DIRECT TAXES

1) INCOME TAX RATES A.Y. 2014-15

A. Resident Individual/Hindu Undivided Family/AOI/BOI

TAXABLE INCOME (Rs.)	MALE < 60 YRS.	FEMALE < 60 YRS.	SENIOR CITIZEN > 60 & < 80 YRS.	VERY SR. CITIZEN > 80 YRS.
Upto 2,00,000	Nil	Nil		
Upto 2,50,000			Nil	
2,00,001 to 5,00,000	10%	10%		
5,00,001 to 10 ,00,000	20%	20%		
2,50,001 to 5,00,000			10%	
Upto Rs. 5,00,000				Nil
5,00,001 to 10,00,000			20%	20%
Above Rs. 10,00,000	30%	30%	30%	30%

Rebate upto Rs. 2,000/- to resident individuals with taxable income up to 5.0 Lakhs (Section 87A)

Surcharge increased from 5 to 10% for Taxable income exceeding 1 crore – Individual/HUF/Firms – for A.Y. 2014-15 only. However, marginal relief shall be allowed to ensure that the surcharge payable on excess of income over Rs.1 crore is limited to the amount by which the income exceed Rs.1 crore.

B. Co-operative Societies, Firms & Companies

In the case of co-operative societies & FIRMS, the rates of income-tax will continue to be 30% as those specified for assessment year 2013-14. No surcharge will be levied for taxable income below 1 Crore. Surcharge increased from 5 to 10% for incomes over Rs. 10.0 Crores for A.Y. 2014-15 Only. Education cess is applicable @ 3 percent on income tax

C. Companies

The rates of income-tax in the case of companies will continue to be 30% as specified for the assessment year 2014-15. The surcharge on a domestic company having income between Rs. 1.0 to 10 crore remains at five per cent. Domestic Companies having taxable income exceeding Rs. 10 crore – Surcharge increased from 5 to 10% - – for A.Y. 2014-15 only. Marginal relief allowed as stated in A. above.

This creates a situation where companies with taxable income of more than Rs. 1 crore (but less than Rs.10 crores) would an tax at an effective rate of 32.445% (considering 5% surcharge and 3% Education Cess), while the non-company assessees with taxable income above Rs.1 crore would pay tax at a higher effective rate of 33.99% (including Surcharge of 10% and Education Cess of 3%).

In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent for A.Y. 2014-15 only - for A.Y. 2014-15 only

Minimum Alternate Tax (MAT)

The rate of MAT remains to be 18.5% relevant to the assessment year 2013-14. Surcharge as applicable in the case of companies

Education cess is applicable @ 3 percent on income tax in all cases.

2) ALLOWANCES/REBATES/DEDUCTIONS

A. Incentive - Acquisition & Installation - New Plant And Machinery - By Manufacturing Company

A new section 32AC is proposed to be introduced so as to allow to a company engaged in the business of manufacture or production of any article or thing, an allowance of 15% of the actual cost, if exceeds Rs.100 crores, of new plant and machinery acquired and installed between 1st April 2013 to 31st March 2015; subject to fulfillment of the other conditions therein.

B. Deduction For Additional Wages - To New Regular Workmen

Section 80JJAA provides that domestic companies shall be entitled to deduction for 3 years, of an amount of 30% of additional wages paid to new regular workmen (as defined therein) engaged in its industrial undertaking, , subject to other conditions therein.

While this incentive was intended for employment of blue collared employees in manufacturing sector, it is being claimed for other employees in other sectors also. To plug the same, amendments are proposed so as to provide that the deduction shall be available to new regular workmen employed in factory manufacturing goods (as against industrial undertaking), subject to fulfillment of other conditions therein.

C. Extension Of Deduction U/S.80d To Contributions To Notified Schemes

Section 80D allows deduction, inter alia, in respect of mediclaim premium as well as contribution to Central Government Health Schemes, subject to fulfillment of other conditions therein. It is now proposed to extend the benefit of the deduction thereunder to contributions to such other Health schemes of Central and State governments as may be notified by Central Government.

D. Additional Deduction Of Interest On Housing Loan

Section 80EE is proposed to be enacted so as to allow to an individual, a deduction of upto Rs. 1 lakh in respect of loan taken from a financial institution (banking company or housing finance company) of upto Rs.25 lacs between 1st April 2013 and 31st March 2014 to acquire a residential property valued upto Rs. 40 lacs, provided she does not own any residential house property as on the date of sanction of loan.

