

INDIA – READY TO FLY



.....ONCE AGAIN

UNION BUDGET 2015-16

A Snapshot

“ An elephant moves slowly but surely. Even our worst critics would admit that we have moved rapidly. I think I have clearly outlined not only what we are going to do immediately, but also a roadmap for the future.

**ARUN JAITLEY,
MINISTER OF FINANCE,
GOVERNMENT OF INDIA**

Dewan P. N. Chopra & Co.

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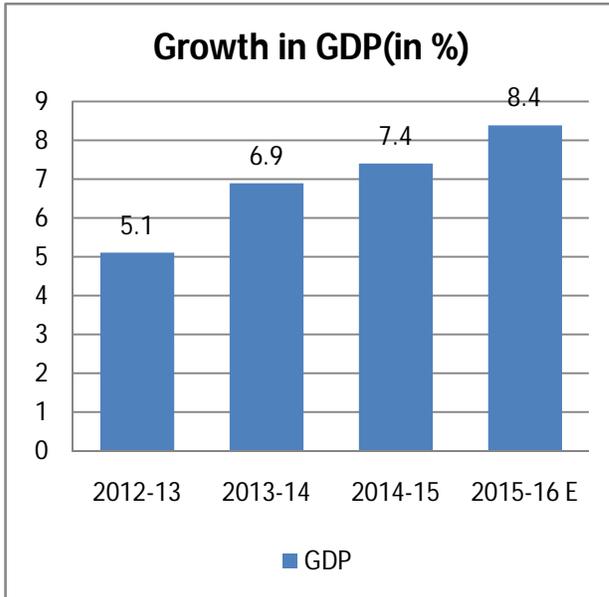
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ECONOMIC PERFORMANCE

FY 14-15

GROSS DOMESTIC PRODUCT (GDP)



- After inheriting an economy with sentiments of “doom and gloom” with adverse macroeconomic indicators, nine months have seen a turn around, making India the fastest growing large economy in the World with a real GDP growth expected to be 8.4% (New Series)
- Macro-economic stability and conditions for sustainable poverty alleviation, job creation and durable double digit economic growth have been achieved.
- However, with expectation of better performance in manufacturing, improved balance of payments situation and modest global growth revival, the GDP is expected to grow between 8.0-8.5% in 2015-16.

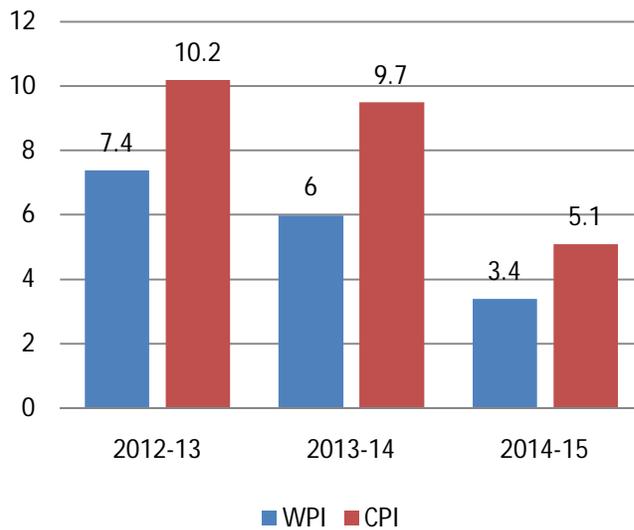
“Although no budget can be perfect, this is a very positive one. The reduction in corporate tax from 30% to 25% over a four years period is very appreciable. Prima facie I can say, in this budget whatever is done is very good.”

RAHUL BAJAJ,
CHAIRMAN, BAJAJ GROUP

“Clarity on GAAR deferment for two years and no retrospective applicability, comprehensive bankruptcy code, abolishing wealth tax act, merger of FMC with SEBI, rationalization of corporate tax from 30% to 25% coupled with review of deductions, etc. supports “make in India” Campaign.”

