

INDIA – READY TO FLY



.....ONCE AGAIN

# UNION BUDGET 2015-16

A Snapshot

*“ An elephant moves slowly but surely. Even our worst critics would admit that we have moved rapidly. I think I have clearly outlined not only what we are going to do immediately, but also a roadmap for the future.*

**ARUN JAITLEY,  
MINISTER OF FINANCE,  
GOVERNMENT OF INDIA**

Dewan P. N. Chopra & Co.

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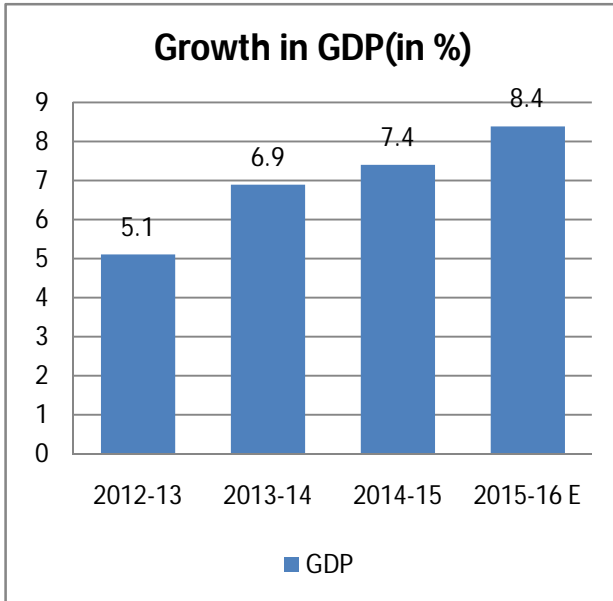
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# ECONOMIC PERFORMANCE

## FY 14-15

### GROSS DOMESTIC PRODUCT (GDP)



- After inheriting an economy with sentiments of “doom and gloom” with adverse macroeconomic indicators, nine months have seen a turn around, making India the fastest growing large economy in the World with a real GDP growth expected to be 8.4% (New Series)
- Macro-economic stability and conditions for sustainable poverty alleviation, job creation and durable double digit economic growth have been achieved.
- However, with expectation of better performance in manufacturing, improved balance of payments situation and modest global growth revival, the GDP is expected to grow between 8.0-8.5% in 2015-16.

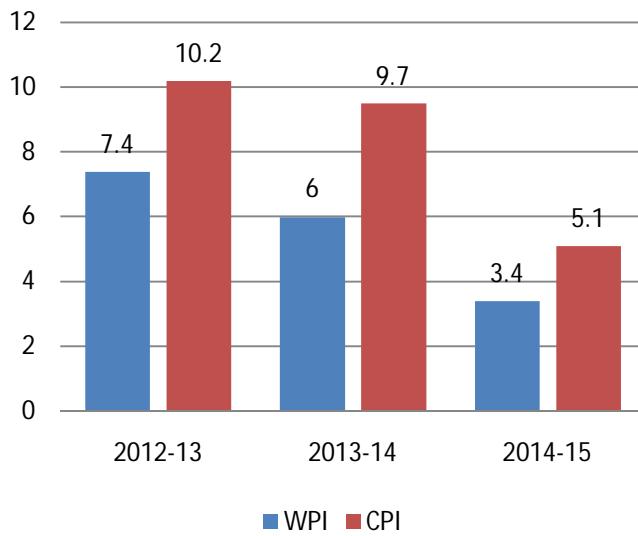
*“Although no budget can be perfect, this is a very positive one. The reduction in corporate tax from 30% to 25% over a four years period is very appreciable. Prima facie I can say, in this budget whatever is done is very good.”*

**RAHUL BAJAJ,**  
**CHAIRMAN, BAJAJ GROUP**

*“Clarity on GAAR deferment for two years and no retrospective applicability, comprehensive bankruptcy code, abolishing wealth tax act, merger of FMC with SEBI, rationalization of corporate tax from 30% to 25% coupled with review of deductions, etc. supports “make in India” Campaign.”*

