

Analysis of
The Finance Bill
Significant Proposals In Brief
2015



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Budget Highlights

PROPOSALS FOR GUJARAT

- Gujarat International Finance Technology City (GIFT) to be a reality soon. Regulations with regards to International Financial Services Centre will be issued in this month.
- Dholera near Ahmedabad will receive a boost with a allocation of ₹ 1200 Crores for developing as Special Investment Region.
- Rani-ni-Vav in Patan-declared as a World Heritage Site with special funds allocated for their development.

LANDMARK INITIATIVES

- GST to be introduced from 01.04.2016.
- Implementation of General Anti Avoidance Rules (GAAR) deferred to 01.04.2017.
- Implementation of Direct Tax Code has been cancelled.

IMPORTANT INITIATIVES

- GDP growth in 2015-16, projected to be between 8% to 8.5%.
- Micro Units Development Re-Finance Agency (MUDRA) Bank to be established to re-finance Micro-Finance Institutions, Priority will be given to SC/ST enterprises.
- To finance trade receivable of MSMEs from corporate and other buyers, Govt. proposes to establish an Electronic Trade Receivables Discounting System (TReDS).
- New Comprehensive Bankruptcy Code to be introduced to improve the ease of doing business and to meet global Standards and provide necessary judicial capacity.
- Unclaimed amount in PPF and EPF to be used to subsidize for the benefits of old age pensioners, BPL card-holders, small and marginal farmers and others.
- To promote investment in India -**A Public Debt Management Agency** to be set up to bring India's external borrowings and domestic debt management under one roof.
- Liberalised ADR/GDR regime to be introduced soon.
- To promote investment climate, Bond markets would be deepened to bring it at par with Equity Market.
- Foreign Direct Investment (FDI) limit to be increased in the field of Defence, Insurance and Railway Infrastructure to create job opportunities for the youth.
- NBFCs registered with RBI and having asset size of ₹ 500 crore and above may be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002.
- National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of ₹ 20,000 crores to it.
- Forward Markets Commission to be merged with SEBI.
- Section-6 of FEMA to be amended through Finance Bill to provide that control on capital flows as equity will be exercised by Government in consultation with RBI, rather than RBI alone.
- Proposal to create a Task Force to establish sector-neutral financial redressal agency that will

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address grievance against all financial service providers.

- A fully IT based student financial aid authority to administer and monitor scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram to be set up.
- **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. Banks/other dealers would also be able to monetize this gold.
- Sovereign Gold Bonds to be introduced as an alternative to purchase of gold. These bonds will carry fixed rate of interest and can be redeemed in cash at the prevailing gold prices.
- Indian Gold Coin with Ashok Chakra on its face to be introduced. These coins will be helpful to reduce demand of gold coins minted abroad.
- New Law to be introduced for **Overseas Black Money** with rigorous Penal Provisions. The salient features of the law are proposed to be as under:
 - Evasion of tax in relation to foreign assets to have a punishment of rigorous imprisonment upto 10 years.
 - It will be a non-compoundable offence.
 - It will attract penalty at the rate of 300% of the undeclared Assets Value.
 - The offender will not be permitted to approach the Settlement Commission.
 - Non-filing of return/filing of return with inadequate disclosures to have a punishment of rigorous imprisonment upto 7 years.
 - Undisclosed income from any foreign assets to be taxable at the maximum marginal rate.
 - Mandatory filing of return in respect of foreign asset.
 - Entities, banks, financial institutions including individuals will be liable for prosecution and penalty for non compliance.
 - Concealment of income/evasion of income in relation to a foreign asset to be made a predicate offence under Prevention of Money Laundering (PML)Act, 2002.
 - The third party reporting entities would be required to furnish information about foreign currency sales and cross border transactions.
 - PML Act, 2002 and FEMA to be amended to enable administration of new Act on black money.
 - The Special Investigation Team (SIT) on Black Money accorded about 10% hike in budgetary allocation to strengthen infrastructure.
- To curb the menace of **black money in domestic market**, following measures are proposed:
 - A new and more comprehensive Benami Transactions (Prohibition) Bill will be introduced with rigorous penal provisions.
 - Prohibition on payment in excess ₹ 20,000/- or more in cash towards advance for Purchase of immoveable property imposed. Similar, restriction also imposed on repayment of such advances.
 - Quoting of PAN to be made mandatory for Sale and Purchase transactions exceeding

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₹ 1,00,000/-.

- Use of Rupay Debit/Credit Card to be promoted to discourage transactions in cash.
- Provision, to tackle splitting of reportable transactions, so as to avoid reporting to be introduced.
- Leverage of technology by CBDT and CBEC to access information from other's data bases.

DIRECT TAXES

- Corporate tax slab to be reduced to 25% in next 5 years from present tax rate of 30% against the withdrawals of various tax exemptions and deductions available to Corporates.
- MAT not applicable on FIIs profits on Capital Gains on transactions in securities on which STT is paid.
- Dividend Distribution Tax is now subject to surcharge of 12% in place of existing 10%.
- Rate of Additional Depreciation on New Plant and Machineries increased from 20% to 35% for new units established in Andhra Pradesh and Telangana.
- Surcharge to be levied at 7% in case of Companies having income exceeding Rs.1 Crores and in case of Companies having income above ₹ 10 Crore Surcharge will be 12%
- Domestic Transfer Pricing compliance threshold limit increased from ₹ 5 crores to ₹ 20 crores.
- To facilitate technology inflow to small businesses at low costs, the rate of income tax on royalty and fees for technical services for Non-Residents reduced from 25% to 10%.
- Additional Deduction of ₹ 50,000/- in respect of Contribution to New Pension Scheme to be allowed u/s 80CCD.
- For Salaried Assessee, Transport Allowance exemption limit increased from ₹ 800/- PM to ₹ 1600/- PM.
- Interest on Sukanya Samridhi Scheme (for the benefit of girl child) is fully exempt and deposit under the scheme are eligible for deduction under Section 80C.
- Mediclaim limit increased from existing ₹ 15,000/- to ₹ 25,000/- for Assessee other than Senior Citizens.
- Mediclaim limit for Senior Citizen increased from Existing ₹ 20,000/- to ₹ 30,000/-.
- For very Senior Citizens who are not covered under Mediclaim, deduction of ₹ 30,000/- will be allowed per year towards medical expenses actually incurred.
- Deduction in respect of expenses for treatment of specified disease increased from ₹ 60,000/- to ₹ 80,000/-.
- Additional deduction of ₹ 25,000/- will be allowed for differently abled persons under Section 80DD and Section 80U of the Income-tax Act.
- 100% Exemption in respect of contribution to Swachh Bharat Kosh and Clean Ganga Fund.
- Relaxation given to Individual or HUF from obtaining TAN to deduct Tax on acquisition of Immoveable Property from a non-resident.
- Yoga Activities are proposed to be included in the ambit of Charitable Trust.
- For Charitable Trust, the ceiling on receipt from activities in the nature of trade, commerce or

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business to 20% of the total receipt from the existing Ceiling of ₹ 25 lacs.

- Trust to file IT Return on due date to be eligible for accumulation of Income.

WEALTH TAX

- Wealth Tax is being abolished
- Assets which were required to be furnished in Wealth Tax return will be captured in Income Tax Returns.

INDIRECT TAXES

- General Rate of Central Excise Duty of 12.36% including the Cesses rounded off to 12.50%.
- Online Central Excise and Service Tax Registration will be done in two working days.
- Time limit for taking CENVAT credit on inputs and input services is being increased from six months to one year.
- Assesseees under Central Excise and Service Tax allowed to issue digitally signed invoices and to maintain electronic records.
- Service Tax rates increased from 12.36% to 14.00%.
- An additional Swachchh Bharat Cess may be levied @ 2% on all or such services as may be notified from a date to be notified.

