



## RECENT AMENDMENTS IN INCOME TAX

1. Rate of surcharge has been increased from 12% to 15% if total income of an individual / HUF/AOP/BOI/trust exceeds Rs. 1 crore.

2. An additional tax at 10% shall be paid by a resident individual, HUF or a firm on gross amount of dividend, if such dividend received by them from a domestic company exceeds Rs. 10 lakhs per annum.

3. Tax relief under Section 87A has been raised from 2,000 to Rs. 5,000. This relief is available to a resident individual if the total income is not more than Rs. 5,00,000.

4. In case of domestic company, the rate of Income-tax shall be 29% of the total income if the total turnover or gross receipts of the company in the previous year 2015-16 does not exceed Rs. 5 crore and in all other cases the rate of Income-tax shall be 30% of the total income.

5. TCS is to be levied at 1% in case of sale in cash of goods or services, if value thereof exceeds Rs.2 lakhs. Further, levy of at 1% on sale of motor vehicle is applicable if the value exceeds Rs. 10 Lakhs.

6. A new section 44ADA is introduced for computing professional income on presumptive basis at 50% of gross receipts if the receipts do not exceed Rs. 50 Lakhs. The assessee has the option to get assessed under this provision.

7. The limit for compulsory audit for professionals under section 44AB is increased from Rs. 25 Lakhs to Rs. 50 Lakhs.

8. Advance tax provisions shall apply to assessee's opting for presumptive taxation u/s 44AD.

9. The limit of section 44AD which applies to eligible assessee's who are engaged in business is increased to Rs. 2 Crores from Rs. 1 Crore.

10. In order to provide relief to newly setup domestic companies, the rate of tax is 25% subject to certain conditions which have been stipulated.

11. Section 54EE is introduced to provide exemption from capital gains tax if the Long term capital gains proceeds are invested by an assessee in units of such specified funds, as may be notified by the Central Government in this behalf and such amount remains invested for 3 years. The Investment in the units of the fund shall be allowed maximum up to Rs. 50 Lakhs.

12. In order to encourage indigenous research & development activities a concessional tax of 10% has been introduced u/s. 115BBF subject to conditions stipulated therein.

13. 100% deduction of the profits of an assessee developing and building affordable housing projects approved by the competent authority before the 31-03-2019 subject to certain conditions.

14. Additional deduction in respect of interest on loan availed for residential house property from any

financial institution up to Rs. 50,000 if the value of the house is less than Rs. 50 Lakhs and loan granted during 01-04-2016 to 31-03-2017 does not exceed Rs. 35 Lakhs. The benefit shall last till repayment of loan. This deduction will be over and above the limit of Rs. 2,00,000 as per Section 24(b).

15. The deduction under the provisions contained u/s. 80JAA shall be available in respect of cost incurred on any employee whose total emolument does not exceed Rs. 25,000 pm. No deduction, however, is available in respect of cost incurred on those employees, for whom the entire contribution under Employees' Pension Scheme is paid by the Government.

16. Section 80GG (deduction for rent paid) has been amended so as to increase the maximum limit of deduction from Rs. 2,000 pm to Rs. 5,000 pm.

17. Shares received by an individual or HUF as a consequence of demerger or amalgamation of a company shall not attract the provisions of clause (vii) of sub-section (2) of section 56.

18. The deduction on account of interest paid on housing loan shall be available if the acquisition or construction is completed within 5 years (as against current 3 years).

19. Provisions of section 206AA shall not apply to a non-resident, not being a company, or to a foreign company, in respect of any other payment, other than interest on bonds, subject to such conditions as may be prescribed.

20. Non-compete fees and exclusivity rights shall also be taxed under "profits and gains from business and profession".

21. If the sale agreement is entered much before the actual date of transfer of the immovable property in which actual sale consideration is mentioned, then the stamp duty value as on the date of sale agreement shall be deemed to be full value of consideration.

22. Any payment by NPS trust to an employee on account of closure of pension scheme, to the extent of 40% of accumulated balance, shall be exempt from tax. However, the whole amount received by nominee, on death of the assessee shall be exempt from tax.

23. If a person having income which is exempt u/s 10(38) and income of such person without giving effect to the said clause of section 10 exceeds the maximum amount which is not chargeable to tax, shall also be liable to file income tax return.

24. Time limit for filing return has also been reduced. Any person, who has not furnished a return within the time allowed, may furnish the return at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. Belated return can be revised within such time as mentioned in section 139(5) of the Act.