GAUTAM ADANI,
CHAIRMAN, ADANI GROUP

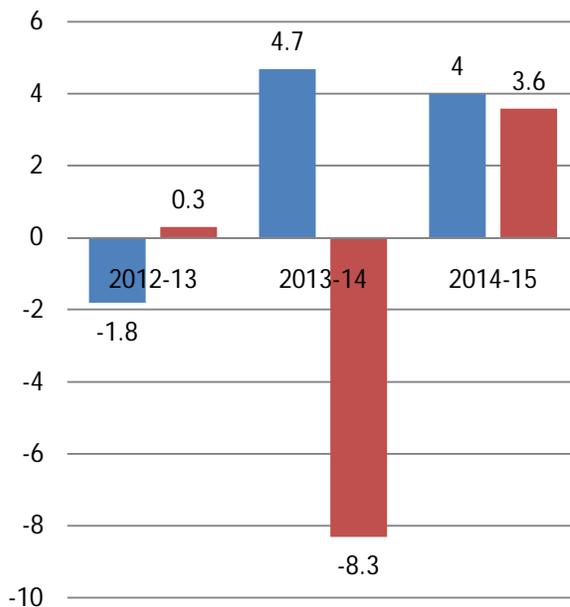
Inflation Index(in %)



INFLATION

- After remaining high for a prolonged period, inflation is finally trending down.
- Average Wholesale Price Index Inflation decline to 3.4% in FY 2014 -2015 as compared to an average of 6% in FY 2013-2014.
- Consumer Price Index reached at 5.1 % in FY 2014-2015 from 9.7% in FY 2013-2014.
- Inflation in housing declined to 8 per cent in the third quarter of 2014-15, after remaining in double digits during 2012 and 2013.
- Taking note of the sustained moderation in retail prices, it has signaled easing of the monetary stance by reducing policy repo rates by 25 basis points from 8 per cent to 7.75 per cent on 15 January 2015.

Export/Import(Growth in %)