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11th
Edition

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Direct Taxes

RATES OF INCOME TAX (F.Y. 2015-16)

Individual, HUF, AOP, BOI, Artificial Juridical Persons

Net Taxable Income	Effective Rates		
	All other Resident Individual, HUF, AOP, BOI, AJP.	Resident Senior Citizens of the age of 60 to 79	Resident Senior Citizen of the Age of 80 & Above
Up to ₹ 2,50,000	NIL	NIL	NIL
₹ 2,50,001 to ₹ 3,00,000	10.30% on amount in excess of ₹ 2,50,000	NIL	NIL
₹ 3,00,001 to ₹ 5,00,000	₹ 5,150 plus 10.30% on amount in excess of ₹ 3,00,000	10.30% on Income Above ₹ 3,00,000	NIL
₹ 5,00,001 to ₹ 10,00,000	₹ 25,750 plus 20.60% on amount in excess of ₹ 5,00,000	₹ 20,600 plus 20.60% on amount in excess of ₹ 5,00,000	20.60% on amount in excess of ₹ 5,00,000
₹ 10,00,001 to ₹ 1,00,00,000	₹ 1,28,750 plus 30.90% on amount in excess of ₹ 10,00,000	₹ 1,23,600 plus 30.90% on amount in excess of ₹ 10,00,000	₹ 1,03,000 plus 30.90% on amount in excess of ₹ 10,00,000
Above ₹ 1,00,00,000	₹ 29,09,750 plus 34.61% on amount in excess of ₹ 1,00,00,000	₹ 29,04,600 plus 34.61% on amount in excess of ₹ 1,00,00,000	₹ 28,84,000 plus 34.61% on amount in excess of ₹ 1,00,00,000

Co-operative Societies	Effective Rates
Up to ₹ 10,000	10.30%
₹ 10,001 to ₹ 20,000	₹ 1,030 plus 20.60% on amount in excess of ₹ 10,000
₹ 20,001 to ₹ 1,00,00,000	₹ 3,090 plus 30.90% on amount in excess of ₹ 20,000
Above ₹ 1,00,00,000	₹ 30,86,910 plus 34.61% on amount in excess of ₹ 1,00,00,000

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RATES OF INCOME TAX (F.Y. 2015-16)

Firms, Local Authorities, Companies & LLP	Effective Rates		
	Upto ₹ 1,00,00,000	₹ 1,00,00,001 to ₹ 10,00,00,000	Above ₹ 10,00,00,000
Firm, Local Authorities, LLP	30.90%	34.61%	34.61%
Domestic Company	30.90%	33.06%	34.61%
Foreign Company	41.20%	42.024%	43.26%
Minimum Alternate Tax - Domestic Company	19.06%	20.39%	21.34%

Alternate Minimum Tax	Effective Rates	
	Firm/LLP	Individual / HUF / AOP / BOI
Persons claiming deduction in respect of certain incomes other than 80P or U/s. 10AA having adjusted total income less than ₹ 20,00,000	NIL	NIL
Persons claiming deduction in respect of certain incomes other than 80P or U/s. 10AA having adjusted total income more than ₹ 20,00,000 & upto ₹ 1,00,00,000	19.06%	19.06%
Persons claiming deduction in respect of certain incomes other than 80P or U/s. 10AA having adjusted total income more than ₹ 1,00,00,000	21.34%	21.34%

Dividend Distribution tax			
Domestic Companies	17.304%		
Tax on Distributed income for buyback of shares	23.072%		
	Equity Oriented Mutual Fund	Debt Fund	Liquid Fund
Dividend to Individual & HUF	NIL	28.84%	28.84%
Dividend to Others	NIL	34.608%	34.608%

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CAPITAL GAINS TAX RATES (F.Y. 2015-16)

Particulars		Effective Rates		
Individuals, HUFs and AOPs Firms & LLP		Total Income upto ₹ 1,00,00,000		Total Income Above ₹ 1,00,00,000
Long Term Capital Gain				
On Listed Securities, where STT is paid		NIL		NIL
On Assets other than Listed securities		20.60%		23.07%
Short Term Capital Gain				
On Listed securities where STT is paid		15.45%		17.30%
On Assets other than Listed securities		As per Slab		
Domestic Company		Total Income Upto ₹ 1,00,00,001	Total Income ₹ 1,00,00,001 to ₹ 10,00,00,000	Total Income Above ₹ 10,00,00,000
Long Term Capital Gain				
On Listed Securities, where STT is paid		NIL		NIL
On Assets other than Listed securities		20.60%		23.07%
Short Term Capital Gain				
On Listed securities where STT is paid		15.45%		17.30%
On Assets other than Listed securities		30.90%		34.61%
Foreign Company				
Long Term Capital Gain				
On Listed Securities, where STT is paid		NIL		NIL
On Assets other than Listed securities		20.60%		21.63%
Short Term Capital Gain				
On Listed securities where STT is paid		15.45%		16.22%
On Assets other than Listed securities		41.20%		43.26%

Note: 1. Effective rate is worked out considering Basic Rate + Surcharge (Wherever applicable) + Education Cess + Higher Education Cess.

2. In all cases, where surcharge is applicable, marginal relief will be available.

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Personal Taxation

- ✓ **Amendment to change in provisions determining Residential Status: Section 6**

Currently, an Indian citizen who leaves India in any year as a member of the crew of an Indian Ship, is considered as an Indian Resident, if his total stay within the preceding four years exceeds 365 days or his stay during the year exceeds 182 days. This provision is now proposed to be retrospectively amended with effect from FY 2014-15 to provide that the separate rules shall be notified for determining residential status of such individuals.

This amendment will take retrospective effect from FY 2014-15.
- ✓ **Exemption to interest earned on accounts opened under the Sukanya Samriddhi Account Rules: Section 10(11A)**

Sub-Section 11A is being inserted to provide for exemption to interest earned for accounts opened under the Sukanya Samriddhi Account Rules.

This amendment will take effect from FY 2015-16
- ✓ **Deduction from total income in respect of deposits made under the Sukanya Samriddhi Account Scheme : Section 80C**
- ✓ Deposits made by a parent or a guardian for a girl child under the Sukanya Samriddhi Account Scheme shall be eligible for deduction under Section 80C
- This amendment will take effect from FY 2014-15*
- ✓ **Increase in deduction in respect of contributions to Pension Schemes by Insurers : Section 80CCC**

Hitherto, contributions to Pension Schemes were eligible for a deduction upto Rs. 1 lakh. This limit is now proposed to be increased to Rs. 1.50 lacs. The total deduction u/s 80C and 80CCC shall however continue to be restricted to Rs. 1.50 lacs

This amendment will take effect from FY 2015-16
- ✓ **Increase in deduction in respect of contributions to National Pension Scheme : Section 80CCD**

Hitherto, Section 80CCD provided for deduction in respect of contributions to the National Pension Scheme upto 10% of the gross salary in case of employees and 10% of the gross total income in case of non-salaried assesses. This contribution was capped at Rs. 1 lac. A further deduction of upto Rs. 50,000/- shall now be allowed for contributions made by any individual assesses under the National Pension Scheme

This amendment will take effect from FY 2015-16
- ✓ **Increase in monetary limits for deduction in respect of Medclaim Premium: Section 80D**

The quantum of deduction in respect of mediclaim premium paid in respect of an individual and his family has been raised from Rs. 15,000/- to Rs. 25,000/-. The quantum of deduction in respect of mediclaim premium paid for parents, who are senior citizens, has been raised from Rs. 25,000/- to Rs. 30,000/-.

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Further, in case of very senior citizen, who are unable to avail health insurance, they shall be entitled to an deduction in respect of actual medical expenditure incurred subject to a limit of Rs. 30,000/-.

This amendment will take effect from FY 2015-16

✓ **Amendment in provisions relating to deduction for medical treatment of chronic and protracted diseases: Section 80DDB**

Hitherto, deduction upto Rs. 40,000/- for amount spent for medical treatment of prescribed diseases is allowed. In case of Senior Citizens, such limit is Rs. 60,000/-. It is now proposed to introduce a new category of a very senior citizen (persons aged 80 years or above), where the deduction allowed shall be upto Rs. 80,000/-.

Hitherto, such deduction was available only if a certificate in the prescribed form was issued by a specialist doctor working for a Government Hospital. This requirement is now proposed to be relaxed to provide that a prescription issued by any specialist doctor shall be sufficient for claiming a deduction under this section.

This amendment will take effect from FY 2015-16

✓ **Increase in deduction for persons with disability and severe disability: Section 80DD and Section 80U**

Hitherto, deduction under Section 80DD upto Rs. 50,000/- for expenditure on medical treatment, training and rehabilitation of a dependant with a disability or for any payment to any insurer in respect of a scheme for the maintenance of a disabled dependent. This deduction is now being increased to Rs. 75,000/-

Similarly, deduction under Section 80U was being provided for a person with severe disability upto Rs. 1,00,000/-. This limit is now being increased to Rs. 1,25,000/-

This amendment will take effect from FY 2015-16

Charitable Trusts

✓ **Amendment to the definition of "Charitable Purpose": Section 2(15)**

The term "Charitable Purpose" is proposed to be amended to include "Yoga" as a separate category on the lines of education and medical relief.

