



## The Union Budget 2016 - Analysed

Category	Positives from Budget	Negatives from Budget	How to beat the Budget
<b>HNI</b>	<ul style="list-style-type: none"> <li>Enhance threshold limit for audit of accounts from Rs 25 lakh to Rs 50 lakh for persons having income from profession<sup>^</sup></li> <li>Presumptive taxation scheme to be extended to professionals with gross receipts up to Rs. 50 lakh, with profit deemed at 50% of gross receipts<sup>^</sup>.</li> <li>Distribution of income of special purpose vehicles (SPVs) to Infrastructure Investment Trusts (INVTs) and Real Estate Investment Trusts (REITs), having specified shareholding, will not be subjected to Dividend Distribution Tax (DDT). [Effective from June 1, 2016]</li> <li>Withdrawal up to 40% of corpus, at the time of retirement, to be tax-exempt in case of National Pension Scheme (NPS)<sup>^</sup></li> <li>Increase in free baggage allowance for international passengers. Filing of baggage only for those carrying dutiable goods.</li> </ul>	<ul style="list-style-type: none"> <li>Recipients of dividend in excess of Rs 10 lakh per annum from domestic companies<sup>^</sup> to pay additional 10% tax on gross amount of dividend.</li> <li>Surcharge to be raised from 12% to 15% on individuals whose taxable income exceeds Rs. 1 crore</li> <li>1% tax to be deducted at source on purchase of luxury cars, with value exceeding Rs. 10 lakhs and goods and services in cash exceeding Rs. 2 lakh.</li> <li>Proposed hike in Securities Transaction Tax on Options from 0.017% to 0.05%.</li> <li>1% infrastructure cess on small petrol, LPG, CNG cars; 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.</li> <li>Withdrawal up to 40% of corpus, at the time of retirement, to be tax-exempt in case of superannuation funds and recognized provident funds, including EPF.</li> </ul>	<ul style="list-style-type: none"> <li>INVTs and REITs could provide HNIs an alternative long-term investment avenue.</li> <li>Equity and Equity oriented funds continue to enjoy LTCG benefits.</li> </ul>
<b>SME owner</b>	<ul style="list-style-type: none"> <li>To promote entrepreneurship among SC/STs and women, Rs. 500 crore has been provided towards "Stand Up India Scheme".</li> <li>Entrepreneurship Education and Training will be provided at 2,200 colleges, 300 schools, 500 Government ITIs and 50 vocational training centres through Massive Open Online Courses.</li> <li>To benefit entrepreneurs at the bottom of the pyramid, amount sanctioned under Pradhan Mantri Mudra Yojana (PMMY) is proposed to be increased to Rs 1.8 trillion.</li> <li>Proposal to introduce bill to amend the Companies Act, 2013 to ease difficulties and hurdles of doing business and improve the enabling environment for start-ups. The registration of companies will also be done in one day.</li> <li>Increase in turnover limit for presumptive taxation scheme for small and medium enterprises from Rs. 1 crore to Rs. 2 crore.</li> <li>Increase in turnover limit for presumptive taxation scheme for small and medium enterprises from Rs. 1 crore to Rs. 2 crore.</li> <li>Corporate income tax rate for FY17 to be lowered for companies with turnover less than Rs. 5 crore (in FY15), to 29% plus surcharge and cess.</li> <li>To encourage start-ups, it is proposed to give 100% deduction on profits for 3 out of 5 years for those set up between April 2016 and March 2019.</li> <li>Proposal to amend Customs Act to allow deferred payment of customs duties by importers and exporters with proven track record.</li> <li>100% FDI to be allowed through FIPB route for marketing locally manufactured food products</li> <li>No DDT applicable for companies located in international financial services centers. MAT of 9% will be charged for such units.</li> </ul>	<ul style="list-style-type: none"> <li>Clean Environment Cess levied on coal, lignite and peat to be doubled to Rs. 400 per tonne.</li> <li>Deduction of expenses to be reduced from 150% to 100% for cold chain facilities, warehousing facilities storing agricultural produce, affordable housing projects, production of fertilizer, building and operating hospitals<sup>^</sup>.</li> <li>Deduction of expenses to be reduced from 150% to 100% in case of expenditure on agricultural extension project from FY18. Section 35CCC of the Income-tax Act (Assessment Year 2018-19).</li> <li>Accelerated depreciation provided under IT Act will be limited to 40%<sup>^</sup>.</li> <li>Proposal to provide a sunset date of 31 March 2020 for commencing production of any article or providing services by a unit located in a Special Economic Zone for availing the deduction. (Under Section 10AA)</li> </ul>	<ul style="list-style-type: none"> <li>The government has taken several initiative to promote entrepreneurs and boost start-ups by giving tax benefits, providing easy of business, skill training and several other initiatives.</li> <li>Capital expenditure on infrastructure like roads and railway network, ports etc. help in ease of transportation of goods to the markets.</li> <li>Basic Custom Duty (BCD) on a number of products has been increased. This will help in providing a conducive environment to produce in India and act as a shield against imports.</li> </ul>
<b>Young Salaried Professional</b>	<ul style="list-style-type: none"> <li>Hike in ceiling of tax rebate under Section 87A from Rs. 2,000 to Rs. 5,000</li> <li>Increase in deduction limit with respect to rent paid under Section 80GG from Rs. 24,000 per annum to Rs. 60,000 per annum, for individuals not receiving HRA and not havin gown house</li> <li>Additional interest deduction of Rs. 50,000 per annum for first-time home buyers, subject to loans up to Rs. 35 lakh sanctioned during FY17, and value of the house not exceeding Rs. 50 lakh</li> <li>No capital gains tax on redemption of Sovereign Gold Bond issued by RBI; however, in case of transfer to others, redemption will be subject to long-term capital gains with indexation benefit</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.</li> <li>Krishi Kalyan Cess of 0.5% on all taxable services (w.e.f June 1, 2016)</li> <li>Excise duty on branded ready made garments and made-up articles of textiles, with a retail price of Rs. 1,000 and above from 'Nil without input tax credit or 6%/12.5% with input tax credit' to '2% without input tax credit or 12.5% with input tax credit'</li> <li>Hike in excise duties on various tobacco products other than beedi by about 10% to 15%.</li> <li>Excise duty of 1% without input tax credit or 12.5% with input tax credit' on articles of jewellery (excluding silver jewellery, other than those studded with diamonds and some other precious stones).</li> </ul>	<ul style="list-style-type: none"> <li>First-time home buyers can use the additional tax benefit available</li> <li>Discretionary expenses need to be curtailed, keeping in mind the additional cess on all taxable services</li> <li>Investment in Sovereign Gold Bonds has become attractive as the long-term capital gains tax on redemption has been waived &amp; indexation benefit available on transfer</li> <li>Long term savings continue to be preferred, SIP could be a good alternative for Long term savings.</li> </ul>