**GAUTAM ADANI,**  
**CHAIRMAN, ADANI GROUP**

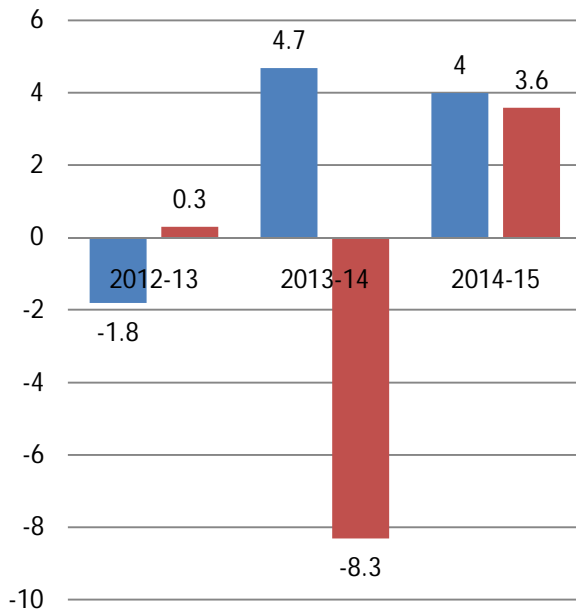
### Inflation Index(in %)



### INFLATION

- After remaining high for a prolonged period, inflation is finally trending down.
- Average Wholesale Price Index Inflation decline to 3.4% in FY 2014 -2015 as compared to an average of 6% in FY 2013-2014.
- Consumer Price Index reached at 5.1 % in FY 2014-2015 from 9.7% in FY 2013-2014.
- Inflation in housing declined to 8 per cent in the third quarter of 2014-15, after remaining in double digits during 2012 and 2013.
- Taking note of the sustained moderation in retail prices, it has signaled easing of the monetary stance by reducing policy repo rates by 25 basis points from 8 per cent to 7.75 per cent on 15 January 2015.

### Export/Import(Growth in %)

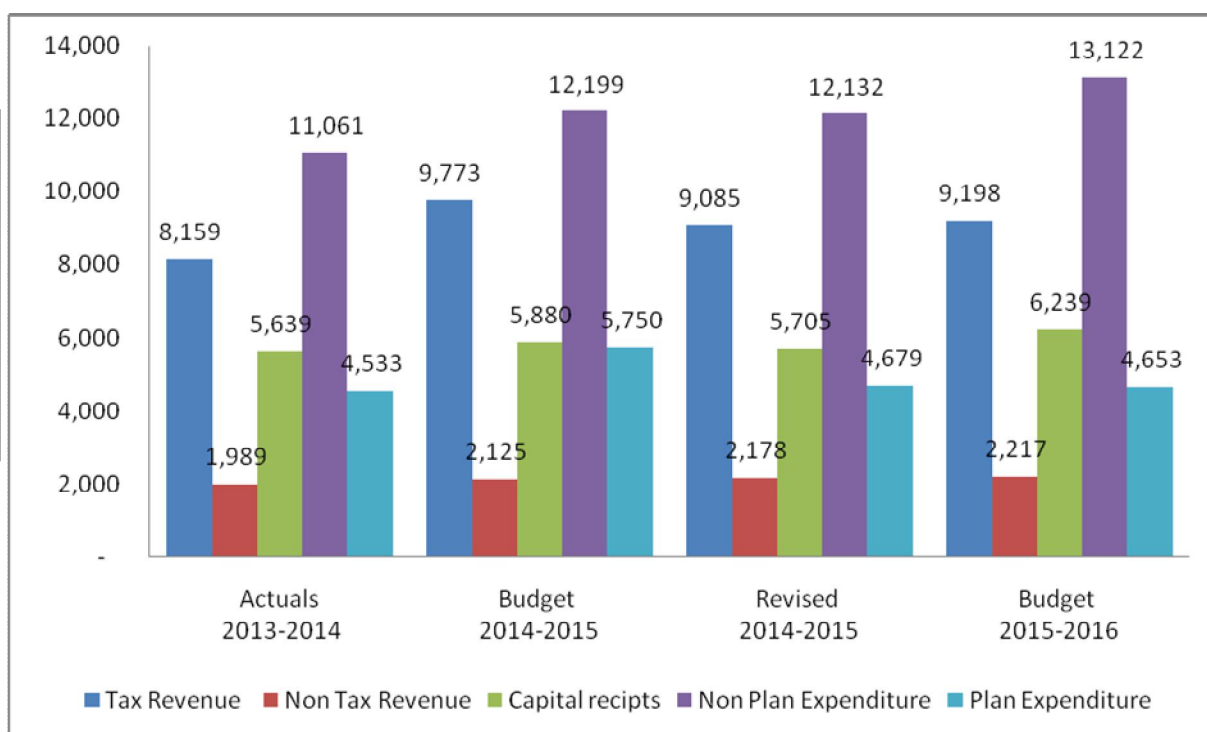
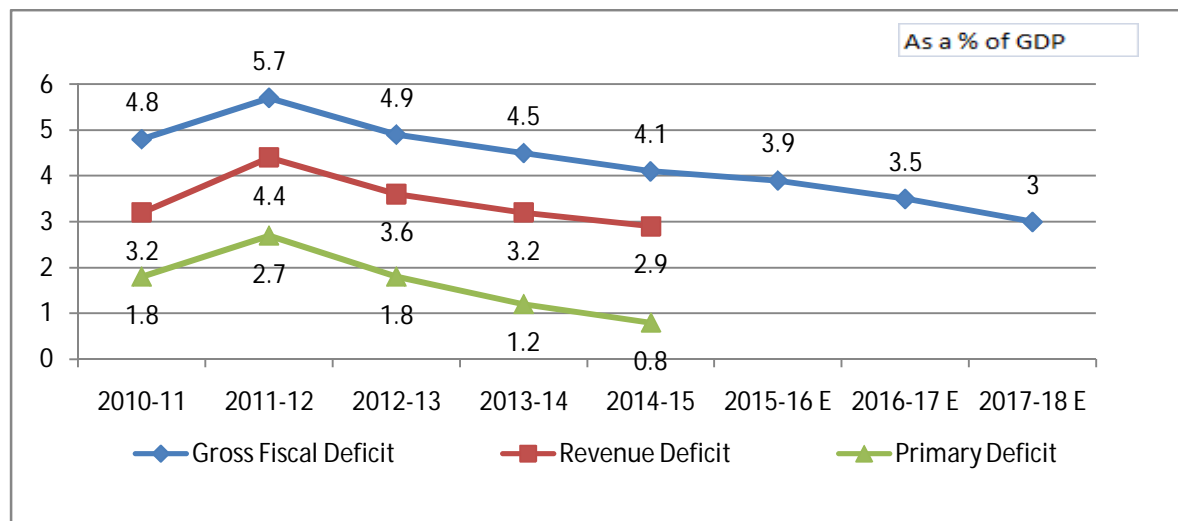