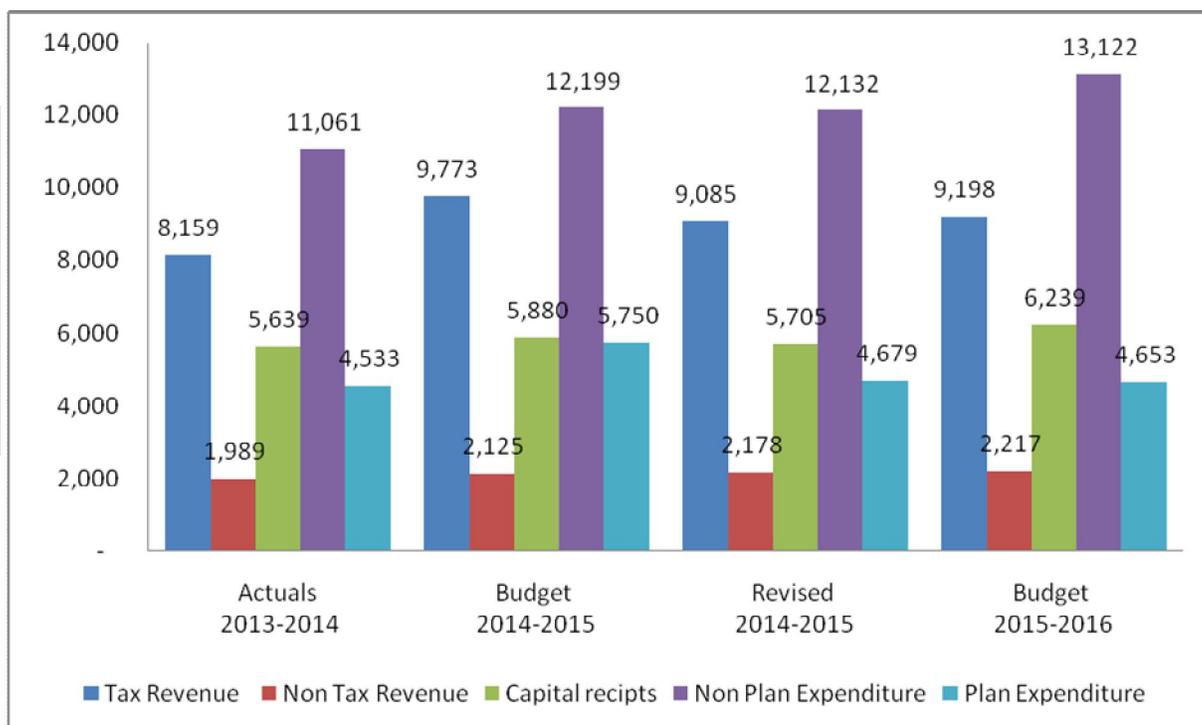
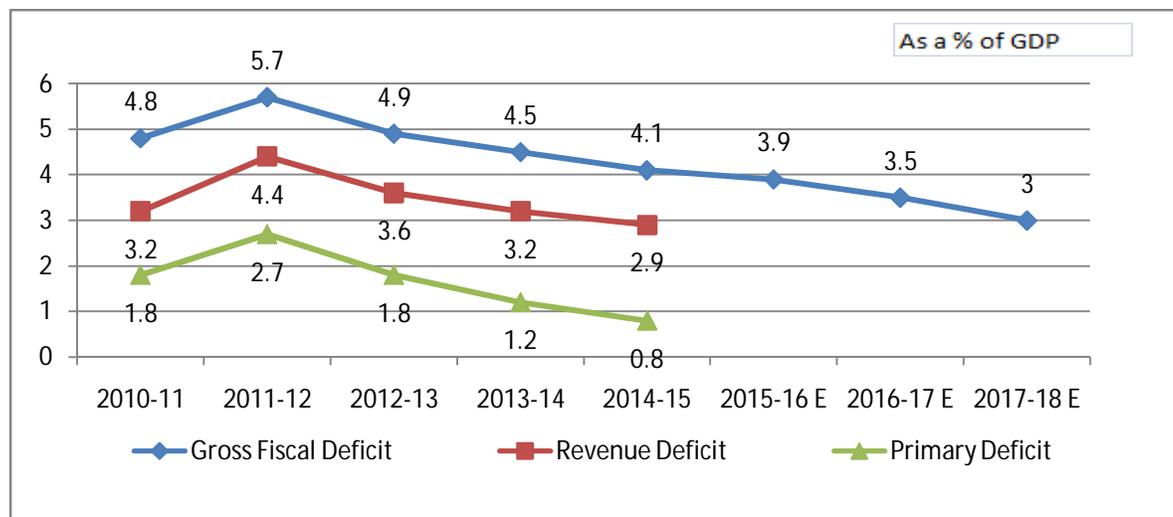


EXPORT/IMPORT

- After growing by 4.7 per cent in 2013-14, India's merchandise exports growth moderated to 2.4 per cent to reach US\$ 265 billion in 2014-15 (April-January).
- During 2013-14, India's merchandise imports contracted by 8.3 per cent to US\$ 450.2 billion. In 2014-15 (April-January), imports grew by 2.2 per cent to US\$ 383.4 billion as compared to US\$ 375.3 billion in 2013-14 (April-January).
- After crossing US \$ 300 billion in 2011-12, there has been significant deceleration in growth rates of exports which is somewhat a global phenomenon as global trade volumes have not picked up significantly since the 2011 Euro zone crisis.
- The value of petroleum, oil, and lubricants (POL) imports, which accounted for 36.6 per cent of India's total imports in 2013-14, declined by 7.9 per cent in 2014-15 (April-January) as a result of decline in the price of international crude petroleum products.

FISCAL DEFICIT

- Fiscal deficit for 2015-16 is targeted to be limited to 3.9% of the GDP.
- The growth of the economy is targeted between 7-8% over the next 3-4 Years.
- The journey for fiscal deficit target of 3% will be achieved in 3 years & the fiscal deficit targets are 3.9%, 3.5% & 3% in FY 15-16, 16-17 & 17-18 respectively.



