

# Budget



## Union Budget 2015

Boundless

–  
Key highlights\*

*Dare to break complexity*

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**A. Estimates – Revenue / Expenditure for the year**

S. No	Particulars	Amount (rupees in crores)
1	Total planned and non-planned expenditure (includes Defence, Internal Security etc.)	1,777,477
2	Gross Tax receipts	1,449,490
3	Devolution to the States	523,958
4	Share of Central Government	919,842
5	Non Tax Revenues for FY 2016-17	221,733
6	Expected revenue loss due to change in direct tax proposals	8,315
7	Expected yield due to change in direct tax proposals	23,383
8	Net revenue gain due to all tax proposals	15,068

**B. Critical fund allocations**

S. No	Name of the fund / schemes / purpose	Amount (rupees in crores)
1	Micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'	5,300
2	Rural Infrastructure Development Fund (RIDF) set up in NABARD	25,000
3	Long Term Rural Credit Fund	15,000
4	Short Term Co-operative Rural Credit Refinance Fund	45,000
5	Short Term RRB Refinance Fund	15,000
6	Micro Units Development Refinance Agency (MUDRA) Bank (including credit guarantee)	23,000
7	National Investment and Infrastructure Fund (NIIF)	20,000
8	Agricultural credit	850,000
9	Atal Innovation Mission (AIM) to be established in NITI	150
10	(SETU) Self-Employment and Talent Utilization) as part of NITI	1,000
11	Nirbhaya Fund	1,000

**C. General proposals**

- Fiscal deficit targets are 3.9%, 3.5% and 3.0% in FY 2015-16, 2016-17 & 2017-18 respectively.
- Widening of postal networks across villages to access formal financial system
- 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode.
- 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.
- Focus on improving the quality and effectiveness of activities under MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act).

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- 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.
- Visas on arrival to be increased to 150 countries in stages.
- Tax Administration Reform Commission (TARC) recommendations shall be appropriately implemented during the course of the year.
- Applicability of indirect transfer provisions on dividends paid by foreign companies to their shareholders to be clarified shortly.

### **D. Foreign Investment in India**

- Proposal of creation of expert committee to draft a suitable legislation so as to make India an investment destination, requiring least permissions.
- Foreign investments in Alternate Investment Funds to be allowed.
- Composite caps is proposed for different types of foreign investments

### **E. New Schemes to be launched / update on existing projects**

S. no	Name	Objective
1	New legislation (not yet named)	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 employees' contribution.
2	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.
3	Pradhan Mantri Suraksha Bima Yojna	To cover accidental death risk of Rs. 2 Lakh for a premium of just Rs.12 per year.
4	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.
5	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.
6	Deen Dayal Upadhyay Gramin Kaushal Yojana	To enhance the employability of rural youth.
7	Senior Citizen Welfare Fund.	Unclaimed deposits of about Rs. 3,000 crores in the PPF, and approximately Rs. 6,000 crores in the EPF corpus will be used to subsidize the premiums on this proposed Fund
8	First phase of GIFT (Gujarat International Financial Finance Tec) City project completed	-

**F. New institution to be opened**

S. no	Name	Objective
1	An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad	To be upgraded in to a full-fledged IIT.
2	New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh, Assam, Bihar	-
3	A post graduate institute of Horticulture Research & Education is to be set up in Amritsar.	
4	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.	-
5	An autonomous Bank Board Bureau	To improve the governance of public sector bank.
6	Speeding up the National Optical Fibre Network Programme (NOFNP) by allowing willing states to execute on reimbursement of cost basis.	-
7	A project development company to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.	-
8	Public Debt Management Agency (PDMA)	To bring both external and domestic borrowings under one roof

**G. Proposed restructuring**

- Corporatisation of Ports in public sector to attract investment and leverage the huge land resources.
- Forward Markets commission to be merged with SEBI.
- NBFCs (having asset size of Rs. 500 crore and above) registered with RBI may be considered for notifications as 'Financial Institution' in terms of the SARFAESI (The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest) Act, 2002.

**H. Direct Tax proposals**

- No change in rate of personal income tax.
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year.
- Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors will be launched.
- Income-tax rate on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow.
- Wealth-tax replaced with additional surcharge of 2 per cent on super rich with a taxable income of over Rs. 1 crore annually.