### EXPORT/IMPORT

- After growing by 4.7 per cent in 2013-14, India's merchandise exports growth moderated to 2.4 per cent to reach US\$ 265 billion in 2014-15 (April-January).
- During 2013-14, India's merchandise imports contracted by 8.3 per cent to US\$ 450.2 billion. In 2014-15 (April-January), imports grew by 2.2 per cent to US\$ 383.4 billion as compared to US\$ 375.3 billion in 2013-14 (April-January).
- After crossing US \$ 300 billion in 2011-12, there has been significant deceleration in growth rates of exports which is somewhat a global phenomenon as global trade volumes have not picked up significantly since the 2011 Euro zone crisis.
- The value of petroleum, oil, and lubricants (POL) imports, which accounted for 36.6 per cent of India's total imports in 2013-14, declined by 7.9 per cent in 2014-15 (April-January) as a result of decline in the price of international crude petroleum products.

## FISCAL DEFICIT

- Fiscal deficit for 2015-16 is targeted to be limited to 3.9% of the GDP.
- The growth of the economy is targeted between 7-8% over the next 3-4 Years.
- The journey for fiscal deficit target of 3% will be achieved in 3 years & the fiscal deficit targets are 3.9%, 3.5% & 3% in FY 15-16, 16-17 & 17-18 respectively.



## Co-Operative Federalism

- Keeping with the true spirit of Co-Operative Federalism, a 42% share of the divisible pool of taxes to states.
- The devolution to the states would be 5.24 lakh crore in 2015-16 as against the devolution of 3.38 lakh crore as per revised estimates of 2014-15.
- Another 3.04 lakh crore would be transferred by way of grants and plan transfers.
- The total transfer to states will be about 62% of the total tax receipts of the country.