Co-Operative Federalism

- Keeping with the true spirit of Co-Operative Federalism, a 42% share of the divisible pool of taxes to states.
- The devolution to the states would be 5.24 lakh crore in 2015-16 as against the devolution of 3.38 lakh crore as per revised estimates of 2014-15.
- Another 3.04 lakh crore would be transferred by way of grants and plan transfers.
- The total transfer to states will be about 62% of the total tax receipts of the country.

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“I Congratulate FM for doing an excellent job in respecting aspirations of the States & at the same time delivering on National Priorities.”

NARENDRA MODI,

PRIME MINISTER, INDIA

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SECTORAL HIGHLIGHTS

AGRICULTURE

- Creation of Unified National Agriculture market by working with states in NITI to increase income of farmers & create platform to support price stability.
- Major steps taken to address the two major factors critical to agricultural production, that of soil and water are:
'Paramparagat Krishi Vikas Yojana' to be fully supported
'Pradhanmantri Gram Sinchai Yojana' to provide 'Per Drop More Crop'
- Rs 5,300 crore to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'. States urged to chip in.
- Rs 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs 15,000 crore for Long Term Rural Credit Fund; Rs 45,000 crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs 15,000 crore for Short Term RRB Fund.
- Target of Rs 8.5 lakh crore of agricultural credit during the year 2015-16 to enhance farm credit.
- Focus on improving the quality and effectiveness of activities under MGNREGA by initially allocation of 34,699 crores.

BANKING THE UNBANKED, FUNDING THE UNFUNDED

- MUDRA Bank, with a corpus of Rs 20,000 crores, and credit guarantee corpus of Rs 3,000 crores to be created.
- MUDRA Bank will refinance all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana.
- In lending, priority will be given to SC/ST enterprises
- A Trade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
- Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- Postal network with 1,54,000 points of presence spread across villages to be used for increasing access of the people to the formal financial system.
- NBFCs registered with RBI and having asset size of Rs. 500 crore and above may be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002





FROM JAN DHAN TO JAN SURAKHSA (“Wealth For The People” TO “Security For The People”)

- Government to work towards creating a universal social security system for all Indians, specially the poor and the under-privileged.
- Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of Rs 2 Lakh for a premium of just Rs. 12 per year.
- Atal Pension Yojana to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries’ premium limited to Rs 1,000 each year, for five years, in the new accounts opened before 31st December 2015.
- Pradhan Mantri Jeevan Jyoti Bima Yojana to cover both natural and accidental death risk of Rs 2 lakh at premium of Rs 330 per year for the age group of 18-50.
- Unclaimed deposits of about Rs 3,000 crores in the PPF, and approximately Rs 6,000 crores in the EPF corpus. These funds will be used to create Senior Citizen welfare fund for appropriation to a corpus to subsidise premium for groups such as old pensioners, BPL cardholders, etc.
- Government committed to the on-going schemes for welfare of SCs, STs and Women.

SC	Rs. 30,851 crore
ST	Rs. 19,980 crore
WOMEN	Rs. 79,258 crore



INFRASTRUCTURE

- Keeping in mind the pressing need of investment, a sharp outlay on roads & railways is being increased to Rs. 14,031 & Rs. 10,050 crore respectively.
- The CAPEX of public sector units is expected to increase by Rs. 80,844 crore over FY 2014-15.
- Total investment in infrastructure will go up by Rs. 70,000 crore in FY 2015-16.
- National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of Rs. 20,000 crores to it to be used to raise debt & in turn invest as equity in infrastructure finance company & further capitalize them & allow them to leverage the same for development of infrastructure in India.

- Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.
- PPP mode of infrastructure development to be revisited and revitalised.
- Atal Innovation Mission (AIM) to be established in NITI to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation , research and development. A sum of Rs 150 crore will be earmarked.
- (SETU) Self-Employment and Talent Utilization to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business. Rs. 1000 crore to be set aside as initial amount in NITI.
- An e-base portal is to be launched integrating 14 regulatory permissions at one source for investor to reduce time on obtaining multiple permissions An expert committee has been appointed to examine the possibility and prepare a draft legislation of the same.
- 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode. All clearances & linkages will be in place before the project is awarded by a transparent auction system.
- Ports in public sector will be encouraged to corporatize & become companies under Companies Act.