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- Prohibition of acceptance or re-payment of an advance of Rs. 20,000 or more in cash for purchase of immovable property.
- PAN being made mandatory for any purchase or sale exceeding Rupees 1 lakh.
- GAAR (General Anti Avoidance Rule) to apply to investments made on or after 01.04.2017, when implemented.
- Amendment in business expenditure:
  - Additional investment allowance (@ 15%) and additional depreciation (@35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana.
  - Balance of 50% of additional depreciation @ 20% for new plant and machinery installed and used for less than six months by a manufacturing unit or a unit engaged in generation and distribution of power is to be allowed immediately in the next year.
- Transfer pricing:
  - Domestic transfer pricing threshold limit increased from Rs. 5 crores to Rs. 20 crores.
- Assessment:
  - Monetary limit for a case to be heard by a single member bench of ITAT increase from Rs. 5 lakhs to Rs. 15 lakhs.
  - Seized cash can be adjusted towards assessee's tax liability.
- Deductions / exemptions:
  - Donation made to National Fund for Control of Drug Abuse (NFCDA) to be eligible for 100% deduction u/s 80G of Income-tax Act.
  - 100% deduction for contributions, other than by way of CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund.
  - Limit of deduction of health insurance premium increased from Rs. 15,000 to Rs. 25,000, for senior citizens limit increased from Rs. 20,000 to Rs. 30,000.
  - Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of Rs. 30,000 towards medical expenditures.
  - Deduction limit of Rs. 60,000 with respect to specified disease of serious nature enhanced to Rs. 80,000 in case of senior citizen.
  - Additional deduction of Rs. 25,000 allowed for differently-abled persons.
  - Limit on deduction on account of contribution to a pension fund and the new pension scheme increased from Rs. 1 lakh to Rs. 1.5 lakhs.
  - Additional deduction of Rs. 50,000 for contribution to the new pension scheme u/s 80CCD
  - Payments to the beneficiaries including interest payment on deposit in Sukanya Samriddhi scheme to be fully exempt.
  - Proposed deduction for employment of new regular workmen to all business entities and eligibility threshold reduced.
- Amendment in Charitable institutions:
  - Yoga to be included within the ambit of charitable purpose under Section 2(15) of the Income-tax Act.
  - Change in ceiling limit to 20% of the total receipts from the existing ceiling of Rs. 25 lakh, on receipts from activities in the nature of trade, commerce or business
- REITs:
  - Rationalisation of capital gains regime for the sponsors exiting at the time of listing of the units of REITs and InvITs.
  - Rental income of REITs from their own assets to have pass through facility.
- Others
  - Permanent Establishment (PE) norms to be modified.
  - MAT rationalised for FIIs and members of an AOP.

- Tax “pass through” to be allowed to both category I and category II alternative investment funds.
- Third party reporting entities would be required to furnish information about foreign currency sales and cross border transactions.
- Certain provision to be made to tackle splitting of reportable transactions.

## **I. Indirect tax proposals**

### **(a) Service tax**

- Service-tax plus education cess increased from 12.36% to 14% to facilitate transition to GST.
- Online central excise and service tax registration to be done in two working days.
- Time limit for taking CENVAT credit on inputs and input services increased from 6 months to 1 year.
- Central excise/Service tax assesses to be allowed to use digitally signed invoices and maintain record electronically.
- Certain Service tax exemptions to:
  - Services by Common affluent treatment plant
  - Varishtha Bima Yojana.
  - Pre cold storage services in relation to fruits and vegetables so as to incentivise value addition in crucial sector.
  - Services of pre-conditioning, pre-cooling, ripening etc. of fruits and vegetables.
  - Life insurance service provided by way of Varishtha Pension Bima Yojana.
  - All ambulance services provided to patients.
  - Admission to museum, zoo, national park, wild life sanctuary and tiger reserve.
  - Transport of goods for export by road from factory to land customs station.
  - Construction, erection, commissioning or installation of original works pertaining to an airport or port withdrawn.
  - Transportation of agricultural produce to remain exempt from Service-tax.
- Proposed levy of Service-tax:
  - Service provided by way of access to amusement facility, entertainment events or concerts, pageants, non-recognised sporting events etc.
  - All services provided by the Government or local authority to a business entity

### **(b) Excise**

- Exemptions / duty reduction / concessions:
  - All goods, except populated printed circuit boards for use in manufacture of ITA (Information Technology Agreement) bound items, exempted from SAD. SAD reduced on import of certain inputs and raw materials.
  - Excise duty on chassis for ambulance reduced from 24% to 12.5%
  - Education cess and the Secondary and Higher education cess to be subsumed in Central Excise Duty.
  - Excise duty on footwear with leather uppers and having retail price of more than Rs.1000 per pair reduced to 6%.
  - Excise duty exemption for captively consumed intermediate compound coming into existence during the manufacture of agarbathi.
  - Excise duty on rails for manufacture of railway or tram way track construction material exempted retrospectively from 17-03-2012 to 02-02-2014, if not CENVAT credit of duty paid on such rails is availed.

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- Increase in duty:
  - Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.
- Other changes:
  - Specific rates of central excise duty in case of certain other commodities revised.
  - Excise levy on cigarettes and the compounded levy scheme applicable to pan masala, gutkha and other tobacco products also changed.

### (c) Custom

- Increase in basic custom duty:
  - Tariff rate from 2.5% to 5% on Metallurgical coke.
  - Tariff rate from 10% to 15% on articles of iron and steel
  - Tariff rate from 10 % to 40% on commercial vehicle
- Exemptions / duty reduction / concessions:
  - BCD on certain inputs, raw materials, inter mediates and components in 22 items, reduced.
  - Import of Artificial heart exempt from BCD of 5% and CVD.
  - BCD on digital still image video camera with certain specification reduced to nil.
  - Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016.

### (d) Others:

- GST might become reality from April 2016 onwards
- Penalty provisions in indirect taxes to be rationalized.
- Others:

S. No	Particulars
1	<b>Clean energy cess</b> increased from Rs.100 to Rs.200 per metric tonne of coal
2	<b>Proposed Swachh Bharat cess</b> (to the extent of 2%), on all or certain services
3	<b>Conversion of existing excise duty</b> on petrol and diesel to the extent of Rs. 4 per litre <b>into Road Cess</b> to fund investment.

### J. New Proposed legislations

S.no.	Name *	Objective
1	Benami Transactions (Prohibition) Bill	To curb domestic black money to be introduced in the current session of Parliament.
2	Comprehensive Bankruptcy Code of global standards (to be brought in fiscal 2015-16)	Towards ease of doing business.
3	Bill for black money parked abroad	-
4	India Financial Code	-
5	Amendment in the Government Securities Act and the RBI Act	-
6	Specific provisions to be laid down	Mechanism to exchange information between CBDT and

		CBEC
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\* Direct Taxes Code shall not be applicable at least in few more years.

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