Hitherto, a charitable trust engaged in objects of advancement of general public utility and carrying activities / providing services in the nature of trade, commerce and business, income from which exceeded threshold limit of Rs. 25 lacs, were subject to tax on such income from such activities. Thus, Charitable Trusts, where the income from such activities was below Rs. 25 lacs were not affected by this provision. The provision is now proposed to be amended to provide that any Charitable Trust engaged in objects of advancement of general public utility and carrying activities / providing services in the nature of trade, commerce and business, income from which exceeds 20% of the total receipts of the trust, then the income from such activities will be chargeable to tax. This proposed provision is likely to cause great hardship to all trusts in general even whose total receipts are very low.

This amendment will take effect from FY 2015-16

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✓ **Amendment to provisions relating to accumulation of fund : Section 11, Section 13**

Hitherto, in cases where application of income by a Trust is less than 85% of the income of the year, under Section 11(1) & Section 11(2), accumulation of such shortfall is permitted provided intimation is filed with the Assessing Officer either for spending the same in the succeeding year under Section 11(1) or in the next 5 years for specific purposes under Section 11(2). However, no format was prescribed for such intimation under section 11(1). The provision is now proposed to amend to empower the Government to notify such form and procedures for such intimation. It is further proposed to provide in Section 13 that in case such intimation and return of income of such Trust is not filed in the prescribed format or the time limit prescribed under Section 139(1), the benefit of accumulation under Section 11(1) or Section 11(2) shall be denied.

Hitherto, in case where Trust opts for accumulation of income for specific purposes for 5 years under Section 11(2), for the purpose of computing 5 years, there was no clarity as to the treatment of period which had elapsed on account of an order or injunction of any court. It is now expressly proposed to be provided that such period shall be excluded.

This amendment will take effect from FY 2015-16

✓ **Orders of recognition under Section 10(23C)(vi) and (via): Section 253**

Section 10(23C)(vi) provides for exemption of income of universities or educational institutions, which are approved by the prescribed authorities. Similarly, Section 10(23C)(via) provides for exemption of income of any hospital or other health institutions, which are approved by the prescribed authorities. Currently, the order of the prescribed authorities granting or denying recognition are not specifically appealable before the ITAT. Section 253 is now being amended to specifically make such orders appealable before the ITAT.

This amendment will take effect from 1st June, 2015

Corporate Taxation

✓ **Amendment to change in provisions determining Residential Status of a Non-Resident Company: Section 6**

Currently, a corporate is considered as a resident of India, if it is an Indian Company or in case of any other corporate, the place of effective management at any time in a year is in India. An explanation is proposed to be inserted to provide clarity to the term "place of effective management". The term is now defined as 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.

This amendment will take effect from FY 2015-16

✓ **Taxation of Interest paid by branches of Foreign Bank to their Head Office or Branches outside India: Section 9(1)**

There has been a controversy as to the taxability of interest paid by branches of Foreign Banks to their Head Office or Branches. The provision is now proposed to amended to provide that any interest payable by a Permanent Establishment in India of a non-resident to the Head Office or any branches outside India shall be deemed to accrue or arise in India and the PE in India shall be

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obligated to deduct tax at source on any interest payable to either the head office or any other branch or PE of the non-resident outside India.

This amendment will take effect from FY 2015-16

✓ **Additional conditions to be fulfilled for weighted deduction in respect of expenditure approved in-house Research and Development facility : Section 35(2AB)**

Section 35(2AB) provided for weighted deduction @ 200% of the expenditure incurred for scientific research carried out at an approved in-house facility in the business of bio-technology or manufacturing of prescribed goods. It is now proposed to be provided that such deduction shall be available only if the Company fulfills prescribed conditions with regards to maintenance and audit of accounts and furnishing of prescribed reports.

This amendment will take effect from FY 2015-16

✓ **Amendment to provisions relating to Minimum Alternative Tax (MAT): Section 115JB**

For the purpose of computing Book Profit under Section 115JB, a Company is allowed to reduce its Books Profits by income which is exempted u/s 10, except in specific cases. Accordingly, share of profit earned by a Company in its capacity as a partner of a partnership firm can be reduced from the profits of the Company for the purpose of computing book profits as the same is exempted under Section 10(2A). However, in case of Association of Persons (AOP), the exemption to share of profit of member of an AOP is available under Section 86 and thus the same benefit of reducing such share from Book Profit is not available to a Company, which is a member of the AOP. This anomaly is sought to be corrected by specifically providing that the share of profit earned by a Company in its capacity as a member of an AOP shall be reduced from its profits for the purpose of computing Book Profit chargeable to MAT. Consequently, it is also provided that expenditure incurred for earning such income from an AOP shall be added to the Company's profit for the purpose of computing of Book Profit chargeable to MAT.

For the purpose of computing books profits, capital gains arising on transaction in securities on which STT is paid, though exempted u/s 10 are not allowed to be reduced for the purpose of computing books profits. Section 115JB is now proposed to be amended to provide that in case of computing book profit in case of Foreign Institutional Investors, such reduction shall be allowed.

This amendment will take effect from FY 2015-16

Amendments Applicable To All Assessees

✓ **Insertion of new definition of "Business Trust" : Section 2(13A)**

Section 2(13A) has been inserted to define a Business Trust to mean a trust registered as an Infrastructure Investment Trust under the relevant SEBI (Infrastructure Investment Trusts) Regulations, 2014 or a Real Estate Investment trust under the relevant SEBI (Real Estate Investment Trusts) Regulations, 2014, whose units are listed on a recognized stock exchange.

This amendment will take effect from FY 2015-16

✓ **Modification to Taxation Regime for Business Trusts i.e. Real Estate Investment Trusts (REIT) and Infrastructure Investment Trusts (Invit): Section 10(23FCA), Section 111A, Section**

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115UA, 194-I, 194LBA

Under the current tax regime for REIT and Invit, the deferral of capital gains provided to the sponsor of the business trusts places the Sponsor at a disadvantage when compared to the direct listing of shares of the SPV. When a sponsor holding the shares of a SPV exists via IPO, he gets advantage of the concessional tax regime of capital gains where STT is levied. This benefit is not available where units of business trust acquired in exchange of shareholding in the SPV through IPO at the time of listing of business trust on stock exchange. Thus, amendments are being carried out to provide such parity.

A majority of the income of REIT arises from rental income. It is hence now being proposed as under:

- a) Rent Income from assets owned by a Business Trust shall be exempt
- b) Income distributed by a Business Trust to a unit holder of a REIT, whose primary income is from Rent, shall not be chargeable to DDT and shall be charged to tax in the hands of the unit holder. Thus, the REIT shall become a pass through entity.
- c) Since, REIT is a pass through entity; no tax shall be deducted on Rent Income received by it. Income distributed to resident unit holders shall be subject to deduction of tax @ 10% and in case of non-resident unit holders at such rate as may be in force.

This amendment will take effect from FY 2015-16

✓ **Taxation in case of income deemed to arise in case of transfer of shares of foreign entities: Section 9(1), Section 47(via), Section 49(1), Section 271GA, Section 273B, Section 285A**

Pursuant to the Vodafone controversy, an explanation 5 was inserted to Section 9(1) to provide that in case of transfer of shares or interest in any company or entity, which is incorporated outside India, such shares or interest shall be deemed to be situated in India, if such shares or interest derives directly or indirectly its value substantially from the assets located in India.

In order to provide clarity to issue of taxation of transfer of equity shares or interest in above entities, it is now proposed to insert an explanation 6 to provide a deeming provision to provide that such share or interest as stated above shall be deemed to derive its value substantially from assets in India only if on the specified date, the value of such assets is more than 10 crores and such assets represent at least 50% of the value of all assets owned by such Company or Entity. The value of such assets shall mean the fair market value of such assets without reduction of liabilities in respect of such assets. The manner of determination of fair market value of the indian assets in relation to the global assets of a foreign company shall be as per rules to be prescribed.

Further, the taxing of gains arising on a share or interest deriving directly or indirectly, its value substantially from assets located in India will be on proportional basis as per a method of determination to be provided as per rules to be prescribed.

It is further proposed to provide exemption in case the transfer of shares or interest in a foreign entity with its associated enterprises arises to a non-resident who does not hold any right of control or management or holds any voting power or share capital exceeding 5% of the total voting power or share capital.

