale deed and the advance has been received through banking channels then the circle rate value as on the date of agreement to sell shall be adopted.
- ❖ Long Term Capital Gains on sale of Shares, or Units of equity oriented funds (after 1st October 2004) on which Securities Transaction tax has been paid is exempt.
- ❖ Period of holding of shares of unlisted company for LTG has been reduced to 24 months from 36 months from FY 2016-17
- ❖ No Capital Gain will be taxable in case of Gold Deposit certificates under Gold Monetisation Scheme 2015

22. SHORT TERM CAPITAL GAINS

For transactions after 1st October 2004 Tax rate on Short Term Capital Gains on Shares or units in equity oriented funds etc. will be 15% if Securities Transactions Tax has been paid on the transaction.

23. Exemption of Capital Gain on Sale of residential property (House or plot of Land)- Section 54GB

Relief in Capital Gain Tax if an Individual or HUF re-invest sale consideration of sale of residential property being house or plot of land (before 31st March 2017) into equity shares of **new startup SME Company** in the manufacturing sector and SME utilizes the amount for the purchase of new Plant and machinery if following conditions are met: -

- d) The shares have to be subscribed before the due date of filing of the return in which he holds more than 50% of share capital.
- e) The amount of subscription is used by the SME for purchase of New Plant and Machinery within 1 year of subscription.
- f) If the time the amount is not used in purchase of P&M before due date of filing of the return by the Individual then till such time the unused amount will have to be deposited in a specified deposit account.
- g) Transfer of these shares and sale of such P&M will not be allowed for 5 years.

24. Deduction in respect of Capital Expenditure of certain New Hotels and Hospitals

Under section 35AD deduction of capital expenditure except on Land is allowable for a specified

business including business of building and operating a new hotel of Two Star or above category anywhere in India on or after 1st April 2010. Specified business also includes a new hospital anywhere in India, with at least one hundred beds for patients. This has been extended to Inland container Depot, bee keeping, warehousing facility for storing of sugar

25. DEDUCTION OF TAX ON INVESTMENTS (LIP, PF & NSC etc.) (Section 80-C)

The limit for deduction of specified investment is Rs 1,50,000/- without any sectorial individual limits (e.g.)

- i. Tax Saving FDR of more than 5 years period with Scheduled Banks
- ii. Life Insurance Premium- the deduction will be allowable only if the premium is not more than 10% of the actual capital sum assured.
- iii. Sum deducted by Government for deferred annuity to the extent of 20% of the salary.
- iv. Contribution to Recognised Provident Fund, and Approved Superannuation Fund
- v. Subscription to Saving Certificates as may be specified by the Central Government. E.g. NSC
- vi. ULIP of LIC mutual fund notified u/s 10(23D)
- vii. Annuity Plan of LIC or any other insurer as may be specified.
- viii. Any units of the Equity base Mutual Fund
- ix. Contribution to any Pension fund set up by any Mutual Fund.
- x. Subscription to any Pension Fund scheme of National Housing Bank.
- xi. Tuition fees to any university, college, school or other educational institution situated within India for the purpose of 2 children.
- xii. Payment for the purpose of purchase or construction of residential house property. This will not include cost of renovation or repairs.
- xiii. Subscription to equity shares or debentures forming part of an eligible issue.
- xiv. Subscription to any notified bonds of NABARD
- xv. Senior Citizen Saving Scheme 2004 and 5 Year Post Office Time Deposit

There will continue to be holding period in respect of some investments as under:

- i. In case of single premium policy, the same should have been held for 2 years. In case of other policies, premium for 2 years should have been paid.
- ii. In case of Unit linked insurance plans it should continue for a period of 5 years.
- iii. In case of house property, it should not be transferred before the expiry of 5 years from the end of the financial in which possession is taken.
- iv. The equity shares or the debentures should not be sold or transferred within a period of 3 years.

26. ADDITIONAL DEDUCTION OF RS 50,000/- (Section 80-CCD(1B))

From FY 2015-16 additional deduction of Rs 50,000/- beyond Rs 1,50,000/- (U/s 80-C) will be allowable for payment to NPS. The amount received back from NPS will be taxable in the year of receipt.

27. Section 80CCG- Rajiv Gandhi Equity Saving Scheme: -

Presently, a resident individual who is new retail investor has acquired listed equity shares in accordance with Scheme is allowed a deduction of 50% of the amount invested in such equity shares subject to a maximum of INR 25,000/- for the assessment year in which such investment is made.