FINANCIAL MARKET



- Public Debt Management Agency (PDMA) bringing both external and domestic borrowings under one roof to be set up this year.
- Proposed to merge forward market commission with SEBI to strengthen regulation of commodity forward markets.
- Enabling legislation, amending the Government Securities Act and the RBI Act included in the Finance Bill, 2015.
- All capital A/c transaction under section 6 of FEMA,1999 will be controlled by the Government in consultation with RBI
- Government to bring enabling legislation to allow employee to opt for EPF or New Pension Scheme. For employee's below a certain threshold of monthly income, contribution to EPF to be option, without affecting employer's contribution.



MONETISING GOLD

- Gold monetisation scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account to be introduced.
- Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.
- Commence work on developing an Indian gold coin, which will carry the Ashok Chakra on its face.
- Introducing several measures to intensify credit or debit card transactions to be proposed soon to curb flow of black money.

INVESTMENT

- Foreign investments in Alternate Investment Funds to be allowed.
- Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with. Replacement with composite caps. The sectors which are already on a 100% automatic route would not be affected.
- A project development company to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam through Special Purpose Vehicles.



SAFE INDIA

- To support programmes for women security, advocacy and awareness Rs. 1000 crores has been provided to the Nirbhaya Fund.

TOURISM

- Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled, visitors' amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites.
- Visas on arrival to be increased from 43 to 150 countries in stages.

“Overall the budget is growth oriented and the announcement of schemes like Mudra Bank and Cashless transactions through RuPay card will help push the e-commerce sector towards that growth trajectory. Further increasing the purview of the TVoA scheme to 150 countries under different stages, point towards more tourists' inflow in India in the times to come”

VINAY GUPTA, FOUNDER AND CEO,
TRIPFACTORY

“The government’s commitment to green India manifests in some of the additional measures such as increasing the coal cess from Rs. 100 to Rs 200 thereby providing impetus to clean energy.”

TULSI TANTI,

CHAIRMAN, SUZLON GROUP



GREEN INDIA

- Target of renewable energy capacity revised to 175000 MW till 2022, comprising 100000 MW Solar, 60000 MW Wind, 10000 MW Biomass and 5000 MW Small Hydro.
- A need for procurement law to contain malfeasance in public procurement.
- Proposal to introduce a public Contracts (resolution of disputes) Bill to streamline the institutional arrangements for resolution of such disputes.
- Proposal to introduce a regulatory reform Bill that will bring about a cogency of approach across various sectors of infrastructure.

SKILL INDIA

- Less than 5% of our potential work force gets formal skill training to be employable. A national skill mission to consolidate skill initiatives spread across several ministries to be launched.
- Deen Dayal Upadhyay Gramin Kaushal Yojana to enhance the employability of rural youth.
- A Committee for 100th birth celebration of Shri Deen Dayalji Upadhyay to be announced soon.
- A student Financial Aid Authority to administer and monitor the front-end all scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.
- An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad to be upgraded in to a full-fledged IIT.
- New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar.
- A post graduate institute of Horticulture Research & Education is to be set up in Amritsar.
- 3 new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan & Chattisgarh and one institute of Science and Education Research is to be set up in Nagaland & Orissa each.

—●
“It’s a development oriented budget and not a populist budget. A welcome shift in direction.”

RAJIV LALL,

VICE-CHAIRMAN, IDFC LTD

●—

- An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank. .
- Government is committed to comply with all the legal commitments made to AP & Telengana at the time of their re-organisation.
- In spite of large increase in devolution to state sufficient fund allocated to education, health, rural development, housing, urban development, women and child development, water resources & cleaning of Ganga.

DIGITAL INDIA

- The National Optical Fibre Network Programme (NOFNP) of 7.5 lakh Kms providing networking to 2.5 lakh villages starting with Andhra Pradesh.
- FDI in the area of defense equipments a provision of Rs. 2,46,727 crores for 2015-16.
- Special assistance to Bihar & West Bengal to be provided as in the case of Andhra Pradesh.
- Part of Delhi-Mumbai Industrial Corridor (DMIC); Ahmedabad-Dhaurera Investment region and Shendra-Bidkin Industrial Park are now in a position to start work on basic infrastructure.