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It is further proposed to provide that in case of transfer of shares or interest in a foreign entity which does not hold Indian assets directly, the exemption shall be available to the transferor if the non-resident with its associated enterprises does not hold any right of control or management or holds any voting power or share capital exceeding 5% of the total voting power or share capital in relation to such company or entity.

It is further proposed to provide exemption in case of transfer of shares, which derives directly or indirectly its value substantially from the shares or shares of an Indian Company, held by a foreign amalgamation company in a scheme of amalgamation to the amalgamated foreign company. A similar exemption is also being extended in case of a demerger.

A reporting obligation is being cast on the Indian Concern through which the Indian Assets are held by a foreign company or entity for furnishing information related to off-shore transactions which have effect of directly or indirectly modifying the ownership structure or control of the Indian Company or entity. A penalty is also proposed for non-compliance for failure to discharge such obligation which range from 2% of the transaction value in case of transfer or Rs. 5 lacs in other cases.

This amendment will take effect from FY 2015-16

✓ **Exemption to income of certain entities: Section 10**

Income of following SPVs created by Central Government are being exempted:

- a) Swachchh Bharat Kosh
- b) Clean Ganga Fund
- c) Core Settlement Guarantee Fund

This amendment will take effect from FY 2015-16

✓ **Additional Depreciation @ 35% in case of investment in New Plant & Machinery for setting up of manufacturing units in Andhra Pradesh and Telangana: Section 32**

It is proposed to provide an additional depreciation of 35% over and above the regular depreciation on investment in new Plant & Machinery for setting up of an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 and before 1st April, 2020.

This amendment will take effect from FY 2015-16

✓ **Additional Depreciation for New Plants & Machinery.**

Hitherto 50% of additional depreciation is allowed on new plants & machineries used for less than 182 days.

It is proposed to provide remaining balance depreciation in the subsequent year.

This amendment will take effect from FY 2015-16

✓ **Additional Investment Allowance @ 15% in case of investment in new assets for setting up of manufacturing units in Andhra Pradesh and Telangana: Section 32AD**

It is proposed to provide an additional investment allowance @ 15% of the cost of new assets acquired and installed for setting up an industrial undertaking for manufacture or production of

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any article on or after 1st April, 2015 in any notified backward areas in the State of Andhra Pradesh and Telangana. This investment allowance is available for new assets acquired and installed between 1st April, 2015 to 31st March, 2020. This deduction is available over and above investment allowance available under Section 32AC of the Act.

This amendment will take effect from FY 2015-16

✓ **Tax Neutrality on merger of similar schemes of Mutual Funds: Section 47 & Section 49**

The Securities and Exchange Board of India has been encouraging mutual funds to consolidate different schemes having similar features so as to have simple and fewer numbers of schemes. In order to provide tax neutrality to unit holders of such scheme, Section 47 is being amended to provide that exchange of units of the old scheme in lieu of the merged scheme shall not be regarded as a transfer. It is further proposed to be provided in Section 49 that the cost of acquisition of the original units shall be the cost of acquisition of the new units issued pursuant to the consolidation of the schemes.

This amendment will take effect from FY 2015-16

✓ **100% deduction in respect of certain donations: Section 80G**

Contributions to Swachh Bharat Kosh and the Clean Ganga fund shall be eligible for 100% deduction from total income. However, where such funds are spent pursuant to CSR obligations by a Corporate it will not be eligible for deduction u/s 80G.

This amendment will take effect from FY 2014-15

Contributions to the National Fund for Control of Drug Abuse shall be eligible for 100% deduction from total income.

This amendment will take effect from FY 2015-16

✓ **Expansion in scope of deduction for employment of new workmen: Section 80JJAA**

Hitherto Section 80JJAA provides for deduction to Indian Companies engaged in manufacturing activities. The deduction allowed was 30% of the additional wages paid to the new workmen and was available for a period of 3 years from the year in which such workmen were first employed. It was further provided that additional wages to mean the wages paid to the new regular workmen in excess of hundred workmen employed during the year.

It is now proposed to extend this benefit to all assesses having manufacturing activities rather than corporate assesses. Further, the definition of additional wages is now amended to mean wages paid to the new regular workmen in excess of fifty workmen employed during the year.

This amendment will take effect from FY 2015-16

✓ **Increase in threshold limit for applicability of Domestic Transfer Pricing Provisions: Section 92BA**

Hitherto provisions related to maintenance of records and submission of transfer pricing report in respect of related party domestic transactions covered by Section 40A(2B) were applicable where the total value of such transactions exceeded Rs. 5 crores in a year. The said limit is now proposed to be increased to Rs. 20 crores in a year.

This amendment will take effect from FY 2015-16

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✓ **Deferment of provisions relating to General Anti Avoidance Rules (GAAR): Section 95**

The provisions of Schedule X-A relating to General Anti Avoidance Rules were to come into effect from FY 2015-16. This implementation has now been further proposed to be deferred by 2 years and is now scheduled to become effective from FY 2017-18.

✓ **Reduction in rate of taxation of Royalty and Fees for Technical Services in the hands of Non-Residents: Section 115A**

Hitherto, Royalty and Fees for Technical Services received by Non-Residents for clients in India were taxable at 25% in India. Accordingly, any remittance on account of Royalty and Fees for technical services to a Non-Resident by an Indian Resident was also subject to deduction of tax @ 25%, if beneficial provisions under DTAA were not available. This tax rate is now proposed to be reduced to 10%.

This amendment will take effect from FY 2015-16

✓ **Pass through tax status to certain Alternative Investment Funds: Section 2, Section 10(23FD), Section 115U, Section 115UB, Section 139, Section 194LBB**

Under the prevailing Alternative Investment Funds (AIF) are classified into 3 categories i.e. Category I, Category II and Category III. Category I AIF and Category II AIF are now to be governed by a special tax regime, whose salient features shall be as under:

- a) Income of a person, who is a unit holder of an AIF, shall be chargeable to income tax in respect of income from such AIF in the same manner as if the investment by the AIF was directly made by him.
- b) Income in the hands of the AIF, other than income from profits and gains of business, shall be exempt from tax. Income from profits and gains of business or profession shall be taxable in the hands of the AIF.
- c) Income in the hands of the investor, which was from profits and gains of business in the hands of the AIF, shall be exempted in the hands of the investor.
- d) Income received by an investor, which is taxable in the hands of the investor, shall be subject to deduction of tax @ 10%.
- e) If in any year, there is a loss at the fund level either current loss or the loss which remains to be set off, the loss shall not be passed through to the investors but shall be carried over at fund level to be set off against income of the future years.
- f) Provisions relating to dividend distribution tax shall not apply to income distributed by AIF to its unit holders.
- g) Any income received by an AIF shall not be subject to tax at source by the payer.
- h) All AIF shall mandatorily file a return of income, whether it has taxable income or not.

This amendment will take effect from FY 2015-16

✓ **Mandatory filing of Return of Income by certain Universities and Hospitals claiming exemption under Section 10(23C): Section 139(4C)**

Section 10(23C) provides exemption from taxation to universities, educational institutions,

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hospitals subject to fulfillment of certain conditions and if they are wholly or substantially financed by the Government. These entities were not mandatorily required to file their return of income. It is now provided that these entities shall be mandatorily required to file their return of income u/s 139(4C).

This amendment will take effect from FY 2015-16

- ✓ **Prohibition for accepting / repayment of advances in excess of Rs. 20,000/- in relation to transfer of immovable property in cash: Section 269SS and Section 269T**

Hitherto, Section 269SS and Section 269T prohibited acceptance or repayment of loans or deposits, where the amount of such loans or deposits were in excess of Rs. 20,000/-. Such prohibition is now extended to acceptance or repayment of advances in relation to transfer of immovable property also, where such advance is in excess of Rs. 20,000/-.

This amendment will take effect from 1st June, 2015.

- ✓ **Amendment to provisions relating to Penalty levied on concealment of income: Section 271(1)(c)**

Hitherto, Section 271(1)(c) levied penalty for concealment of income on the amount of tax sought to be evaded, which is defined as the difference between the tax due on income assessed and the tax which would have been chargeable on total income as reduced by the amount sought to be concealed.

However, there have been issues while computing penalty in cases where additions are made to book profits under Section 115JB and Section 115JC, which deal with Minimum Alternative Tax (MAT). Section 271(1)(c) is now proposed to be amended to provide that the amount of tax evaded shall be the summation of tax sought to be evaded under general tax provisions and tax sought to be evaded under MAT provisions. It is further provided that the same addition can not be considered as concealed income under general provisions as well as MAT provisions.

This amendment will take effect from FY 2015-16.