- a. Equity Oriented Mutual Fund also eligible
- b. Deduction allowed over 3 consecutive years
- c. If the Gross total income of Investor does not exceed 12 Lacs
- d. Investment will be locked for three years.

28. Deduction for Education Loan (Section 80E)

From Assessment year 2010-11 Entire payment of interest on education loan (for studies in all fields including vocational studies after Senior Secondary Examination) is deductible. If Loan was taken by the taxpayer for the purpose of pursuing his own higher education or for the purpose of higher education of his relatives, i.e. spouse/ any child.)

29. Deduction for Medical Treatment expenses & Medical Insurance (sec 80-D)

Mediclaim Policy Premium (If not paid in cash)	Rs 25,000/- (30,000/ for Senior Citizen) (refer Note below) [15,000/- for Asstt Yr. 2015-16]
Expenditure on preventive health checkup	Upto Rs 5,000/- (within above overall limits)
From Asstt Yr 2016-17 Very Senior citizens above the age of 80 years, who are not covered by health insurance	Upto 30,000/- towards expenditure

Note:

Additional deduction for any payment of Mediclaim for parents 25,000/- (30,000/- if parents are senior citizen)

30. Deduction for Interest on Savings Bank (Section 80TTA) from FY 2012-13

Deduction upto Rs 10,000/- will be allowed in respect of Interest earned on Savings Bank account.

31. U/s 80GG deduction for rent paid max of Rs 24,000/- (60,000/- p.a. from FY 2016-17) or 25% of total income subject to following conditions:-

- Amount deductible is rent paid in excess of 10% of total income subject to maximum as above
- Not to apply if any residential accommodation owned by him or his spouse

32. Deduction for Donation U/s 80G and 80GGA will not be allowed for cash donations more than Rs 10,000/-**33. Deduction for employment of new workmen Sec 80JJAA**

- For all assessee having manufacturing units (Only Companies till Asstt Yr. 2015-16)
- Employing 50 regular workers (100 till Asstt Yr. 2015-16)
- If 10% or more new regular workmen of existing numbers as on last day of the previous year are employed
- Person in supervisory capacity drawing more than 10,000/- or persons of managerial or administrative capacity will not be covered.
- 30% of additional wages paid to the new regular workmen will be allowed extra for 3 assessment year.

34. Sec 80IAC Deduction for Eligible startup carrying on eligible business from FY 2016-17

- 100% deduction of profit for 3 out of 5 years subject to certain conditions.
- Company or LLP to be incorporated after 1st June 2016 but before 1st April 2019
- Total turnover not to exceed 25 Crore in any year between 1st April 2016 to 31st March 21
- It hold certificate of eligible business from Inter-Ministerial Board of certification
- And some other conditions

35. Sec 80IBA Deduction from profit derived from building housing projects from FY 2016-17

- 100% deduction of profit subject to certain conditions main of which are as under:-
- The Project is approved by competent authority after 1st June 2016 but before 31st March 2019.
- The project is completed within a period of 3 years from the date of first approval and certificate of completion of project is obtained from competent authority.
- The built-up area of shops and commercial establishments is not in excess of 3% of aggregate buildup area
- Land is not less than 1000 Sq. Mt. in Delhi, Mumbai, Kolkatta and Chennai or within 25 Km from such city or 2000 Sq. Mt for other area.
- The project is only housing project on the land.
- The built-up area of residential unit does not exceed 30 Sq. Mt. in Metro Cities as above and not exceed 60 Sq. Mt in other cities.

- h) Only one unit can be allocated to Individual, spouse or minor child
- i) Project to utilize 90% of FAR in Metros and 80% in other cities.
- j) Separate books of accounts are maintained for the project
- k) And some other conditions and definitions of built-up area, FAR, residential unit etc. as provided

36. Sec 80JJA Deduction from profit for employment generation from FY 2016-17

- a) Deduction available of 30% of additional employee cost for 3 years wages on certain conditions main of which are as under:-
- b) Where assessee is liable for audit u/s 44AB and derives profit and gains from any business not formed by splitting up etc.
- c) On additional employees employed during the year for min 24 days.
- d) There should be net increase in employees
- e) Salary and wages etc. have to be paid through banking channels only
- f) Salary of employee should be less than Rs 25,000/- p.m. and he should participate in PF/ESI
- g) Specified audit report to be submitted

37. **Limited Liability Partnership (LLP)** - The Taxation of LLP will like that of partnership firm. Conversion of partnership firm into LLP will have no tax implications subject to certain conditions.

