

What's New

News Flash



May 2015

Finance Bill, 2015 passed in Lok Sabha - Changes in tax proposals explained

- Assistance Central/ State Government of any other authority in the form of subsidy/ grant/ cash incentive/ duty drawback/ waiver/ concession/ reimbursement [other than those which are reduced from the cost of asset as per Explanation 10 to section 43(1) of the Income-tax Act, 1961 (the Act)], are now included under the definition of 'income' under section 2(24) of the Act.
- In case of shares acquired by a non-resident on redemption of Global Depository Receipts, the period of holding would be considered from the date on which a request for such redemption is made. Furthermore, the cost of acquisition of such shares shall be the price of such shares as prevailing on any recognised stock exchange on the date on which a request for redemption is made.
- The words, 'at any time', have been deleted from the residency test for companies. Thus, the apprehensions regarding a foreign company being considered as 'resident' in India, even if one meeting is held in India, have been addressed.
- The conditions as proposed in clauses (e) to (g) under section 9A(3) of the Act, to qualify as an eligible investment fund (in the context of fund management activity not constituting business connection in India), will not apply to investment funds set up by the Government/ Central Bank of a foreign state or a sovereign fund, or such other fund as may be notified. Furthermore, the Board will prescribe guidelines in relation to the manner in which provisions of above proposed section 9A should be applied.
- Additional depreciation @ 35% and Additional Investment Allowance (under section 32AD of the Act) extended to manufacturing undertaking set up in notified backward areas of Bihar and West Bengal (in addition to Andhra Pradesh and Telangana) subject to fulfilment of conditions prescribed therein.
- The condition of acquisition of asset 'for extension of existing business or profession' to disallow interest on borrowed capital under section 36(1)(iii) of the Act has been omitted. The disallowance will apply to all qualifying assets, and not merely to those that are acquired for extension of existing business or profession.
- Amount taken into income computation on the basis of Income Computation and Disclosure Standards without recording the same in the books of accounts, are proposed to be allowed as bad debts in the year in which they become irrecoverable without actual write off in the books of accounts.
- It has been clarified that the additional deduction of INR 50,000 in respect of employee's contribution to pension fund would be available, irrespective of whether deduction upto 10% of salary (within an overall limit of INR 1,50,000), is claimed or not.
- Income of a foreign company in respect of capital gains on transactions in securities (as defined under Securities Contract Regulation Act), interest, royalty and fees for technical services (as well as corresponding expenses) to be excluded while computing income under minimum alternate tax (MAT) provisions, if tax payable thereon is less than 18.5%.
- The following are proposed to be excluded from chargeability to MAT:
 - notional gain/ loss resulting from transfer of shares of SPV to a business trust in exchange of units allotted by that trust
 - notional gain/ loss resulting from any change in carrying amount of said units; and
 - actual gains/ loss from transfer of said units as recorded in profit and loss account

- Furthermore, a new clause is proposed to be inserted to compute the book gain/ loss from transfer of said units which shall be subject to MAT. The amount of gain/ loss from transfer of said units is proposed to be computed by taking into account the cost of shares exchanged with units or the carrying amount of the shares at time of exchange, where such shares are carried at a value other than the cost through profit and loss account.
- Beneficial owner holding an asset outside India or having signing authority for any account located outside India or a beneficiary of such asset, being resident other than not ordinarily resident, is required to file a return of income in India. However, filing of return shall not be mandatory for the beneficiary, if income from such asset is includible in the income of the beneficial owner of such an asset.

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