25. A return filed shall not be regarded as defective merely because self-assessment tax and interest

## EDITORS NOTE

As part of our firm belief that, educating our clients in matters relating to their legal obligations under tax laws and other statutes would help them in compliance and thereby peace of mind, we have pleasure in bringing recent important developments and monthly compliance diary by way of this newsletter. Your suggestions for its improvements are welcome.

## CONTENTS

**Pg 1- Editor's Note**  
- Recent Amendments in Income Tax-

**Pg 2- Income declaration Scheme 2016**  
- Tamilnadu VAT  
- Changes in filing & submission of returns  
- Amendment in Service Tax & Excise

**Pg 3- Relevant Case laws**

**Pg 4- Specific provisions of IT Act to improve prospects of deductibility of CSR**  
- FEMA

## TAX DUE DATES FOR THE MONTH OF JUNE 2016

Sl. No	Particulars	Due Date
1	Service Tax Payment	05- Jun- 2016 / 06- Jun- 2016
2	Central Excise Payment	05- Jun- 2016 / 06- Jun- 2016
3	TDS / TCS Payment/Remittance	07- Jun- 2016
4	Central Excise Monthly Return	10- Jun- 2016
5	STPI Monthly Returns	10- Jun- 2016
6	CST Payment	20- Jun- 2016
7	VAT Monthly Payment (Form 100)	20- Jun- 2016
8	PT Payment - Employees	20- Jun- 2016
9	ESIC Payment	21- Jun- 2016
10	PF Payment	25- Jun- 2016

© Randy Glasbergen  
glasbergen.com



"The word 'audit' comes from 'auditory' which means 'to hear bad news coming'."

Continued...





payable have not been paid on or before the due date of filing of return.

26. Where a notice is issued for scrutiny assessment under Section 143(2), the return filed need not be processed before the expiry of one year from the end of the financial year in which return is furnished.

27. In cases where the return is filed after the due date, the period for which interest on refund is granted may begin from the date of filing of return. An additional interest on such refund amount, which arises out of appeal being delayed beyond the prescribed time, shall be calculated at the rate of 3% p.a., for the period beginning from the date following the date of expiry of the time allowed under sub-section (5) of section 153 to the date on which the refund is granted.

28. Section 271 shall not apply to and in relation to any assessment for the assessment year commencing on or after the 01-04-2017. Penalty shall be levied under the newly inserted section 270A w.e.f. 01-04-2017. The new section 270A provides for levy of penalty in cases of under-reporting and mis-reporting of income.

29. An assessee may make an application to the Assessing Officer for grant of immunity from imposition of penalty under section 270A and initiation of proceedings under section 276C (prosecution), provided he pays the tax and interest payable as per the order of assessment or reassessment within the period specified in such notice of demand and does not prefer an appeal against such assessment order.

30. Disallowance under section 14A will be limited to 1% of the average monthly value of the investments yielding exempt income, but not exceeding the actual expenditure under rule 8D.

#### Tax incentives for eligible start-ups are:

- Deduction of 100% of the profits and gains derived by an eligible start-up from a business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.
- The benefit is available to all startups which are setup by 01-04-2019.

## Income Declaration Scheme, 2016

The Scheme provides an opportunity to persons who did not declare their entire income in the past to declare undisclosed income chargeable to tax under the Income-tax Act and pay tax, surcharge and penalty totaling in all to forty-five per cent of such undisclosed income declared.

The declaration under the Scheme can be made on or after the date of commencement of this Scheme but before 30-9-16.

## TAMILNADU VAT

- Clearing and Forwarding Agent should get themselves registered.
- Tax deductor Identification number required for deducting TDS
- Input tax can be claimed only when the tax payment is made to the registered dealer
- Input tax paid or payable is substituted by Input tax paid
- In so far as sale of goods to SEZ is concerned, the new provision covers sale of goods to any

registered dealer located in SEZ in the State for the purpose of use in manufacture, trading, production, processing, assembling, packaging or for use as packing material or packing accessories if such registered dealer has been authorised to establish such units by the authority specified by the Central Government in this behalf.

