

Union Budget 2015

Key Highlights

Macro-Economic

- Fiscal deficit target for FY'15 retained at 4.1% of GDP. Aim to progressively reduce fiscal deficit to 3.9% of GDP in FY'16; 3.5% of GDP in FY'17 and 3% of GDP in FY'18.
- Goods & Services Tax (GST) proposed to be introduced from April 1, 2016.
- Non-Plan Expenditure estimated to be ₹ 13.12 lakh crore in FY '16
- Plan expenditure estimated to be ₹ 4.65 lakh crore in FY '16

Financial Markets - International Investors

- General Anti Avoidance Rule (GAAR) stands deferred by two years. GAAR shall now apply to investments made on or after April 1, 2017, when implemented.
- Foreign investments in Alternate Investment Funds will now be allowed.
- Distinction between Foreign Portfolio Investments (FPI) and Foreign Direct Investments (FDI) will be eliminated and replaced with composite caps.
- The eligible period for lower withholding tax @5% in case of interest payable to FIIs and QFI's on their investments in Government securities and rupee denominated corporate bonds is extended till June 30, 2017.
- Income tax on Royalty income and on fees for technical services in case of non-residents reduced to 10% from existing 25%.
- Rationalising Minimum Alternate Tax (MAT) for FIIs, profits corresponding to their income from capital gains on transactions in securities, which are liable to tax at a lower rate, shall not be subject to MAT.

Financial Markets - Domestic Investors

- Forward Markets Commission (FMC) to be merged with SEBI.
- Section 6 of Foreign Exchange Management Act (FEMA) will be amended through the Finance Bill to provide that the control on capital flows as equity be exercised by the Government in consultation with the RBI.
- The rental income of REITs from their own assets will now have the pass through facility.
- The benefit of concessional tax i.e. tax @15% on Short Term Capital Gains and exemption on Long Term Capital Gains will now be available to the sponsors of REITs / INVITs on sale of units received in lieu of shares of the Special Purpose Vehicle (SPV) subject to the levy of STT.
- Tax "pass through" to be allowed to both category I and category II alternative investment funds.
- Permanent Establishment norms will be modified to encourage fund managers to relocate to India.
- To facilitate consolidation of different mutual fund schemes having similar features, tax neutrality will be provided to the unit holders upon consolidation or merger of two or more schemes of an equity oriented fund or two or more schemes of a fund other than equity oriented fund.
- Gold monetisation scheme introduced to allow depositors of gold earn interest in their metal accounts.
- Sovereign Gold Bond, as an alternative to purchasing the metal gold scheme will be developed.
- Indian gold coins with the image of Ashoka Chakra on its face will be developed to reduce demand for foreign gold coins.
- Prevention of Money Laundering (PML) Act, 2002 and FEMA will be amended to enable administration of a new Act on black money.
- Domestic transfer pricing threshold limit increased from ₹ 5 crore to ₹ 20 crore.
- PAN will now be mandatory for any purchase or sale exceeding ₹ 1 lakh.

Industry

- Basic corporate tax rate shall be reduced to 25% from the existing 30% over next 4 years, starting from next financial year.
- Various corporate tax exemptions and incentives shall be rationalized and removed to reduce tax disputes.
- Investment in infrastructure to go up by ₹ 70,000 crore in FY'16.
- National Investment and Infrastructure Fund (NIIF) will be established with an annual flow of ₹ 20,000 crores to it.
- Tax free infrastructure bonds have been proposed for projects in rail, road and irrigation sectors.
- Ports in the public sector will be encouraged to corporatize and become companies under the Companies Act to attract investment.
- Target of renewable energy capacity revised to 1,75,000 MW till 2022.
- The first phase of Gujarat International Finance Tec-city (GIFT) will soon be a reality with appropriate regulations likely to be issued in March.

Taxation - (A) Direct

- No change announced in the tax exemption limit, the tax rates or the tax slabs for individual tax payers. The tax-slabs for FY'16 thus continue to remain the same as for FY '15.

Individuals (other than senior citizens)	Senior Citizens (aged 60 years & above but below 80 years)	Very Senior Citizens (aged 80 years & above)
<ul style="list-style-type: none">• Income up to ₹ 2.5 lakh - Nil tax• Income from ₹ 2,50,001 to ₹ 5 lakh - 10% tax• Income from ₹ 5,00,001 to ₹ 10 lakh - 20% tax• Income above ₹ 10 lakh - 30% tax.	<ul style="list-style-type: none">• Income up to ₹ 3.0 lakh - Nil tax• Income from ₹ 3,00,001 to ₹ 5 lakh - 10% tax• Income from ₹ 5,00,001 to ₹ 10 lakh - 20% tax• Income above ₹ 10 lakh - 30% tax.	<ul style="list-style-type: none">• Income up to ₹ 5.0 lakh - Nil tax• Income from ₹ 5,00,001 to ₹ 10 lakh - 20% tax• Income above ₹ 10 lakh - 30% tax.

- Wealth tax stands abolished
- An additional surcharge of 2% shall be imposed on super-rich i.e. individuals earning ₹ 1 crore or more annually.
- Limit of deduction for health insurance premium under section 80D of the Income Tax Act enhanced from ₹ 15,000 to ₹ 25,000 per annum. For senior citizens, the same has been increased from ₹ 20,000 to ₹ 30,000 per annum.
- Deduction limit for contribution to a pension fund and the New Pension Scheme (NPS) increased from ₹ 1 lakh to ₹ 1.5 lakh.
- Investments made under the Sukanya Samridhi Account Scheme (designed for a girl child) will be eligible for deduction under section 80C of the Income Tax Act. The interest accruing on the deposits in such account will be exempt from tax while the withdrawal from the scheme in accordance with the rules of the scheme will also be exempt from tax.

Taxation - (B) Indirect

- The rate of Service Tax is increased to 14% from 12.36% presently.
- Education cess and the Secondary and Higher education cess will now be included in the Central Excise Duty. Subsequently CENVAT stands increased to 12.5% from 12%.
- Excise duty on leather footwear with retail price higher than ₹ 1,000 per pair reduced to 6%.
- Excise duty increased by 25% for cigarettes of length less than 65 mm and 15% for cigarettes of other lengths.
- Service Tax exemption on services provided by a mutual fund agent / distributor to a mutual fund or asset management company stands withdrawn.

(Source: Budget Document)