—————●  
*“I Congratulate FM for doing an excellent job in respecting aspirations of the States & at the same time delivering on National Priorities.”*

**NARENDRA MODI,**

**PRIME MINISTER, INDIA**

●—————



## SECTORAL HIGHLIGHTS

### AGRICULTURE

- Creation of Unified National Agriculture market by working with states in NITI to increase income of farmers & create platform to support price stability.
- Major steps taken to address the two major factors critical to agricultural production, that of soil and water are:  
'Paramparagat Krishi Vikas Yojana' to be fully supported  
'Pradhanmantri Gram Sinchai Yojana' to provide 'Per Drop More Crop'
- Rs 5,300 crore to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'. States urged to chip in.
- Rs 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs 15,000 crore for Long Term Rural Credit Fund; Rs 45,000 crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs 15,000 crore for Short Term RRB Fund.
- Target of Rs 8.5 lakh crore of agricultural credit during the year 2015-16 to enhance farm credit.
- Focus on improving the quality and effectiveness of activities under MGNREGA by initially allocation of 34,699 crores.

### BANKING THE UNBANKED, FUNDING THE UNFUNDED

- MUDRA Bank, with a corpus of Rs 20,000 crores, and credit guarantee corpus of Rs 3,000 crores to be created.
- MUDRA Bank will refinance all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana.
- In lending, priority will be given to SC/ST enterprises
- A Trade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
- Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- Postal network with 1,54,000 points of presence spread across villages to be used for increasing access of the people to the formal financial system.
- NBFCs registered with RBI and having asset size of Rs. 500 crore and above may be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002





## FROM JAN DHAN TO JAN SURAKHSA (“Wealth For The People” TO “Security For The People”)

- Government to work towards creating a universal social security system for all Indians, specially the poor and the under-privileged.
- Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of Rs 2 Lakh for a premium of just Rs. 12 per year.
- Atal Pension Yojana to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries’ premium limited to Rs 1,000 each year, for five years, in the new accounts opened before 31st December 2015.
- Pradhan Mantri Jeevan Jyoti Bima Yojana to cover both natural and accidental death risk of Rs 2 lakh at premium of Rs 330 per year for the age group of 18-50.
- Unclaimed deposits of about Rs 3,000 crores in the PPF, and approximately Rs 6,000 crores in the EPF corpus. These funds will be used to create Senior Citizen welfare fund for appropriation to a corpus to subsidise premium for groups such as old pensioners, BPL cardholders, etc.
- Government committed to the on-going schemes for welfare of SCs, STs and Women.

SC	Rs. 30,851 crore
ST	Rs. 19,980 crore
WOMEN	Rs. 79,258 crore



## INFRASTRUCTURE

- Keeping in mind the pressing need of investment, a sharp outlay on roads & railways is being increased to Rs. 14,031 & Rs. 10,050 crore respectively.
- The CAPEX of public sector units is expected to increase by Rs. 80,844 crore over FY 2014-15.
- Total investment in infrastructure will go up by Rs. 70,000 crore in FY 2015-16.
- National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of Rs. 20,000 crores to it to be used to raise debt & in turn invest as equity in infrastructure finance company & further capitalize them & allow them to leverage the same for development of infrastructure in India.



- Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.
- PPP mode of infrastructure development to be revisited and revitalised.
- Atal Innovation Mission (AIM) to be established in NITI to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation , research and development. A sum of Rs 150 crore will be earmarked.
- (SETU) Self-Employment and Talent Utilization to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business. Rs. 1000 crore to be set aside as initial amount in NITI.
- An e-base portal is to be launched integrating 14 regulatory permissions at one source for investor to reduce time on obtaining multiple permissions An expert committee has been appointed to examine the possibility and prepare a draft legislation of the same.
- 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode. All clearances & linkages will be in place before the project is awarded by a transparent auction system.
- Ports in public sector will be encouraged to corporatize & become companies under Companies Act.

#### FINANCIAL MARKET



- Public Debt Management Agency (PDMA) bringing both external and domestic borrowings under one roof to be set up this year.
- Proposed to merge forward market commission with SEBI to strengthen regulation of commodity forward markets.
- Enabling legislation, amending the Government Securities Act and the RBI Act included in the Finance Bill, 2015.
- All capital A/c transaction under section 6 of FEMA,1999 will be controlled by the Government in consultation with RBI
- Government to bring enabling legislation to allow employee to opt for EPF or New Pension Scheme. For employee's below a certain threshold of monthly income, contribution to EPF to be option, without affecting employer's contribution.



## MONETISING GOLD

- Gold monetisation scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account to be introduced.
- Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.
- Commence work on developing an Indian gold coin, which will carry the Ashok Chakra on its face.
- Introducing several measures to intensify credit or debit card transactions to be proposed soon to curb flow of black money.