- Advance inward way bill may be produced by a driver or any other person in charge of the goods vehicle entering the State from a place outside the State to a destination within the State carrying goods that may be notified

## Changes in filing & submission of returns

Activity	Old/Present System	New System
FILING OF RETURNS	<ul style="list-style-type: none"> <li>• Form I to be filled online</li> <li>• Annexures to be uploaded in excel format</li> <li>• Form 1 to be filled online</li> <li>• Annexures and Appendix to be uploaded</li> <li>• Payment to be made after uploading</li> </ul>	<ul style="list-style-type: none"> <li>• Annexures are to be filled up as per the xls. template</li> <li>• After validation an xml. Will be generated</li> <li>• Generated xml. is to be uploaded</li> <li>• After uploading all annexures, request for Form generation is to be made online</li> <li>• A single form for VAT, CST, LUXURY TAX, ENTERTAINMENT TAX ETC. will be automatically generated</li> <li>• The Website will guide to the E-Payment process</li> <li>• Once the payment is verified final submission of form can be given</li> </ul>
REVISED RETURNS	To be filed Manually within six months	Can be filed online any no. of times within a period of six months
GENERATION OF FORMS	Forms Will be generated 20 days after filing of monthly returns	<ul style="list-style-type: none"> <li>• Forms to be generated 20 days after every quarter</li> <li>• Whenever CST purchase returns are reported, the forms already generated gets cancelled automatically and new forms are generated.</li> </ul>

## Amendment in Service Tax & Excise

1. The facility for revision of return which was hitherto available to service tax assessee only, has been extended to manufacturers also.

2. Enabling provision made to levy Krishi Kalyan Cess (KKC) on all taxable services w.e.f. 01-06-2016.

3. The exemption on following services has been withdrawn –

- Services by senior advocate to an advocate or firm of advocates providing legal services
- Service of construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 01-03-2016 shall be taxable @ 5.60%,
- Services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway shall be taxable @ 14%,
- Service Tax is being levied on transportation

of passengers by air conditioned stage carriage with effect from 01-06-2016, at the same level of abatement as applicable to the transportation of passengers by a contract carriage, that is, 60% without credit of inputs, input services and capital goods.

4. The following few services shall be new entry for exemption:

- The services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies are exempted
- Services by way of construction etc. in respect of-
  - i. housing projects under Housing for All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);

ii. low cost houses upto a carpet area of 60square metres in a housing project under "Affordable housing in Partnership" component of PMAY,

iii. low cost houses upto a carpet area of 60squaremetres in a housing project under any housing scheme of the State Government,

iv. Services of construction provided to the government, a local authority in respect of construction of govt. schools, hospitals, etc. or construction of ports or airports.

5. The benefit of quarterly payment of Service Tax is being extended to 'One Person Company' (OPC) and HUF

6. Services provided by mutual fund agents to asset management company are taxable under forward charge

Continued...





7. Interest rates on delayed payment of duty/tax made uniform at 15% except where service tax collected but not deposited by exchequer interest rate will be 24%. Where value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest shall be 12%.

8. The rate of abatement in respect of services by way of construction of residential complex, building, civil structure, or part thereof, shall be 70% as against current (70%/75%) therefore new rate of tax shall be 4.20%,

9. The new rate of service tax in case of GTA services used for shifting of household goods shall be 5.60%.

10. Service tax on the services of Information Technology Software on media bearing RSP is exempted from with effect from 01-03-2016 provided Central Excise duty is paid on RSP

11. Limitation period is increased from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of Service Tax.

12. The power to arrest in Service Tax is being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer above a threshold of Rs 2 crores. The monetary limit for launching prosecution is being increased from Rs.1 crore to Rs.2crores of Service tax evasion.

13. Annual returns for service tax and Cenvat credit introduced - to be submitted by 30th November of the following year.

14. The rate of interest shall be reduced by 3% if the gross receipts are less than Rs. 60 Lakhs.

## RELEVANT CASE LAWS

### CUSTOMS ACT

1. Confiscation in lieu of redemption fine and imposition of penalty - Section 114A of the Customs Act, 1962 - Mis-declaration of description of imported goods - Zinc Ash" as "Zinc Dross" - No intention to evade duty - Decided partly in favour of appellant by CESTAT AHMEDABAD

2. Leviability of Anti Dumping Duty and imposition of penalties - Confiscation of imported goods - Appellant classified the goods as parts of injection moulding machine whereas revenue classified it as injection moulding machine - Once it is concluded that what has been imported are nothing but parts of injection moulding machine, the case of the Revenue for imposition of Anti Dumping Duty fails and it is not warranted to examine other pleadings of both sides. - Decided in favour of appellant by CESTAT CHENNAI