DEFENCE

- Buy and the make in India policy are being carefully pursued to achieve greater self-sufficiency in the area of defense equipment including air-craft.
- As against likely expenditure of 2014-15 Rs. 2,22,370 crore the budget allocation for 2015-16 is Rs. 2,46,727 crore



General Tax Slabs

Income	Tax Rate
Up to 2.5 Lacs	Nil
Above 2.5 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

Senior Citizen Tax Slabs*

Income	Tax Rate
Up to 3 Lacs	Nil
Above 3 Lacs to 5 Lacs	10%
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

Super Senior Citizen Tax Slabs**

Income	Tax Rate
Up to 5 Lacs	Nil
Above 5 Lacs to 10 Lacs	20%
Above 10 Lacs	30%

*Every individual being resident of India, age 60 years or more but less than 80 years at any time during the year.

** Every individual being resident of India, age 80 years or more at any time during the year.

DIRECT TAXATION

The direct tax proposals are generally effective from the financial year beginning on 1.04.2015 except where otherwise specified .

Individual Taxation

- No change in the slab rate of personal income-tax for A.Y. 2016-17.
- Additional Surcharge of 2% over and above 10% on Individuals having income exceeding Rs. 1 crore.
- Benefit of deductions as compared to last year.

Section	Particular	Old limit	New limit
80CCC	Contribution to Pension fund.	Rs.1,00,000	Rs.1,50,000
80CCD	Contribution to new pension scheme of Central Govt.	10% of Salary	Rs.50,000
80D	Health Insurance Premium.	Rs.15,000	Rs.25,000
	For Senior Citizen	Rs.20,000	Rs.30,000
	Medical expenditure of senior citizen above age of 80 yrs.	--	Rs.30,000
80DDB	For senior citizen.	Rs.60,000	Rs.80,000
80U	Additional deduction for differently abled persons.	Rs.1,00,000	Rs.1,25,000

- Details of Tax benefit to an individual

Particulars	New	Old
Deduction u/s 80C	Rs.1,50,000	Rs.1,50,000
Deduction u/s 80CCD	Rs.50,000	--
Deduction on account of interest on house property loan (Self occupied property)	Rs.2,00,000	Rs.2,00,000
Deduction u/s 80D on health Insurance	Rs.25,000	Rs.15,000
Exemption of transport allowance	Rs.19,200	Rs.9,600
Total	Rs.4,44,200	Rs.3,74,600



DIRECT TAXATION

Firms, Co-operative Societies, Local Authorities

Taxation

- The rate of tax for firms, co-operative societies and local authorities will continue to be same.
- Additional Surcharge of 2% over and above 10% on firms, co-operative societies and local authorities having income exceeding Rs.1 crore.

Corporate Taxation

- Corporate Tax Rates remain unaltered.
- Domestic Companies with income exceeding Rs.1 crore to Rs.10 crore to pay surcharge @ 7% and having income exceeding Rs.10 crore to pay surcharge @ 12%
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year. This will lead to higher level of investment, higher growth and more jobs. This process of reduction to be accompanied by rationalisation and removal of various kinds of tax exemptions and incentives for corporate taxpayers.
- Amendment to the conditions for determining residency status in respect of Companies . Company shall be said to be resident in India in any previous year, if-
 - (i) it is an Indian company; or
 - (ii) its place of effective management, at any time in that year, is in India .

Effective Management to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

Measure to Promote and Improving the Investment Climate “Make in India”

- Permanent Establishment (PE) norms modified with a view to facilitate relocation of fund managers of offshore funds in India.
- Applicability of **GAAR deferred by 2 years** to be made applicable from A.Y. 2018-19 and subsequent years **prospectively**.





