

# Bill Summary

## The Taxation Laws (Amendment) Bill, 2016

- The Taxation Laws (Amendment) Bill, 2016 was introduced in Lok Sabha on August 10, 2016. It seeks to amend the Income Tax Act, 1961 and the Customs Tariff Act, 1975. These changes are explained below.

### Income Tax Act, 1961

- **Demerger of public sector companies:** The Companies Act, 1956 allows companies to demerge (split) into multiple companies. As a result of the demerger, the income, expenses, and profits of the parent company are transferred to the resultant companies. The Income Tax Act, 1961 takes into account these transfers from the parent company for taxation of resultant companies. The Bill clarifies that these provisions will apply in case a public sector company demerges, and the resultant company is no longer a public sector company.

- **Deduction in respect of employment of new employees:** The Income Tax Act, 1961 allows businesses to obtain a deduction on taxable income to the extent of 30% of the cost of recruiting a new employee. The Act requires that the employee should have been employed for a minimum of 240 days in the previous year. The Bill relaxes this limit to 150 days for businesses which manufacture apparel.

### Customs Tariff Act, 1975

- **Customs duty on marble and granite blocks and slabs:** Currently, the customs duty on imports of granite and marble used for certain purposes is charged at 10%. The Bill proposes to increase this to 40%.

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