## INVESTMENT

- Foreign investments in Alternate Investment Funds to be allowed.
- Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with. Replacement with composite caps. The sectors which are already on a 100% automatic route would not be affected.
- A project development company to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam through Special Purpose Vehicles.



## SAFE INDIA

- To support programmes for women security, advocacy and awareness Rs. 1000 crores has been provided to the Nirbhaya Fund.

## TOURISM

- Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled, visitors' amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites.
- Visas on arrival to be increased from 43 to 150 countries in stages.

“Overall the budget is growth oriented and the announcement of schemes like Mudra Bank and Cashless transactions through RuPay card will help push the e-commerce sector towards that growth trajectory. Further increasing the purview of the TVoA scheme to 150 countries under different stages, point towards more tourists' inflow in India in the times to come”

VINAY GUPTA, FOUNDER AND CEO,  
TRIPFACTORY

*“The government’s commitment to green India manifests in some of the additional measures such as increasing the coal cess from Rs. 100 to Rs 200 thereby providing impetus to clean energy.”*

TULSI TANTI,

CHAIRMAN, SUZLON GROUP



## GREEN INDIA

- Target of renewable energy capacity revised to 175000 MW till 2022, comprising 100000 MW Solar, 60000 MW Wind, 10000 MW Biomass and 5000 MW Small Hydro.
- A need for procurement law to contain malfeasance in public procurement.
- Proposal to introduce a public Contracts (resolution of disputes) Bill to streamline the institutional arrangements for resolution of such disputes.
- Proposal to introduce a regulatory reform Bill that will bring about a cogency of approach across various sectors of infrastructure.

## SKILL INDIA

- Less than 5% of our potential work force gets formal skill training to be employable. A national skill mission to consolidate skill initiatives spread across several ministries to be launched.
- Deen Dayal Upadhyay Gramin Kaushal Yojana to enhance the employability of rural youth.
- A Committee for 100th birth celebration of Shri Deen Dayalji Upadhyay to be announced soon.
- A student Financial Aid Authority to administer and monitor the front-end all scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.
- An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad to be upgraded in to a full-fledged IIT.
- New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar.
- A post graduate institute of Horticulture Research & Education is to be set up in Amritsar.
- 3 new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan & Chattisgarh and one institute of Science and Education Research is to be set up in Nagaland & Orissa each.

—●  
*“It’s a development oriented budget and not a populist budget. A welcome shift in direction.”*

RAJIV LALL,

VICE-CHAIRMAN, IDFC LTD

●—

- An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank. .
- Government is committed to comply with all the legal commitments made to AP & Telengana at the time of their re-organisation.
- In spite of large increase in devolution to state sufficient fund allocated to education, health, rural development, housing, urban development, women and child development, water resources & cleaning of Ganga.

#### DIGITAL INDIA

- The National Optical Fibre Network Programme (NOFNP) of 7.5 lakh Kms providing networking to 2.5 lakh villages starting with Andhra Pradesh.
- FDI in the area of defense equipments a provision of Rs. 2,46,727 crores for 2015-16.
- Special assistance to Bihar & West Bengal to be provided as in the case of Andhra Pradesh.
- Part of Delhi-Mumbai Industrial Corridor (DMIC); Ahmedabad-Dhaurera Investment region and Shendra-Bidkin Industrial Park are now in a position to start work on basic infrastructure.

#### DEFENCE

- Buy and the make in India policy are being carefully pursued to achieve greater self-sufficiency in the area of defense equipment including air-craft.
- As against likely expenditure of 2014-15 Rs. 2,22,370 crore the budget allocation for 2015-16 is Rs. 2,46,727 crore



### General Tax Slabs

Income	Tax Rate
Up to 2.5 Lacs	Nil
Above 2.5 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

### Senior Citizen Tax Slabs\*

Income	Tax Rate
Up to 3 Lacs	Nil
Above 3 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

### Super Senior Citizen Tax Slabs\*\*

Income	Tax Rate
Up to 5 Lacs	Nil
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

\*Every individual being resident of India, age 60 years or more but less than 80 years at any time during the year.

\*\* Every individual being resident of India, age 80 years or more at any time during the year.

## DIRECT TAXATION

The direct tax proposals are generally effective from the financial year beginning on 1.04.2015 except where otherwise specified .