3. CDMA FWT equipments are on par with cellular phones and mobile handsets as held by the Apex Court. Hence the benefit given under Notification No.21/2005 which exempts parts, components and accessories of mobile handsets including cellular phones will have to be extended to parts and accessories of CDMA FWT. Decided in favour of appellant by CESTAT CHENNAI

### CENTRAL EXCISE ACT

1. Eligibility of Cenvat credit - Debit notes raised for claiming reimbursement of rack handling charges, wagon handling charges and port railway usage charges and service tax thereon paid by them - Credit allowed - Decided in favour of appellant by CESTAT CHENNAI- Decided in favour of appellant by CESTAT MUMBAI

2. Excessive claim of duty drawback - The allegation of the Revenue is that the goods overvalued - it cannot be alleged that the goods were undervalued in the absence of contemporaneous price for the purpose of like kind of goods - Decided in favour of appellant by CESTAT NEWDELHI

3. Waiver of pre-deposit - Clandestine removal of goods - Financial hardship - High Court decided the appeal against the assessee as it has not deposited the amount against the order of the Tribunal reported in [2015 (2) TMI 925 - MADRAS HIGH COURT]- Apex Court dismissed the appeal

### SERVICE TAX

1. Seeks to amend notification No. 12/2013- ST, dated the 1st July, 2013 so as to inter alia allow refund of Krishi Kalyan Cess paid on specified services used in an SEZ - Notification No. 30/2016 dated 26-05-2016

2. Service tax paid on GTA services utilized for outward transportation of final product is allowable for the period prior to 01.04.2008 as per the definition of input services as contained in Rule 2(l) of the Cenvat Credit Rules - Decided in favour of appellant by CESTAT BANGALORE

3. Extended period of limitation - Contract for outdoor catering services - The invocation of extended period is unsustainable as the non-registration and non-payment of tax is a mere omission not traceable to guilty mind, a pre-requisite for such invocation. - Demand set aside - Decided in favour of appellant by CESTAT CHENNAI

4. Rejection of Voluntary Compliance Encouragement Scheme, 2013 (VCES) u/s 111 of the Finance Act, 2013 - VCES was initially accepted - value of services as per P&L account/Income Tax return is much higher than the value of services declared under VCES - Matter to be re-adjudicated by the original authority - Decided in favour of appellant by CESTAT NEWDELHI

### SALES TAX AND VAT

1. Rejection of C-forms - petitioner not been able to co-relate the two C-forms with matching invoices - Benefit allowed since substantial co-relation has been established - Decided in favour of appellant by Calcutta HC

2. Availing of input tax credit on photostat tax invoices/bogus invoices in the absence of selling dealer remitting the taxes to the Government and the investigations providing that they are non-existing dealers amounts to violation of the provisions of the Act and attracts levy of penalty - Decided against the petitioner by Karnataka HC

3. Whether it is possible to settle a part of a pending dispute under the West Bengal Sales Tax (Settlement of Dispute) Act, 1999 without settling the entire appeal or revision - Held No - Petition disposed of by Calcutta HC

4. Liability of purchase tax - Inter-state stock transfer - Section 12(1)(a) of TNSEZ Act, 2005 exempted a developer or entrepreneur from the levy of taxes both on the sale as well as the purchase of goods, under the Tamil Nadu General Sales Tax Act, 1959 - Decided in favour of appellant by MADRAS HC

### INCOME TAX ACT

1. Revision u/s 263 - amount received from the insurance company as well as the clients - Assessee-company could not demonstrate before us that this issue was examined by the AO during the course of assessment proceedings - revision order sustained - Decided against Assessee by ITAT Bangalore

2. The assessee is getting additional benefit on account of depreciation claimed on the tools and dyes which have been reimbursed by the clients to it by claiming additional depreciation on the same - additions confirmed - Decided in favour of Assessee by ITAT Chandigarh

3. Interest earned on fixed deposit with banks complying with the provisions of Section 11(5) is exempt and the proviso to Section 2(15) has no application to the facts of the assessee's case - Decided in favour of Assessee by ITAT Mumbai

4. Addition of difference between the value of stocks falsely declared to Canara Bank as at 31-03-2004 and 31-03-2005 confirmed - Addition of bogus creditors confirmed - Decided against Assessee by ITAT Bangalore

FOR  
EFFECTIVE  
**CSR**  
IMPLEMENTATION



iTransz eSolution Private Limited  
No.3, Sriman Srinivasa Road,  
Alwarpet, Chennai-18.  
Ph: 044 4210388  
email:itranszes@gmail.com