It is also proposed that if the deduction entire of Rs. 1 lakh as above could not be claimed in Financial Year 2013-14, then the balance can be claimed in Financial Year 2014-15.

It may be noted that the above deduction is over and above the existing entitlement of housing loan interest deduction of Rs.1.5 lacs. However, while the existing deduction of upto Rs.1.5 lacs can be of interest on housing loan taken from anyone, the aforesaid deduction can be allowed only on housing loan taken from financial institution.

E. Donations To National Children's Fund

Section 80G, which allows deduction in respect of donations, @ 100% in respect of certain funds and @ 50% for rest, subject to other conditions therein; is proposed to be amended so as to allow 100% deduction in respect of donations to the National Children's Fund (which was hitherto entitled for 50% deduction)

F. Contribution To Political Party

Sections 80 GGB and 80 GGC allow deduction respectively to company and non-company assessees, of contributions given to a political party or electoral trust. It is proposed to amend these sections so as not to allow deductions of amounts contributed in cash.

3. OTHER

A. Taxability Of Income - Sale Of Immoveable Property - Based On Stamp Duty Valuation Extended To Business Transactions

Currently, section 50C provides that where a capital asset (liable to tax as 'Capital Gains') being land or building or both, is transferred, then the higher of stamp duty valuation or the agreement value shall be considered as full value of consideration (subject to other provisions therein) and tax shall be levied accordingly.

It is now proposed to introduce section 43CA so as to extend similar provisions i.e. taxability based on higher of stamp duty or agreement value, to transactions of transfer of land or building or both even to business assets (as in case of real estate builders, developers etc.). Other provisions in line with those in section 50C are also proposed.

It is also proposed that where the date of agreement and date of registration are not the same, then the stamp duty valuation may be taken on date of agreement and not transfer in such cases where the amount of consideration or part thereof has been received by any mode other than cash on or before the date of agreement.

B. Taxing The Recipient Individual/HUF Of An Immoveable Property For Inadequate Consideration

Section 56(1)(vii) taxes receipts by Individuals or HUFs, without consideration or at consideration less than the fair value. However, the receipt of any immoveable property is taxable only if its received without consideration (from non-relatives), and not if it is received for a consideration lesser than the fair value. The logic behind this, as we understand, is that the seller thereof would pay the tax based on stamp duty valuation u/s.50C, if that's higher than the agreement value (and now even under the newly proposed section 43 CA as discussed above)

It is now proposed to amend the provisions so as to provide that where the immoveable property is received for an inadequate consideration (i.e. he difference between stamp duty valuation and transactions value is more than Rs.50,000/-), then such difference shall be taxable in the hands of the recipient individual or HUF as Income from Other Sources.

It is also proposed that where the date of agreement and date of registration are not the same, then the stamp duty valuation may be taken on date of agreement and not transfer in such cases where the amount of consideration or part thereof has been received by any mode other than cash on or before the date of agreement.

C. Return Of Income File Without Payment Of Self Assessment Tax To Be Considered As Defective Return

The existing provisions of section 139 (9) provide that where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days. If the defect is not rectified within the time allowed by the Assessing Officer, the return is treated as an invalid return.

Further, section 140A provides that where any tax is payable on the basis of any return (Self Assessment Tax), , the assessee shall be liable to pay such tax together with interest payable. It is, therefore, proposed to amend section 139(9) to provide that the return of income shall be regarded as defective unless the tax together with interest, if any, payable in accordance with the provisions of section 140A has been paid on or before the date of furnishing of the return.

This amendment will take effect from 1st June, 2013.

D. Tax Deduction At Source On Transaction Of Immoveable Property With Resident

It is proposed, w.e.f. 1st June 2013, to introduce a new section 194 IA so as to provide that a purchaser of any immoveable property (other than agricultural land) from a resident, shall be obliged to deduct tax at source @ 1% of the amount of consideration payable, where the consideration is Rs.50 lacs or more.

It may be noted that the requirement of tax deduction at source as above is applicable to all assessees including individuals, HUFs etc. (whether or not they are subjected to tax audit), where the above conditions are fulfilled.

E. Etcetera

Under the **Wealth-tax Act, 1957** amendments are proposed to facilitate electronic filing of annexure-less return of net wealth. - See more at:

The Fifth large tax payer unit to open shortly at Kolkata.

Extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.

STT reduced on Equity Futures and MF Units

CTT on Non Agricultural Commodities

For Federation of Corrugated Box Manufacturers of India

Bharath Kedia
Chairman – Taxation Committee