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BUDGET 2016

Understanding the Business Impact

Impact on Consumer Business

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The India Union Budget 2016 was tabled in Parliament today. The Finance Minister, in his budget speech described the agenda to 'Transform India', based on nine distinctive pillars. The first of the pillars is 'Agriculture and farmer's welfare' and there have been substantial announcements made with regard to establishing a robust system for advancement of agriculture. These announcements touch upon several niche areas to give a platform to the farmers to progress on the growth trajectory. This reinforces the fact that agriculture is the backbone of the Indian economy.

Besides Agriculture, other proposals impacting the consumers have been announced. The points listed below summarise those proposals which effect the consumer business industry.

- Government has allocated an amount of Rs. 35,894 crores for the agricultural sector
- Government aims to double the income of the farmers in five years
- Given that irrigation is currently only catering to 46% of the agricultural land, announcements have been made with the specific intention of increasing the irrigation facilities so as to expand the coverage of land
- Creation of a dedicated long term irrigation fund in NABARD with an initial corpus of Rs. 20,000 crores
- 100% FDI allowed in the marketing of food products produced and manufactured in India
- Model Shops and Establishment bill to be shared with states to ensure that retail shops also have option to open all 7 days a week
- A unified agriculture platform with NABARD to be dedicated to the nation
- 3 year tax holiday proposed for start-ups if incorporated between 2016-2019 (although MAT would apply)
- Limited tax compliance window from Jun 1 - Sep 30 for declaring

undisclosed income at 45% including 7.5% surcharge and 7.5% penalties. 7.5% surcharge on undisclosed income (to be known as Krishi Kalyan surcharge) to be used for agricultural sector

- To address the issue of taxability of transactions in new digital economy, a new chapter has been introduced titled "Equalisation Levy", to provide for an equalization levy at the rate of 6% of the amount of consideration for specified services (exceeding Rs.1,00,000) received or receivable by non-resident exceeding in certain cases. The obligation to deduct and deposit the "Equalisation Levy" is casted on the payer in order to claim the tax deduction for the expenditure
- In order to encourage indigenous research and development activities and to make India a global R&D hub, the Government has proposed a concessional tax regime to tax royalty income of eligible assessee in respect of patents developed and registered in India at the rate of 10%
- As regards Gold Monetisation Scheme, 2015, the deposit certificates are proposed to be excluded from the capital gains taxation and the interest thereon is also proposed to be exempted from tax
- Tax incentives for employment generation, earlier available only to manufacturing companies have now been extended to all the sectors with rationalization in conditions
- Krishi Kalyan Cess @ 0.5% proposed to be levied w.e.f. 01.06.2016 on all taxable services to finance and promote initiatives to improve agriculture
- Infrastructure cess (non-creditable) of 1% levied on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs
- Excise duty on tobacco and tobacco products other than beedi increased by about 10% to 15%
- Excise duty on waters including mineral waters, aerated waters etc. increased by 3%

- Excise duty on branded readymade garments of retail sale price of Rs.1000 or more increased to 2% without CENVAT credit or 12.5% with CENVAT credit
- Basic Customs Duty on imitation jewellery increased from 10% to 15%
- Manufacture of articles of jewellery with certain exclusions to become taxable @ 1% excise duty (without CENVAT credit) and 12.5% excise duty (with CENVAT credit) with a higher threshold exemption of Rs.6 crores and eligibility limit of Rs.12 crores
- Exemption to the services of transport of passengers, by ropeway, cable car or aerial tramway to be withdrawn with effect from 01.04.2016
- Tax is proposed to levied on service of transportation of passengers by air conditioned stage carriage with the abatement of 60% (effective rate of service tax 5.6%) without CENVAT credit w.e.f. 01.06.2016
- Service tax on service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) is proposed to be exempted with effect from 01.04.2016. Earlier the effective rate of service tax on this service was 3.5%
- Service tax on services provided by Employees' Provident Fund Organization (EPFO) to employees proposed to be exempted with effect from 01.04.2016



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