**www.icsrpro.com**





# CORPORATE SOCIAL RESPONSIBILITY

Specific provisions of Income Tax Act to improve prospects of deductibility of CSR:

Sr. No	Section	Whether donation based or activity Based	Deduction available for	Quantum of deduction
1	35(1)(ii)	Donation based	Sum paid to research association university, college or other institution to be used for scientific research	1.75 times of sum paid
2	35(1)(iia)	Donation based	Sum paid to a scientific R&D company to be used by it for scientific research	1.25 times of sum paid
3	35(1)(iii)	Donation based	Sum paid to research association, university college or other institution to be used in social science or statistical research.	1.25 times of sum paid
4	35(2AA)	Donation based	Any sum paid to National Laboratory or a University or IIT or a specified person with a direction that such sum is to be used for scientific research	2 times of sums paid
5	35CCC	Expenditure on agricultural extension project	Any expenditure on agricultural extension project notified by CBDT	1.5 Times of sums paid
6	35CCD	Expenditure on skill development project	Any expenditure (not being expenditure in the nature of cost of any land or building) on any skill development project notified by CBDT	1.5 Times of sums paid
7	35AC	Donation based	Sum paid to public sector company/local authority/etc for carrying out any eligible notified project for promoting social and economic welfare of the public	1Time of sums paid

## Deduction of CSR expenditure:

CSR expenditure was held deductible in the following cases:

- Funds provided for establishing drinking water facilities and providing aid to school meant for residents of the locality in which the taxpayer operated.
- Expenditure on community assistance programmes and welfare measures undertaken in the vicinity of taxpayer's manufacturing unit.
- Installation of traffic lights in the vicinity of taxpayer's office to improve traffic situation, serving dual purpose of benefitting the employees as also social commitment.
- Trips to Bhuj and Jamnagar post earthquake for relief work.
- Construction of hockey stadium for use of local residents.
- Sponsorship of sports tournaments bearing the sponsor's name on banners and association with the trophy.
- Contributions made by Pharma company to health care society and science foundation allowed as it would bring Goodwill to the assessee.

## FEMA

1. Establishment in India of a branch office or a liaison office or a project office or any other place of business in India by a person resident outside India without prior approval of the RBI is prohibited. This is not applicable to a banking or insurance company. RBI has issued detailed guidelines for such establishment. Authorised Dealer Category-I bank may extend fund and/or non-fund based facilities to branch office and project offices based on the guidelines issued by the Reserve Bank in this regard.

2. Guidelines were issued on April 1, 2016 for deposits between a person resident in India and a person resident outside India. 'Deposit' includes deposit of money with a bank, company, proprietary concern, partnership firm, corporate body, trust or any other person; Any person resident outside India having a business interest in India may open, hold and maintain with an authorised dealer in India, a

Special Non-Resident Rupee Account (SNRR account)

Resident or non-resident acquirers may, subject to the terms and conditions specified in, open, hold and maintain Escrow Account with Authorised Dealers in India

3. Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 were announced by the RBI on May 2, 2016 These regulations cover the following:

- Receipt in foreign exchange by an authorized dealer, whether by way of remittance from a foreign country or by way of reimbursement from his branch or correspondent outside India against payment for export from India, or against any other payment.
- Payment in foreign exchange by an Authorised Dealer, whether by way of remittance from India or by way of reimbursement to his

branch or correspondent outside India against payment for import into India, or against any other payment.

4. Public disclosure of Compounding Orders: For disseminating the information pertaining to compounding orders, to ensure more transparency and greater disclosure it has been decided by the RBI to host the compounding orders passed on or after June 1, 2016 on the Bank's website. The data on the website will be updated at monthly intervals. Guidance Note on computation of the amount imposed under the Foreign Exchange (Compounding Proceedings) Rules 2000 was annexed to the circular on the above matter.

5. The circular on "Acceptance of deposits by Indian companies from a person resident outside India for nomination as Director" was issued on April 13, 2016

Send your feedback, suggestions and refer you friends' emails to subscribe this Newsletter every month.  
email:sarathyvasuca@gmail.com

**Disclaimer:** This document is intended as a news update and is not legal advice to any person or entity. Before acting on the basis of information herein please obtain specific professional advice that may vary per the facts and circumstances presented. SARATHY AND VASU, Chartered Accountants does not accept any responsibility for losses or damages arising to any person using this information in a manner not intended by the Firm.