- ✓ **Deduction of tax in case of premature withdrawal of Provident Fund, which is taxable: Section 192 and Section 197A**

In certain cases, where there is premature withdrawal of Provident Fund by an employee, such accumulated balance is taxable and the provident fund was required to deduct at source in such cases based on year-wise taxability of such employee, which in some cases was not feasible.

It is now proposed that all such withdrawals which are chargeable to tax shall be subject to deduction of tax @ 10%. In case, such employees do not furnish the PAN to the provident fund, tax shall be deducted @ 30% i.e. the maximum marginal rate.

This amendment will take effect from 1st June, 2015

- ✓ **Deduction of tax on interest paid by Co-operative Banks to their members on deposits: Section 194A(1)**

Hitherto, interest paid to members of Co-operative Banks by the Co-operative Banks on deposits placed by their members with them was exempted from deduction of tax at source. The Section 194A(1) is now being amended to provide that Co-operative Banks shall be required to deduct

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tax on interest paid to their members.

This amendment will take effect from 1st June, 2015

✓ **Deduction of tax in case of Interest paid by Banks: Section 194A(3)(i)**

Hitherto, banks were required to deduct tax at source in case the interest payment to a customer from a particular branch exceeded Rs. 10,000/-. Thus, a customer was able to avoid deduction of tax at source by keeping deposits in different branches of the same Bank. The provision is now being amended to provide that Banks shall be required to deduct tax at source if their payment of interest to any person exceeds Rs. 10,000/- from the bank as a whole.

This amendment will take effect from 1st June, 2015

✓ **Deduction of tax in case of interest on compensation under Motor Accident Claim Tribunal: Section 194A(3)(ix)**

Hitherto, tax was deducted in case of interest on compensation under Motor Accident Claim Tribunal on payment or credit of such interest, whichever is earlier. However, under Section 145A, such interest is chargeable to tax in the year in which such interest is received. This caused mismatch in the year of deduction and year of taxation. Section 194A(3)(ix) is now being amended to provide that tax also shall be deducted on such interest in the year in which its paid.

This amendment will take effect from 1st June, 2015

✓ **Deduction of tax from payments made to Transporters: Section 194C**

Hitherto, payments to transporters who have furnished their PAN was not liable to tax deduction at source. This provision has now been amended to provide that such benefit shall now be available only in case of transporters who own 10 goods carriage or less and the transporter furnishes a declaration to such effect along with his PAN. Thus, payments to transporters, who own more than 10 goods carriage shall be liable to deduction of tax at source in accordance with the provisions of Section 194C.

This amendment will take effect from 1st June, 2015

✓ **Furnishing of Information regarding remittances to Non-Residents in all cases: Section 195**

Hitherto, under Section 195(6), information in prescribed format in Form 15CA and Form 15CB was required to be furnished only in case the remittance to a non-resident was chargeable to tax. The provision is now being amended to provide that such information is required to be furnished irrespective of the fact that such remittance may not be chargeable to tax.

This amendment will take effect from 1st June, 2015

✓ **Enabling of filing of Form 15G / 15H for payment made under Life Insurance Policies: Section 197A**

Section 194DA provides for deduction of tax at source @ 2% from payments under life insurance policies which are chargeable to tax. However, there is no provision, which allows assessee to file Form 15G / 15H, in cases where they do not have income chargeable to tax and hence avoid deduction of tax. It is proposed to be provided that assessee can file Form 15G and Form 15H so

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as to enable to receive payments without deduction of tax.

This amendment will take effect from 1st June, 2015

Wealth Tax

✓ **Abolition of Wealth Tax**

Wealth Tax Act has now been abolished. No Wealth Tax shall be payable from FY 2015-16.

These provisions will take effect from FY 2015-16.

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Service Tax

✓ **Changes in Service Tax Rates**

- The Service Tax rate is being increased from 12% plus Education Cesses to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. Thus, effective increase in Service Tax rate will be from existing rate of 12.36% (inclusive of cesses) to 14%
- The new Service Tax rate shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015. Till the time the revised rate comes into effect, the levy of 'Education cess' and 'Secondary and Higher Education cess' shall be continued to be levied in Service Tax.
- An enabling provision is being made to empower the Central Government to impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% of the value of such taxable services with the objective of financing and promoting Swachh Bharat initiatives. As and when this cess is levied, then the effective rate of service tax on such services will be @ 16 %. This Cess shall be levied from a date to be notified by the Central Government in this regard and will not have immediate effect.

✓ **Changes in definition of Services**

In place of services in the nature of support services, services in the nature of aggregator of services, activities of a lottery distribution and foreman of chit fund are now made taxable.

✓ **Changes in Abatements available on Taxable Value of Services**

Following changes are proposed to abatements available in calculation of taxable value of various services:

Sr. No.	Description of Taxable Service	Revised Taxable Portion of Services
1.	Transport of goods by rail	30%
2.	Transport of passengers, with or without accompanied belongings by rail	30%
3.	Transport of passengers by air, with or without accompanied belongings (1) Economy Class (2) Other than economy class	40% 60%
4.	Services of goods transport agency in relation to transportation of goods.	30%
5.	Transport of goods in vessel	30%

In order to avail abatements, in cases of Sr. No. 1 & 2 above, CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, should not have been taken under the provision of the CENVAT credit rules, 2004

These changes shall come into effect from the 1st day of April, 2015.

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✓ Additions/Amendments in Reverse Charge Mechanism

Following services are now to be covered by reverse charge mechanism on a 100% basis:

Type of service	Percentage of Tax payable by provider of service	Percentage of Tax payable by any specified person other than provider of service
Aggregator or his representative or any agent appointed by him, if such aggregator does not have a physical presence in the taxable territory with effect from 1st March, 2015.	NIL	100%
Mutualfund agent or distributor to a Mutualfund or asset management company	NIL	100%
Selling or marketing agent of lottery tickets to a lottery distributors or selling agent	NIL	100%
Manpower supply services rendered to Corporate entity by an Individual, HUF or Partnership Firm	NIL	100%
Security services rendered to Corporate entity by an Individual, HUF or Partnership Firm	NIL	100%

Save as otherwise provided these changes will come into effect from 1st day of April, 2015.

✓ Changes in Composition Scheme:

In following cases, payment of service tax was allowed at a lower rate under a Composition Scheme. Changes in such rates are now proposed as under pursuant to the change in the basic service tax rate:

Service	Category	Before Budget	After Budget
AIR TRAVEL AGENT	For Domestic Tickets	0.6% of Basic Fare	0.7% of Basic Fare
	For International Tickets	1.2% of Basic Fare	1.4% of Basic Fare
INSURER	For First year	3.0% of Premium Charged	3.5% of Premium Charged
	For Subsequent years	1.5% of Premium Charged	1.75% of Premium Charged
PURCHASE OR SALES OF FOREIGN CURRENCY	Up to Transaction value of ₹ 100000/-	0.12% of gross amount of currency exchanged or ₹ 30/- which ever is higher	0.14% of gross amount of currency exchanged or ₹ 35/- which ever is higher
	₹ 100001/- to ₹ 1000000/-	₹ 120/- + 0.06% of gross amount of currency exchanged above ₹ 100000/-	₹ 140/- + 0.07% of gross amount of currency exchanged above ₹ 100000/-
	Above ₹ 1000000/-	₹ 660/- + 0.012% of gross amount of currency exchanged above ₹ 1000000/-	₹ 7700/- + 0.014% of gross amount of currency exchanged above ₹ 1000000/-

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Service	Category	Before Budget	After Budget
PROMOTION, MARKETING, ORGANIZING OR IN ANY OTHER MANNER ASSISTING IN ORGANIZING LOTTERY	If the lottery or lottery scheme is one where the guaranteed prize payout is more than 80%	₹ 7000/- on every ₹ 10 lakh or part of ₹ 10 lakh of aggregate face value of lottery tickets printed by the organizing State for a draw	₹ 8200/- on every ₹ 10 lakh or part of ₹ 10 lakh of aggregate face value of lottery tickets printed by the organizing State for a draw
	If the lottery or lottery scheme is one where the guaranteed prize payout is less than 80%	₹ 11000/- on every ₹ 10 lakh or part of ₹ 10 lakh of aggregate face value of lottery tickets printed by the organizing State for a draw	₹ 12800/- on every ₹ 10 lakh or part of ₹ 10 lakh of aggregate face value of lottery tickets printed by the organizing State for a draw

The amendments specified above shall come into effect as and when the revised Service Tax rate comes into effect.