38. Alternate Minimum Tax (AMT) (Chapter XII-BA)

- a) The AMT of 18.5% which was applicable on **LLP** will now be applicable to Individuals, HUF, AOP or Partnership firms also from FY 2012-13
- b) AMT will be applicable only if the above entities will be claiming profit linked deductions under heading -C of chapter VI-A i.e. from sections 80H to 80 TT (except 80-P) or 10AA
- c) However in case of Individuals, HUF, AOP & BOI etc. the provisions of AMT will be applicable only if the adjusted total Income is equal to or exceeds Rs 20 Lacs
- d) Tax shall be payable of higher of Tax on regular Income and AMT (18.5% of Adjusted Total Income). Adjusted total income shall be total income before profit linked deductions of sections 80-H to 80-TT and of 10AA

39. Transfer to Immoveable Property held as Stock in Trade:- Sec 43CA (Extension of Sec 50C)

At present where the consideration is less than the value adopted for purposes of payment of stamp duty the stamp value is taken as deemed full value of consideration for the purposes of calculating Capital Gain on transfer of immoveable property under section 50C. This provision is currently applicable on immoveable property held as capital assets and not applicable on immoveable property held as stock-in-trade.

A new section 43CA has been inserted to provide similar treatment in case of transfer of immoveable property other than capital assets (including stock-in-trade) for computing business income.

It is also provided that if there is time gap between the date of agreement and date of registration then value for aforesaid comparison shall be taken to be assessable value for stamp duty on the date of the agreement, provided part of the consideration has been received on or before the date of agreement otherwise than in cash.

40. Buy Back of Shares (Section 115QA, 115QB, 115QC and 10(34A) from 1st June 2013

Domestic Companies are required to pay dividend distribution tax on dividend declared or paid to shareholders. It is now provided that a domestic company will be liable to additional tax @20% (Plus Surcharge & Cess etc.) on buy back of its shares which are not listed. The Tax is to be paid on consideration paid for buy back as reduced by the amount received by the company for issue of such shares. To be paid within 15 days of payment of consideration.

41. GIFTS RECEIVED- Section 56(2)(vii)

From 1st October 2009 the scope of this section has been increased providing as under
Where Individual or HUF receives in any year from any person or persons

- Any sum of money without consideration the **total** of which exceeds Rs 50,000/- the whole aggregate of such money shall be added as income.
- In case of immovable property being land or building received without consideration the stamp value of which is more than Rs 50,000/- then stamp value of such property shall be the income. These provisions shall not be applicable for shortfall in considerations.
- In case of Moveable property (being Shares & Securities, jewelry, archeological collections, drawings, paintings, sculptures, or any work of art and Bullion (from 1st June 2010)) received the **Total** Fair Market Value of which exceeds Rs 50,000/- the whole aggregate of such Fair Market Value exceeds consideration shall be income
- This clause will not apply to moveable or immovable property which is stock-in-trade i.e. trading assets.

From 1st June 2010 it has been provided that a firm (which includes LLP), or a closely held company, would be liable to tax, if shares of a closely held company are received by such firm or closely held company without consideration or for inadequate consideration except some transactions arising out of business re-organization as detailed in the section.

From FY 2012-13 It is proposed to deem income the amount received by a Company, not being a company in which the public are substantially interested from any person who is resident in consideration of issue of shares, if the consideration exceeds the fair market value of the share as per method prescribed in Rule 11UA(2) of Income Tax Rules.

IMMOVEABLE PROPERTY RECEIVED FOR INADEQUATE CONSIDERATION

Section 56(2)(vii)(b)

In the hand of individual or HUF From Assessment year 2014-15 it is provided that any immovable property received\purchased for consideration, which is less than the stamp duty value by an amount exceeding Rs 50,000/- will be chargeable to tax as income from other sources to the extent the stamp duty value exceeds the consideration.

It is also provided that if there is time gap between the date of agreement and date of registration then value for aforesaid comparison shall be taken to be assessable value for stamp duty on the date of the agreement, provided part of the consideration has been received on or before the date of agreement otherwise than in cash.