### Individual Taxation

- No change in the slab rate of personal income-tax for A.Y. 2016-17.
- Additional Surcharge of 2% over and above 10% on Individuals having income exceeding Rs. 1 crore.
- Benefit of deductions as compared to last year.

Section	Particular	Old limit	New limit
80CCC	Contribution to Pension fund.	Rs.1,00,000	Rs.1,50,000
80CCD	Contribution to new pension scheme of Central Govt.	10% of Salary	Rs.50,000
80D	Health Insurance Premium.	Rs.15,000	Rs.25,000
	For Senior Citizen	Rs.20,000	Rs.30,000
	Medical expenditure of senior citizen above age of 80 yrs.	--	Rs.30,000
80DDB	For senior citizen.	Rs.60,000	Rs.80,000
80U	Additional deduction for differently abled persons.	Rs.1,00,000	Rs.1,25,000

- Details of Tax benefit to an individual

Particulars	New	Old
Deduction u/s 80C	Rs.1,50,000	Rs.s1,50,000
Deduction u/s 80CCD	Rs.50,000	--
Deduction on account of interest on house property loan (Self occupied property)	Rs.2,00,000	Rs.2,00,000
Deduction u/s 80D on health Insurance	Rs.25,000	Rs.15,000
Exemption of transport allowance	Rs.19,200	Rs.9,600
<b>Total</b>	<b>Rs.4,44,200</b>	<b>Rs.3,74,600</b>



## DIRECT TAXATION

### Firms, Co-operative Societies, Local Authorities

#### Taxation

- The rate of tax for firms, co-operative societies and local authorities will continue to be same.
- Additional Surcharge of 2% over and above 10% on firms, co-operative societies and local authorities having income exceeding Rs.1 crore.

### Corporate Taxation

- Corporate Tax Rates remain unaltered.
- Domestic Companies with income exceeding Rs.1 crore to Rs.10 crore to pay surcharge @ 7% and having income exceeding Rs.10 crore to pay surcharge @ 12%
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year. This will lead to higher level of investment, higher growth and more jobs. This process of reduction to be accompanied by rationalisation and removal of various kinds of tax exemptions and incentives for corporate taxpayers.
- Amendment to the conditions for determining residency status in respect of Companies . Company shall be said to be resident in India in any previous year, if-
  - (i) it is an Indian company; or
  - (ii) its place of effective management, at any time in that year, is in India .

Effective Management to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

### Measure to Promote and Improving the Investment Climate “Make in India”

- Permanent Establishment (PE) norms modified with a view to facilitate relocation of fund managers of offshore funds in India.
- Applicability of **GAAR deferred by 2 years** to be made applicable from A.Y. 2018-19 and subsequent years **prospectively**.





## DIRECT TAXATION

- Section 80JJAA amended so as to extend the benefit to all assesses with manufacturing units rather than restricting it to corporate assesses only. Further, in order to enable the smaller units to claim incentive, the threshold limit on new regular workmen has been reduced from 100 to 50.
- Insertion of new section 32AD , additional investment allowance @15% for new manufacturing units set-up during the period 01.04.2015 to 31.03.2020 in notified areas of Andhra Pradesh and Telangana. This deduction shall be available over and above the existing deduction available under section 32AC of the Act. Also higher additional depreciation at the rate of 35% (instead of 20%) under section 32(1)(iia) for these areas.
- Rate of Tax on Royalty and FTS reduced from 25% to 10% under the provisions of section 115A .
- Additional depreciation on new plant and machinery installed and used by a manufacturing unit or a unit engaged in generation and distribution of power for less than 6 months only 10% of the additional depreciation to be allowed and remaining 10% of the additional depreciation to be allowed in subsequent year.
- Amendment in section 194LD to provide that the concessional rate of 5% withholding tax on interest payment under the section will now be available on interest payable upto 30.06.2017 .  
**(This amendment will take effect from 1st June, 2015.)**



### Measures to curb black money

- Amendment in section 269SS and 269T in order to Prohibit acceptance or re-payment of advance in cash of Rs. 20,000 or more for any transaction in immovable property .