✓ **Withdrawal of Exemption on Certain Services:**

- The following services which were exempted under the Mega Exemption Notification No. 25/2012 dated 20/06/2012 are now proposed to be made taxable.
 - a) Mutual Fund Agent To A Mutual Fund Or Asset Management Company;
 - b) Distributor To A Mutual Fund Or Asset Management Company;
 - c) Selling Or Marketing Agent Of Lottery Tickets To A Distributer Or A Selling Agent;
 - d) Services by way of making telephone calls from -
 - i) Departmentally run public telephone;
 - ii) Guaranteed public telephone operating only for local calls; or
 - iii) Free telephone at airport and hospital where no bills are being issued;
 - e) Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of -
 - i) A civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
 - ii) A structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment;
 - iii) A residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause 44 of section 65 B of the said Act.
 - f) Activities with reference to entertainment and amusement facilities.

The above changes will come into effect from 1st day of April, 2015.

✓ **Changes in Mega Exemption Notification**

Exemptions available in cases of certain services have been amended in the Mega Exemption Notification No 25/2012 dated 20/06/2012

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Entry No.	Type of Services	Exempted before Budget	Exempted after Budget
2	Medical Service	Health care services by a clinical establishment, an authorised medical practitioner or Paramedics	(i) Health care services by a clinical establishment, an authorised medical practitioner or Paramedics (ii) Services provided by way of transportation of a patient in an ambulance, other than those specified in (i) above
14	Services by way of construction, erection, commissioning or installation of original works	Of an airport, port or railways, including monorail or metro;	Of railways, including monorail or metro only
16	Services provided by the way of cultural performances	Service by performing artist in folk or classical art forms of (i) music (ii) dance, or (iii) theatre, excluding services provided by such artist as a brand ambassador	Service by performing artist in folk or classical art forms of (i) music (ii) dance, or (iii) theatre, if the consideration charged for such performances is not more than one lakh rupees: Provided that the exemption shall not apply to services provided by such artist as a brand ambassador
20	Services by way of transportation by rail or a vessel from one place in India to another	Goods Includes-For (i) foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages	Goods Includes-For (i) milk, salt and food grain including flours, pulses and rice
21	Services provided by a goods transport agency by way of transportation	For the Goods- fruits, vegetables, eggs, milk, food grains or pulses in a goods carriage	For the Goods- milk, salt and food grains including flour, pulses and rice
26A	Service of general insurance business under various schemes	-	New Scheme added- (d) Varisth Pension Yojana

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Entry No.	Type of Services	Exempted before Budget	Exempted after Budget
30	Carrying out an intermediate production process as job work	(c) any goods on which appropriate duty is payable by the principal manufacturer	(c) any goods excluding alcoholic liquors for human consumption on which appropriate duty is payable by the principal manufacturer

Implications of the above changes are narrated as under:

- Ambulance services are now exempted services.
- Transportation of Fruits / vegetables are now taxable services.
- Artists performing folk or classical art [excluding Brand Ambassador] charging more than Rs. 1 lacs are taxable services

The above changes will come into effect from 1st day of April, 2015.

✓ **Extention of Exemption to certain services:**

- Following services shall now be covered by the Mega Exemption Notification No. 25/2012 and thus will be exempted:

Entry No.	Particulars
43	Services by operator of Common Effluent Treatment Plant by way of treatment of effluent
44	Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables
45	Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo
46	Service provided by way of exhibition of movie by an exhibitor to the distributor or an association of persons consisting of the exhibitor as one of its members
47	(i) Exhibition of cinematographic film, circus, dance, or theatrical performance including drama or ballet; (ii) Recognised sporting event; (iii) Award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event, where the consideration for admission is not more than Rs 500 per person."

The above changes will come into effect from a date to be notified by the Central Government except for entry no. 47, which shall come into effect immediately.

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✓ **Authentication of Documents by Digital Signature:**

- Any invoice, bill or challan issued under rule 4A or consignment note issued under rule 4B may be authenticated by means of a digital signature.
- The Board may, by notification, specify the conditions, safeguards and procedure to be followed by any person issuing digitally signed invoices.
- Records under this rule may be preserved in electronic form and every page of the record so preserved shall be authenticated by means of a digital signature.

✓ **Amendments to the Cenvat Credit Rules, 2004:**

- Rule 4(7) is being amended to allow Cenvat Credit of Service Tax paid under partial reverse charge by the service receiver without linking it to the payment to the service provider. Earlier, the Input tax credit was allowed only when "payment" is made to the service provider. Now, the same is abolished in case of Partial Reverse Charge. Means, in case you have availed any service which is covered under the partial reverse charge mechanism, one can take input credit of the same even if the same is unpaid. This provision is not applicable to other services, which are not subject to reverse charge. However, the service tax under such reverse charge should have been paid before such credit is taken.
- The period for taking Cenvat Credit is being extended from six months from the date of invoice to one year from the date of invoice.
- Certain other changes are being made in the provisions of the Cenvat Credit Rules, 2004, which, inter-alia, include allowing Cenvat Credit on input and capital goods received directly by job workers, defining "export goods" for the purposes of rule 5, defining "exempt goods" for the purposes of rule 6, making applicable the provision of rule 9(4) to importer dealers, authorizing imposition of restrictions on registered dealers under rule 12AAA, and provisions relating to recovery of credit wrongly taken and imposition of penalty. For details, the D.O. letter of J.S (TRU-I) may please be referred to.

This change will come into effect from 1.4.2015.

✓ **Amendment in Valuation Provisions**

- Section 67 prescribes for the valuation of taxable services. It is being prescribed specifically in this section that consideration for service shall include:
- All reimbursable expenditure or cost incurred and charged by the service provider. The intention has always been to include reimbursable expenditure in the value of taxable service. However, in some cases courts have taken a contrary view. Therefore, the intention of legislature is being stated specifically by this provision.
- Amount retained by the distributor or selling agent of lottery from gross sale amount of lottery ticket, or, as the case may be, the discount received, that is the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such tickets.

These changes will come into effect from the date of enactment of the Finance Bill, 2015.

✓ **Amendment in Recovery Procedures & Penalty Provisions**

Section 73 is being amended in the following manner:

- a new sub-section (1B) is being inserted to provide that recovery of the service tax amount self-assessed and declared in the return but not paid shall be made under section 87, without service of any notice under sub-section (1) of section 73,; and
- Sub-section (4A), that provides for reduced penalty if true and complete details of transaction

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were available on specified records, is being omitted.

- Section 76 is being amended to rationalize penalty, in cases not involving fraud or collusion or willful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of service tax, in the following manner-
 - (i) penalty not to exceed 10% of service tax amount involved in such cases;
 - (ii) no penalty is to be paid if service tax and interest is paid within 30 days of issuance of notice under section 73 (1);
 - (iii) a reduced penalty equal to 25% of the penalty imposed by the Central Excise officer by way of an order is to be paid if the service tax, interest and reduced penalty is paid within 30 days of such order; and
 - (iv) if the service tax amount gets reduced in any appellate proceeding, then penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25% of penalty imposed) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.
- Section 78 is being amended to rationalize penalty, in cases involving fraud or collusion or willful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of service tax, in the following manner,-
 - (i) penalty shall be 100% of service tax amount involved in such cases;
 - (ii) penalty equal to 15% of the service tax amount is to be paid if service tax, interest and reduced penalty is paid within 30 days of service of notice in this regard;
 - (iii) a reduced penalty equal to 25% of the service tax amount determined by the Central Excise Officer, by an order, is to be paid if the service tax, interest and reduced penalty is paid within 30 days of such order; and
 - (iv) if the service tax amount gets reduced in any appellate proceeding, then penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25%) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.
- A new section 78 B is being inserted to prescribe, by way of a transition provision, that,-
 - (i) amended provisions of section 76 and 78 shall apply to cases where either no notice is served, or notice is served under sub-section (1) of section 73 or proviso thereto but no order has been issued under sub-section (2) of section 73, before the date of enactment of the Finance Bill, 2015; and
 - (ii) in respect of cases covered by sub-section (4A) of section 73, if no notice is served, or notice is served under sub-section (1) of section 73 or proviso thereto but no order has been issued under sub-section (2) of section 73, before the date of enactment of the Finance Bill, 2015, penalty shall not exceed 50% of the service tax amount.
- Section 80, that provides for waiver of penalty in specified situations, is being omitted.
- Section 86 is being amended to prescribe that matters involving rebate of service tax shall be dealt with in terms of Section 35EE of the Central Excise Act.