Exemptions:-

- ❖ Received on the occasion of marriage of the Individual
- ❖ Received under a will or by way of inheritance
- ❖ In contemplation of death of payer
- ❖ Received by HUF from any of its members
- ❖ From any relative (as given below)
 - i. Spouse of Individual
 - ii. Brother or Sister of the Individual
 - iii. Brother or Sister of the spouse of the Individual
 - iv. Brother or Sister of either of the parents of the Individual
 - v. Any lineal ascendant or descendent of the Individual
 - vi. Any lineal ascendant or descendent of the spouse of the Individual
 - vii. Spouse of the persons referred to in clauses (ii) to (vi) above

42. **MISCELLANEOUS: -**

- a. Income of spouse from salary from a concern wherein such individual has substantial interest will be clubbed in all cases except where it is professional firm as per 44AA and spouse has technical qualification.
- b. If house acquired or constructed with borrowed capital after 1.4.99 and completed within 3 years (5 years from 1-4-2016) deduction of Interest shall be up to Rs 2,00,000/-

- c. Deduction for repair etc. from property income will be allowed 30% and deduction of municipal taxes will be allowed on payment basis.
- d. Dividend Income from companies, Mutual funds and receipts from UTI is not taxable.**
- e. Age for the purposes of Medical deductions U/s 80D and 80DDB which was 65 years has been reduced to 60 years.
- f. Weighted deduction of 200% u/s 35(2AB) for In-house Research and Development expenses has been extended upto 31st March 2017
- g. Sec 139- Return filed to be treated as defective if Tax + Interest due not paid before filling of the return.
- h. **From 1st June 2015** the interest on recurring deposit will also be liable for TDS deduction by banks.
- i. **From 1st June 2015** for seeing the limit of Rs 10,000/- for deduction of TDS by banks the limit will be seen whole bank wise which previously was on Branch level.

43. AGRICULTURAL LAND- Change in definition- Section 2(1A), 2(14) of I Tax Act and Sec 2(ea) of Wealth Tax Act w.e.f from Assessment year 2014-15

- a. Till Assessment year 2013-14 from the capital assets excluded from its ambit agricultural land situated within the jurisdiction of a Municipality or cantonment Board having population less than 10,000. It also excludes agricultural land beyond such specified distance (not exceeding 8Km) from the local limits of a Municipality or Cantonment Board as notified having population more than 10,000.
- b. As per new definition the following agricultural lands shall be excluded from the definition of capital assets hence will be exempt from capital gain tax in its transfer. However the agricultural land falling within the above area will be chargeable to capital gain tax.

Population Criteria	Distance from local limit of any municipality, or Cantonment Board	
	Agricultural Land will be exempted from Capital Gain Tax if	Agricultural Land will NOT be exempted from Capital Gain Tax if
10000 but not exceeding 1 Lac	More than 2 Km	Less than 2 Km
1 Lac not exceeding 10 Lac	More than 6 Km	Less than 6 Km
More Than 10 Lac	More than 8 Km	Less than 8 Km

- c. The distance would be Ariel Distance.

44. Penalty for Undisclosed Income found during search to be levied as under for search initiated on or after 1st July 2012 (u/s 271AAA)

- a) If undisclosed income surrendered during search penalty of 10% of Undisclosed Income.
- b) If undisclosed income not admitted during search but disclosed in the return of income then penalty of 20% on Undisclosed Income.
- c) In case not covered above the penalty can be levied ranging from 30% to 90% of the undisclosed income.

45. Transfer pricing

- a) **Transfer pricing provisions (reporting/ documentation/penalty) to apply to specified domestic transactions also of more than Rs 5 Crore from FY 2012-13 (Section 92BA) (Limit increased to 20 Crore from Asstt Year 2016-17)**
- b) Definition of international transactions broadened to specifically include business restructuring, intra-group financing arrangements, etc.
- c) Provisions for advance pricing agreements introduced with effect from 1 July 2012.
- d) Arm's length range restricted to upper limit of 3% with effect from 1 April 2013

46. INCOME COMPUTATION AND DISCLOSURE STANDARDS

Under section 145(2) of the Income Tax Act CBDT has issued notification dated 31st March 2015 that from Financial Year 2015-16 the income under the head Business and Profession & Other sources will have to be computed and disclosures made in the manner provided in the various standards issued under notification. Following standards have been issued: -