**(The amendment is effective from 1 June 2015.)**



## DIRECT TAXATION

### Proposals to curb Black Money

- Concealment of income and assets and evasion of tax in relation to foreign assets will be prosecutable with punishment of rigorous imprisonment upto 10 years. Further,
  - this offence will be made non-compoundable;
  - the offenders will not be permitted to approach the Settlement Commission; and
  - penalty for such concealment of income and assets at the rate of 300% of tax shall be levied.
- Non filing of return or filing of return with inadequate disclosure of foreign assets will be liable for prosecution with punishment of rigorous imprisonment up to 7 years.
- Income in relation to any undisclosed foreign asset or undisclosed income from any foreign asset will be taxable at the maximum marginal rate. Exemptions or deductions which may otherwise be applicable in such cases, shall not be allowed.
- Beneficial owner or beneficiary of foreign assets will be mandatorily required to file return, even if there is no taxable income.
- Date of Opening of foreign account would be mandatorily required to be specified by the assessee in the return of income.
- As regards curbing domestic black money, a new and more comprehensive Benami Transactions (Prohibition) Bill will be introduced in the current session of the Parliament.

### Ease of doing Business - Minimum Government and

#### Maximum Governance

- Wealth-tax replaced with additional surcharge of 2 per cent on super rich with a taxable income of over Rs.1 crore annually.
- Domestic transfer pricing threshold limit increased from Rs.5 crore to Rs.20 crore.
- Monetary limit under section 255 for a case to be heard by a single member bench of ITAT increased from Rs. 5 lakh to Rs.15 lakh.

**(This amendment will take effect from 1st day of June, 2015.)**





## DIRECT TAXATION

- New 158AA so as to provide that no appeal to be filed by the revenue before ITAT on a question of law which is identical with question of law arising in his case for any AY and is pending before the Hon'ble Supreme Court..

**(This amendment will take effect from the 1st day of June, 2015.)**

- CBDT to make rules to provide the procedure for granting relief or deduction of any income-tax paid in any country or specified territory outside India, under section 90, or under section 90A, or under section 91, against the income-tax payable under the Act.

**(This amendment will take effect from 1st day of June, 2015.)**

- Clarity regarding source rule in respect of interest received by the non-resident in certain cases.
- Amendment in the provisions of the Income-tax Act so as to provide tax neutrality on transfer of units of a scheme of a Mutual Fund under the process of consolidation of schemes of Mutual Funds as per SEBI Regulations, 1996.
- No MAT on capital gains derived by way of transfer of securities by FII

### Tax Benefit for “Swachh Bharat Initiatives”.

- Amendment in section 10(23C) of the Act so as to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund from income-tax.
- Donations made to the Swachh Bharat Kosh and Clean Ganga Fund will be eligible for a deduction of 100% per cent from the total income.



### Real Estate Infrastructure Trusts(REITs) and Infrastructure Investment Trusts (InvITs)

- For REITs and Infrastructure Investment Trusts , the sponsor will be given the same treatment on offloading of units at the time of listing as would have been available to him if he had offloaded his shareholding of special purpose vehicle (SPV) at the stage of direct listing.
- The rental income arising from real estate assets directly held by the REIT to be allowed to pass through and to be taxed in the hands of the unit holders of the REIT.

## DIRECT TAXATION

### New Tax Regime for taxation of income of Investment Funds and the investors therein [Chapter XII-FB]

- A special Tax Regime has been introduced for taxation of income of Category I and II -Alternative Investment Funds(AIF) which invest in start ups, SMEs, infrastructure and other economically and socially desirable sectors
- The AIF can be set up as a Trust, Company, Limited liability partnership and any other body corporate.
- The AIFs have been accorded the pass through status and the income earned by the unit holder out of investments made in the said AIF shall be taxed in his hands directly.
- Any income earned by the AIF, other than income from Business and Profession, is exempt from tax . AIF is liable to pay tax on such Business income at the normal rate of taxation as may be applicable.
- The income earned by the unit holders by virtue of investment in the fund shall be deemed to be of the same nature as It had been received or had accrued or arisen to the investment fund.
- AIF shall withhold income tax at the rate of 10% on any income payable to the unit holder. However, the income received by AIF would be exempt from TDS.
- Any loss arising to AIF shall not be passed through the unit holders and shall be carried forward to be set-off against income of the next year in accordance with Chapter VI of the Income Tax Act, 1961.
- The provisions relating to Dividend Distribution Tax or Tax on Distributed income shall not apply to AIF.
- It would be mandatory for AIF to file its return of Income, as may be prescribed.