These changes will come into effect from the date of enactment of the Finance Bill, 2015
- The facility of Advance Ruling is now being extended to all resident firms. Resident firms includes sole proprietors, partnership firms including LLP (Provided a Company is not a partner), One person company. Body corporates are not covered by this facility.

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Central Excise

✓ Amendments to Provisions of Central Excise Act, 1944.

1) Section 11A

This section provides for provisions relating to recovery of Duty of Excise non-levied or not paid or short-levied or short paid or erroneously refunded. It has been amended to provide that the provisions of this section shall not apply to cases where the non-payment or short-payment of duty is reflected in periodic returns filed and that in such cases recovery of duty shall be made in such manner as may be prescribed in the rules.

2) Section 11AC

The Section is being amended to provide as under:

Cases where default has been made for reasons other than Fraud, Collusion etc

- a) In addition to duty and interest payable under section 11A, penalty will be payable amounting to 10% of the duty or Rs.5000/- , whichever is higher.
- b) If Duty and interest payable under section 11AA is paid within 30 days of issue of Show Cause Notice then no penalty will be levied.
- c) If duty and Interest payable under section 11A and 11AA are paid within 30 days of the date of order of the Central Excise officer determining such duty, the amount of penalty will be reduced to 25% of the penalty payable.
- d) If duty is reduced in appellate proceedings then penalty amount shall also stand modified and the benefit of reduced penalty of 25% will be available only if duty, interest and penalty are paid within 30 days of such appellate order.

Cases where default has been made on account of Fraud, Collusion etc:

- a) Where any duty has not been levied or paid or is short levied or short paid then In addition to duty payable under section 11A, a penalty equal to the amount of duty shall also be payable. An amendment has also been made in the provision of section 11A relating to imposing penalty of 50% of the duty determined in cases where transaction details are available in specified records by removing such cases from the statue from the date of assent of Finance bill 2015.
- b) If Duty and interest payable under section 11AA is paid within 30 days of issue of Show Cause Notice then penalty of 15% of the Duty demanded is payable provided that such reduced penalty is also paid within the above period of 30 days.
- c) If duty and Interest payable under section 11A and 11AA are paid within 30 days of the date of order of the Central Excise officer determining such duty, the amount of penalty will be reduced to 25% of the penalty payable.
- d) If duty is reduced in appellate proceedings then penalty amount shall also stand modified and the benefit of reduced penalty of 25% will be available only if duty, interest and penalty are paid within 30 days of such appellate order.

3) Section 31

Proviso to sub-section (c) of Section 31 relating to provisions of settlement commission has been amended to provide that when any proceedings is referred back, whether in an appeal or revision or otherwise by any court or tribunal or any other authority to the

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adjudication authority for fresh adjudication or decision, then such case shall not be entitled for settlement.

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Custom Act 1962

✓ Amendments in Customs Act 1962:

1) Section 28

- a) A Proviso to sub section (2) of Section 28 stated that no penalty shall be levied and proceedings against a person shall be deemed to be have been concluded if duty along with the interest payable thereon has been paid in full within 30 days from the date of receipt of notice under sub section (1).

This proviso has been amended to provide that such relaxation will be available only in cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of the provisions of any act or rules with intent to evade the payment of duty.

- b) Penalty in the above case of fraud or collusion or wilful misstatement etc. will be levied @15% instead of present 25%.

2) Section 112

- a) Has been amended to Provide that penalty for improper importation of goods by a person, other than prohibited goods, which he knows or has reasons to believe are liable to confiscation u/s. 111, shall, subject to provisions of section 114A, be liable to penalty not exceeding 10% of the duty evaded or Rs. 5000/-, whichever is greater.
- b) It is also provided that in cases of short levy or non levy or short payment or non payment or erroneous payment of duty for reason of collusion or wilful misstatement or suppression of facts, if duty along with the interest is paid in full within 30 days from the date of communication of order determining duty, the amount of penalty payable shall be 25% of the penalty so determined.

3) Section 114

- a) Has been amended to provide that penalty for improper exportation of goods by a person, other than prohibited goods, which he knows or has reasons to believe are liable to confiscation u/s. 113, shall, subject to provisions of section 114A, be liable to penalty not exceeding 10% of the duty evaded or Rs. 5000/-, whichever is greater.
- b) It is also provided that in cases of short levy or non levy or short payment or non payment or erroneous payment of duty for reason of collusion or wilful misstatement or suppression of facts, if duty along with the interest is paid in full within 30 days from the date of communication of order determining duty, the amount of penalty payable shall be 25% of the penalty so determined.

4) Section 127

- a) Proviso to clause (B) of section 127A relating to provisions of settlement commission has been amended to provide that when any proceedings is referred back, whether in an appeal or revision or otherwise by any court or tribunal or any other authority to the adjudication authority for fresh adjudication or decision, then such case shall not be entitled for settlement.

Analysis of The Finance Bill - 2015

Significant Proposals in Brief

✓ Changes in Customs Rates

- Basic Customs Duty on ulexite ore is being reduced from 2.5% to Nil.
- Export duty on ilmenite, upgraded beneficiated ilmenite including ilmenite ground is being reduced from 5% to 2.5%.
- The tariff rate of Basic Customs Duty on Bituminous coal [2701 12 00] is being reduced from 55% to 10%. A suitable amendment has been proposed in the Customs Tariff Act, 1975. However, the effective rate of Basic Customs Duty on Bituminous coal continues to be 2.5%.
- Basic Customs Duty on metallurgical coke [2704 00] is being increased from 2.5% to 5%.
- Special Additional Duty (SAD) on Naphtha [2710] for use in manufacture of excisable goods is being reduced from 4% to 2%.
- Basic Customs Duty on liquefied butanes [2711 13 00] is being reduced from 5% to 2.5%.
- Scheduled rate of Additional Duty of Customs levied on imported Motor Spirit [Petrol] and High Speed Diesel Oil [commonly known as Road Cess] is being increased from ₹ 2/- per litre to ₹ 8/- per litre. These changes will come into force with immediate effect.
- Basic Customs duty on sulphuric acid for the manufacture of fertilizers is being reduced from 7.5% to 5%.
- Basic Customs duty on isoprene is being reduced from 5% to 2.5%.
- Basic Customs duty on styrene, ethylene dichloride (EDC) and Vinyl Chloride Monomer (VCM) is being reduced from 2.5% to 2%.
- Special Additional Duty (SAD) on styrene, ethylene dichloride (EDC) and Vinyl Chloride Monomer (VCM) for use in manufacture of excisable goods is being reduced from 4% to 2%.
- Basic Customs duty on anthraquinone is being reduced from 7.5% to 2.5%.
- Basic Customs duty on butyl acrylate is being reduced from 7.5% to 5%.
- Tariff rate of Basic Customs Duty on iron and steel (Chapter 72) and articles of iron or steel (Chapter 73) is being increased from 10% to 15%. However the existing effective rate of BCD on these goods are being retained.
- Special Additional Duty of Customs (SAD) on melting scrap of iron or steel, stainless steel scrap for the purpose of melting, copper scrap, brass scrap and aluminium scrap is being reduced from 4% to 2%.
- Basic Customs duty on antimony metal and antimony waste and scrap is being reduced from 5% to 2.5%.
- Basic Customs Duty on C- Block Compressor, Crank Shaft and Over Load Protector (OLP) & Positive thermal co-efficient for use in the manufacture of Refrigerator compressors is being reduced from 7.5% to 5%.
- Basic Customs Duty on specified components of CNC Lathe machines and Machining Centres, namely Ball screws, Linear Motion Guides and CNC Systems is being reduced from 7.5% to 2.5%, subject to actual user condition.
- Basic Customs Duty on ceria zirconia compounds, cerium compounds and zeolite is being reduced from 7.5% to 5% for use in manufacture of washcoat, which is used in catalytic converters, subject to actual user condition.