ICDS-I	: Disclosure of Accounting Policies
ICDS-II	: Valuation of inventories
ICDS-III	: Construction Contracts
ICDS-IV	: Revenue Recognition
ICDS-V	: Tangible Fixed Assets
ICDS-VI	: Effects of changes in Foreign Exchange Rates
ICDS-VII	: Government Grants
ICDS-VIII	: Securities
ICDS-IX	: Borrowing Cost
ICDS-X	: Provisions, contingent liabilities, and contingent assets

These standards will have far reaching effect on income computations. Though it has been clarified that for maintain books of accounts Accounting Standards issued by ICAI or MCA will continue to be followed but income will have to be returned in conformity with above standards.

47. **Wealth Tax**- from Assessment Year 2010-11 the limit of wealth tax is 30 Lacs (previously 15 Lacs). The rate of Tax is @1%. The Wealth Includes Land, and Jewelry at Market value on 31st March
Wealth tax has been abolished from Asstt Year 2016-17

48. The government has also brought two scheme 1) Income Declaration Scheme 2016 and 2) Direct Taxes dispute resolution Scheme 2016. Separate information will be shared for these schemes shortly.

49. Under Rule 114B With Effect from 1st Jan 2016

- a) Every person shall Quote PAN in ALL documents of Transactions as under:-
- b) Sale OR Purchase of Goods or services of any nature if amount of transaction more than Rs 2 Lacs (here it means if each Bill of sale or purchase is more than 2 lacs. Cash or cheque is not material)
- c) So better that on all your sale Bills, cash memo etc. get your PAN printed or on old books put rubber stamp on all.
- d) On sale Bills/ cash memo if of more than 2 lacs you have to obtain PAN number of purchaser. (whether sale is by cheque or cash in both cases)
- e) If PAN not available of the purchaser you have to obtain Form No 60 (for each transaction of more than 2 lacs)
- f) PAN is also required to be provided for
 - Payment to a hotel or restaurant against bill or bills at any one time in CASH for amount more than 50,000/- (Hotels and restaurants clients will have to obtain PAN of their customers)
 - Payment in connection with travel to any foreign country or for purchase of foreign currency at any one time in CASH for amount more than 50,000/- (Travel Agents etc. clients will have to obtain PAN of their customers)
 - Sale of purchase of immovable property at an amount exceeding Rs 10 lacs

For above transactions also If PAN not available you have to obtain Form No 60
- g) Ensure that PAN number taken is correct
- h) Every person who has obtained form No 60 and is also required to get his accounts audited shall e-file return in form no 61. The half yearly return is to be filed within one month i.e. return for April to Sept period by 31st Oct and for Oct to March period by 30th April.

The return for 1st Jan 2016 to 31st March 2016 to be filed by 30th April 2016

i) Form No 60 is to be retained for 6 years from the end of the years.

50. **Under Revised Rule 114E- Every person detailed as under is required to e-file annual information of its financial transactions in form No 61A**

a) Effective **from transaction from 1st April 2016**

b) By any company issuing shares- if receipt from any person is in excess of 10 lacs in total in financial year including share application money (by cash or cheque both)

c) By any person liable to for audit under section 44AB.

Receipt of cash payment exceeding Rs 2 Lacs for sale of goods or services of any nature in aggregate during the year

d) Annual return is to be e-filed by 31st May i.e. return for FY 2016-17 is to be e-filed by 31st May 2017

e) For calculating total cash received from customer you may have to tweak your method recording transactions.

The above is for General information only. In case some clarification is needed kindly contact. **You may also contact Shri Alok Seth, Advocate or CA Dhruv Seth, for any clarification or work for Service Tax or Investments etc.**

USEFULL WEBSITES

INCOME TAX		
1	Official Website	http://www.incometaxindia.gov.in
2	e-Filing	http://incometaxindiacfilling.gov.in
3	Services To Tax payers	http://www.incometaxindiapr.gov.in
4	Tax information Network	http://www.tin-nsdl.com
5	Income Tax Tribunal	http://www.itat.nic.in
SERVICE TAX		
6	Official website	http://www.servicetax.gov.in
7	e-filing	http://www.aces.gov.in
Company Law		
8	Ministry of Company Affairs	http://www.mca.gov.in

SEPARATE CIRCULAR FOR SERVICE TAX WILL BE MAILED

Assuring you of our best attention always.