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<b>Retired Individual</b>	<ul style="list-style-type: none"> <li>Service tax on annuity services provided by Employees' Provident Fund Organization (EPFO) to employees, exempted from April 1, 2016.</li> <li>Service tax on single premium annuity (insurance) policies reduced from 3.5% to 1.4% of premium charged, effective April 1, 2016.</li> <li>Proposal to give tax exemption on withdrawal up to 40% of the corpus at the time of retirement for National Pension Scheme (NPS).</li> <li>New health protection scheme with cover up to Rs. 1 lakh per family below the poverty line. For senior citizens, an additional top-up package up to Rs. 30,000 will be provided.</li> <li>Proposal to start National Dialysis Services Programme through PPP mode, in all district hospitals.</li> <li>Exemption of certain parts of dialysis equipment from customs duty to lower cost of treatment.</li> <li>Exemption of service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme, effective April 1, 2016.</li> <li>Availability of quality medicines at affordable prices under Jan Aushadhi Yojana.</li> <li>Social security platform will be developed using Aadhar to accurately target beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Investments in EPF, which was EEE earlier has now been equated on par with NPS. This means that in respect of corpus created out of contributions made after April 2016, only 40% of the retirement corpus will be not taxable while the remaining 60% will be added to the income and taxed as per personal tax slab levels. Thus it has increased the tax liability of retirees.</li> <li>Increase in service tax as the Krishi Kalyan Cess at 0.5% will be levied on all taxable services. Effective from 1st June 2016</li> </ul>	<ul style="list-style-type: none"> <li>As he / she is already retired or near to retirement, impact of taxation on EPF will not impact them.</li> <li>Purchase of annuity services would become cheaper for retirees</li> <li>Availability of affordable quality medicines, dialysis service and health protection plans are a big plus for retirees.</li> <li>Retirement Funds under MFLRP's (Mutual Fund Linked Retirement Plans) offer good diversification as they will benefit from Long Term Capital Gains.</li> </ul>
<b>Home maker</b>	<ul style="list-style-type: none"> <li>LPG connection in the name of women members for below the poverty line (BPL) families.</li> <li>New health protection scheme to provide health cover up to Rs. 1 lakh to BPL families.</li> <li>For the First - home buyers, additional deduction of Rs. 50,000 p.a for loans up to Rs. 35 lakh sanctioned in 2016-17, where house cost does not exceed Rs. 50 lakh<sup>^</sup>.</li> <li>Raise the ceiling of tax rebate under section 87A from Rs. 2000 to Rs. 5000 to lessen tax burden on individuals with income upto Rs. 5 lakhs<sup>^</sup>.</li> <li>Increase the limit of deduction of rent paid under section 80GG from Rs. 24000 per annum to Rs. 60000<sup>^</sup>.</li> <li>Allocation of Rs. 500 crore under "Stand Up India Scheme" to promote entrepreneurship among SC/ST and women.</li> <li>Reduction of excise duty on rubber sheets &amp; resin rubber sheets for soles and heels reduced to 6% from 12.5%.</li> <li>Removal of basic Customs Duty on magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens</li> <li>Capital gains exemption to individual on redemption of Sovereign Gold Bond issued by the RBI. Furthermore, long term capital gains arising to any person on transfer of Sovereign Gold Bond shall be eligible for indexation benefits<sup>^</sup>.</li> <li>Interest earned on Deposit Certificates issued under Gold Monetisation Scheme, 2015 and capital gains arising from them shall be exempt from tax<sup>^</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>Basic customs duty on imitation jewellery being increased from 10% to 15%.</li> <li>Excise duty of 1% without input tax credit or 12.5% with input tax credit<sup>^</sup> on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs. 6 crores and Rs. 12 crores respectively.</li> <li>Excise on ready made garments with retail price of Rs. 1000 or more raised to 2% without input tax credit or 12.5% with input tax credit.</li> <li>Increase in service tax as the Krishi Kalyan Cess at 0.5% will be levied on all or any of the taxable services. Effective from 1st June 2016</li> <li>Basic customs duty on E-Readers being increased from NIL to 7.5%.</li> </ul>	<ul style="list-style-type: none"> <li>Idle gold lying with the homemaker can be utilized to generate interest and capital gains by investing in the gold monetization scheme.</li> <li>They can use Stand Up India as a platform to hone their entrepreneur skills and generate income.</li> <li>LPG connection for women would improve the health of women and those BPL families who suffer adversely from the ill-effects of <i>Chulha</i> cooking.</li> <li>Long term investment in Equity and Debt Funds continue to offer viable avenues.</li> </ul>

<sup>^</sup>with effect from 1 April 2017.

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