Analysis of The Finance Bill - 2015

Significant Proposals in Brief

- Parts and components of cash dispenser and automatic bank note dispensers are exempt from Basic Customs Duty. However, since the classification of parts was not mentioned in the relevant notification, there were doubts about the scope of the exemption for parts of cash dispenser and automatic bank note dispensers. As the 'parts and components of cash dispensers and automatic bank note dispensers' were specifically included in the description of goods even though their classification was not, it is clarified that the benefit of exemption from Basic Customs Duty was available to parts and components of cash dispenser and automatic bank note dispensers.
- Basic Custom Duty is being exempted on evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system, subject to actual user condition.
- Parts & Sub Parts, components and accessories for use in the manufacture of tablet computer are being exempted from basic Custom Duty and CVD.
- High Density Polyethylene (HDPE) for manufacture of telecommunication grade optical fibres or optical fibre cables is being exempted from basic Custom Duty.
- Basic Custom Duty is being reduced from 10% to 7.5% on Water Blocking Tape, Ethylene-propylene-non-conjugated diene rubber (EPDM) and Mica glass tape for use in the manufacture of insulated wires and cables, subject to actual user condition.
- Basic Custom Duty is being reduced from 10% to 7.5% on metal parts for use in manufacture of electrical insulators, subject to certain conditions.
- Concessional Basic Custom Duty of 5% is being extended to AEC (Active Energy Controller) for manufacture of Renewable Power System (RPS) inverters, subject to certification by Ministry of New and Renewable Energy [MNRE].
- Basic Custom Duty is being reduced from 10% to Nil on Digital Still Image Video Cameras capable of recording video with minimum resolution of 800x600 pixels, at minimum 23 frames per second, for at least 30 minutes in a single sequence, using the maximum storage (including the expanded) capacity. Basic Custom Duty is also being also reduced from 5% to Nil on parts and components for use in the manufacture of such Digital Cameras.
- Basic Custom Duty is being reduced on Organic LED (OLED) TV panels from 10% to Nil.
- Basic Custom Duty is being exempted on Black Light Unit Module also for manufacture of LCD/LED TV panels, subject to actual user condition.
- Basic Custom Duty is being reduced from 5% to Nil on magnetron (upto 1 KW) used for the manufacture of domestic microwave oven.
- Special Additional Duty (SAD) is being exempted on all goods [except populated PCBs] for use in the manufacture of ITA bound goods, subject to certain conditions.
- Special Additional Duty (SAD) is being exempted on all inputs which are used in the manufacture of LED driver and MCPCB for LED lights and Fixtures & LED Lamps, subject to certain conditions.
- Tariff rate of BCD on import of vehicles falling under the heading commercial vehicles is being increased from 10% to 40%. This increase will come into force with immediate effect. An effective BCD rate of 10% is being prescribed on vehicles falling under the heading commercial

Analysis of The Finance Bill - 2015

Significant Proposals in Brief

vehicles when imported in a Completely Knocked Down (CKD) kit. All such vehicles when imported in any other form will attract BCD of 20%. However, electrically operated vehicles including in CKD condition, for transport of persons falling under heading 8702 would continue to attract 10% BCD.

- The validity period of exemption granted to specified goods for use in the manufacture of hybrid and electrically operated vehicles is being extended by one more year up to 31st March, 2016.
- CVD is being exempted on specified raw materials for use in the manufacture of pacemakers.
- Basic Customs Duty on specified inputs for use in the manufacture of flexible medical video endoscope is being reduced from 5% to 2.5%.
- Basic Customs Duty and CVD is being fully exempted on artificial hearts (left ventricular assist device).
- Basic Customs Duty and CVD leviable on life saving drugs and medicines imported by an individual for personal use subject to certain Condition is exempt.
- CVD and SAD exemption on specified goods imported for use by Security Printing and Minting Corporation of India Limited (SPMCIL) are being withdrawn.

TDS Rates for Financial Year 2015-16 (A.Y. 2016-2017)

PARTICULARS			DUE DATE		Rate applicable (in %)			
Section	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is a Co-op. Society, Firm, LLP	If recipient is an Individual, HUF	Invalid PAN No. / No PAN
Sec-194A	Interest from Banks, Post Office, Co-op Bank	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194A	Other Interest	Payment in excess of Rs. 5,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194B	Winnings from Lottery or Crossword Puzzle	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made		NA	NA	30.00	30.00
Sec-194BB	Winnings from Horse Race	Payment in excess of Rs. 5,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	NA	30.00	30.00
Sec-194C	Contracts including Sub-contracts and Advertisements	Payment in excess of Rs. 30,000 per contract or Rs. 75,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	1.00	20.00
Sec-194D	Insurance Commission	Payment in excess of Rs. 20,000 p.a.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194H	Commission or Brokerage	Payment in excess of Rs. 5,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194J	Professional Charges	Payment in excess of Rs. 30,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
	Remuneration Paid to Director Other than Salary	NIL	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194I	Rent of Land, Building, Furniture and Fittings	Payment in excess of Rs. 1,80,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194I	Rent of Plant & Machinery	Payment in excess of Rs. 1,80,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	2.00	20.00
Sec-194IA	Payment of Transfer of Immovable Property other than agricultural land	Consideration exceeds Rs. 50,00,000	Before registering the documents with the registrar	Within One Month from the end of the month in which deduction is made.	1.00	1.00	1.00	20.00
Sec-194LA	Payment of Compensation on compulsory acquisition of Immovable Property	Payment in excess of Rs. 2,00,000 p.a	On the date of deduction	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00

Note : 1) TDS is required to be deducted u/s 194-C in case of payment to transporter, if contractor owns more than 10 goods carriages at any time during the year.

TDS Rates for Financial Year 2015-16 (A.Y. 2016-2017)

PARTICULARS			DUE DATE		Rate applicable (in %)			
Section	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is a Co-op. Society, Firm, LLP	If recipient is an Individual, HUF	Invalid PAN No. / No PAN
Sec-194LB	Interest on Infrastructure debt fund paid to non-resident individual or to a foreign company	NIL	At the time of making payment or credit which ever is earlier	-	5.00	5.00	5.00	20.00
Sec-194LBA	Income distributed by business trust to it's unit holders	-	-	-	-	5.00	5.00	20.00
Sec-194LC	Interest on loan paid to non-resident individual for or to a foreign company approved by Central Government by a specified Company and subscribing long term infrastructure bond	NIL	At the time of making payment or credit which ever is earlier	-	5.00	5.00	5.00	5.00
Sec-194DA	Taxable payment of Life Insurance policy in excess of Rs. 1,00,000.00	-	-	-	-	-	2.00	20.00

TDS Rates for Financial Year 2015-16 (A.Y. 2016-2017)

Section	Nature of Payment	Individual, HUF, BOI, AOP	Firms & LLP	Co-op. Soc. Local Authority	Company
206C	Scrap	1.00	1.00	1.00	1.00
206C	Tendu leaves	5.00	5.00	5.00	5.00
206C	Timber obtained by any mode and any other forest produce	2.5	2.5	2.5	2.5
206C	Alcoholic liquor for human consumption and Indian made foreign liquor	2.5	2.5	2.5	2.5
206C	Parking lot, tall plaza, mining and quarrying	2.00	2.00	2.00	2.00
206C	Minerals being coal or lignite or iron ore	1.00	1.00	1.00	1.00

TDS Rates for Financial Year 2015-16 (A.Y. 2016-2017)

PARTICULARS			DUE DATE		RATES		
Section	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is an Individual, Firm, LLP, HUF, or Co-op. Society	Invalid PAN No. / No PAN
Sec-195	Payment to Non Resident				IT	IT	IT
a	In come from Foreign Exchange Assets payable to an Indian citizen	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	20.00	20.00
b	Income by way of Long Term Capital Gains - 115E	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	10.00	20.00
c	Short Term Capital Gain - 111A	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	15.00	15.00	20.00
d	Long Term Capital Gains other than 10(33), 10(36) & 10(38)	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
e	Income by way of Interest payable by Government/Indian Concerns on Money borrowed in Foreign Currency	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
f	Royalty agreement before June 1, 1997	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	30.00	30.00	30.00
f	Royalty agreement after May 31, 1997 & before June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
f	Royalty agreement after June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	25.00	25.00	25.00
h	Fees for technical Services before June 1997	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	30.00	30.00	30.00
h	Fees for technical Services May 31, 1997 & before June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
h	Fees for technical Services after June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	25.00	25.00	25.00
i	Any other Income if recipient is a Non Resident & Non corporate assessee	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	30.00	30.00
j	Any other Income if recipient is a Non Domestic Company	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	40.00	NA	40.00
k	Payment to sportsman/sport Asso. & entertainer	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
l	Income distributor by a business trust to it's unit holder (sec.194 LBA)	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	20.00

Note: 1) Rate of deduction in case of non-domestic companies having income more than Rs. 1 Crore will be increased by surcharge @ 2% and 5% having income more than Rs. 10 Crores.

2) Rate of deduction in case of all NRIs including non-domestic companies will be increased by education cess @3%