## DIRECT TAXATION

### Charitable Trust

- Amendment to section 2(15) of the Income-tax Act so as to include 'yoga' as a specific category of activity in the definition of 'charitable purpose' .
- Third proviso to Section 2(15) has been inserted to provide that any activity in the nature of trade, commerce or business or rendering any service in relation thereto shall not be regarded advancement of any other object of general public utility unless:
  - a) Such activity is undertaken in the course of such advancement of any other object of general public utility and,
  - b) The aggregate receipt from such activity, do not exceed 20% of total receipts of the trust and the institution.
- Section 11(2) has been substituted to provide that an assessee is required to submit the declaration in Form 10 for accumulation of income to be applied for charitable purpose in subsequent years on or before the due date of filing of return of income specified u/s 139(l)

### Rationalization of provisions relating to deduction of tax on Interest( other than interest on security)

- The definition of 'time deposits' widened so as to include recurring deposits within its scope for the purposes of deduction of tax under section 194A of the Act.
- Amendment in provisions of section 194A(3)(ix) , deduction of tax under section 194A from interest payment on the compensation amount awarded by the Motor Accident Claim Tribunal compensation shall be made only at the time of payment, if the amount of such payment or aggregate amount of such payments during a financial year exceeds Rs.50,000/-.
- Amendment in provisions of the section 194A exemption provided from deduction of tax from payment of interest to members by a co-operative society under section 194A(3)(v) ) of the Act shall not apply to the payment of interest on time deposits by the co-operative banks to its members.

## DIRECT TAXATION

### Other Significant Amendments

- No requirement in requirement of obtaining TAN by the individual or HUF who is required to deduct tax on acquisition of immovable property from a non-resident.
- The word “belongs to” has been deleted in section 153C and substituted with “relates to”.

#### **(This amendment will take effect from 1st day of June, 2015.)**

- The meaning of the term “substantially” in explanation 5 to section 9, clarified. For the purpose of taxing indirect transfers it has been proposed that value of assets situated in India shall exceed Rs. 10 crore and should comprise of at least 50% of the value of total assets of the company as on the valuation date.
- Insertion of Explanation 2 in section 263 so as to provide clarity on the issue that an order passed by the A.O. shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Commissioner or Commissioner,—
  - (a) the order is passed without making inquiries or verification which, should have been made;
  - (b) the order is passed allowing any relief without inquiring into the claim;
  - (c) the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or
  - (d) the order has not been passed in accordance with any decision, prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.

#### **(This amendment will take effect from 1st day of June, 2015.)**

- An auditor who is not eligible to be appointed as an auditor under Companies Act, 2013 shall not be eligible for carrying out audit in respect of corporate assesses under Income Tax Act.
- No MAT on share of income received by a Company-member from AOP/ BOI if such AOP/BOI is chargeable to tax at maximum marginal rate.

## DIRECT TAXATION

- Section 192 has been amended to provide that the person responsible for making the payment shall for the purpose of estimating income of the assessee, or computing tax deductible, obtain from the assessee the evidence of proof or particulars of prescribed claims declared by the assessee.
- It is now proposed to amend the provisions of section 200A of the Act so as to enable computation of fee payable under section 234E of the Act at the time of processing of TDS statement under section 200A of the Act.
- Notice under section 148 can be issued by an AO after expiry of four years only after obtaining sanction from Principal Chief or Chief Commissioner or Principal Commissioner or Commissioner and In all other cases notice under section 148 can be issued by an AO who is below the rank of Joint Commissioner only after obtaining sanction from Joint Commissioner.

**(This amendment will take effect from 1st day of June, 2015.)**

- Amendment in section 115ACA definition of GDR to cover resident employee-investor as well. Current provision extends benefits to only non-resident employees. Further, only GDRs issued by the listed companies are covered for benefit under the provisions of Section 115ACA.
- Where a reassessment notice is issued for any assessment year, the assessee can approach the Settlement Commission for other assessment years as well even if reassessment notice has not been issued for such other assessment years provided the return of income has been furnished by the assessee for such years.
- Failure to furnish information required u/s 195(6) ; or furnishing of inaccurate information will attract penalty of Rs.1 lac under new section 271-I.

**(This amendment will take effect from 1st day of June, 2015.)**

- The Indian entity is obligated to furnish, information relating to the transaction having the effect of directly or indirectly modifying the ownership structure or control of the Indian entity. Section 271GA inserted to provide for penalty to the tune of 2% of the value of transaction or Rs.5,00,000, as the case may be, in the event of failure to furnish such information or document by the Indian entity.

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