DIRECT TAXATION

- Section 80JJAA amended so as to extend the benefit to all assesses with manufacturing units rather than restricting it to corporate assesses only. Further, in order to enable the smaller units to claim incentive, the threshold limit on new regular workmen has been reduced from 100 to 50.
- Insertion of new section 32AD , additional investment allowance @15% for new manufacturing units set-up during the period 01.04.2015 to 31.03.2020 in notified areas of Andhra Pradesh and Telangana. This deduction shall be available over and above the existing deduction available under section 32AC of the Act. Also higher additional depreciation at the rate of 35% (instead of 20%) under section 32(1)(iia) for these areas.
- Rate of Tax on Royalty and FTS reduced from 25% to 10% under the provisions of section 115A .
- Additional depreciation on new plant and machinery installed and used by a manufacturing unit or a unit engaged in generation and distribution of power for less than 6 months only 10% of the additional depreciation to be allowed and remaining 10% of the additional depreciation to be allowed in subsequent year.
- Amendment in section 194LD to provide that the concessional rate of 5% withholding tax on interest payment under the section will now be available on interest payable upto 30.06.2017 .
(This amendment will take effect from 1st June, 2015.)



Measures to curb black money

- Amendment in section 269SS and 269T in order to Prohibit acceptance or re-payment of advance in cash of Rs. 20,000 or more for any transaction in immovable property .

(The amendment is effective from 1 June 2015.)



DIRECT TAXATION

Proposals to curb Black Money

- Concealment of income and assets and evasion of tax in relation to foreign assets will be prosecutable with punishment of rigorous imprisonment upto 10 years. Further,
 - this offence will be made non-compoundable;
 - the offenders will not be permitted to approach the Settlement Commission; and
 - penalty for such concealment of income and assets at the rate of 300% of tax shall be levied.
- Non filing of return or filing of return with inadequate disclosure of foreign assets will be liable for prosecution with punishment of rigorous imprisonment up to 7 years.
- Income in relation to any undisclosed foreign asset or undisclosed income from any foreign asset will be taxable at the maximum marginal rate. Exemptions or deductions which may otherwise be applicable in such cases, shall not be allowed.
- Beneficial owner or beneficiary of foreign assets will be mandatorily required to file return, even if there is no taxable income.
- Date of Opening of foreign account would be mandatorily required to be specified by the assessee in the return of income.
- As regards curbing domestic black money, a new and more comprehensive Benami Transactions (Prohibition) Bill will be introduced in the current session of the Parliament.

Ease of doing Business - Minimum Government and

Maximum Governance

- Wealth-tax replaced with additional surcharge of 2 per cent on super rich with a taxable income of over Rs.1 crore annually.
- Domestic transfer pricing threshold limit increased from Rs.5 crore to Rs.20 crore.
- Monetary limit under section 255 for a case to be heard by a single member bench of ITAT increased from Rs. 5 lakh to Rs.15 lakh.

(This amendment will take effect from 1st day of June, 2015.)



DIRECT TAXATION

- New 158AA so as to provide that no appeal to be filed by the revenue before ITAT on a question of law which is identical with question of law arising in his case for any AY and is pending before the Hon'ble Supreme Court..

(This amendment will take effect from the 1st day of June, 2015.)

- CBDT to make rules to provide the procedure for granting relief or deduction of any income-tax paid in any country or specified territory outside India, under section 90, or under section 90A, or under section 91, against the income-tax payable under the Act.

(This amendment will take effect from 1st day of June, 2015.)

- Clarity regarding source rule in respect of interest received by the non-resident in certain cases.
- Amendment in the provisions of the Income-tax Act so as to provide tax neutrality on transfer of units of a scheme of a Mutual Fund under the process of consolidation of schemes of Mutual Funds as per SEBI Regulations, 1996.
- No MAT on capital gains derived by way of transfer of securities by FII

Tax Benefit for “Swachh Bharat Initiatives”.

- Amendment in section 10(23C) of the Act so as to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund from income-tax.
- Donations made to the Swachh Bharat Kosh and Clean Ganga Fund will be eligible for a deduction of 100% per cent from the total income.



Real Estate Infrastructure Trusts(REITs) and Infrastructure Investment Trusts (InvITs)

- For REITs and Infrastructure Investment Trusts , the sponsor will be given the same treatment on offloading of units at the time of listing as would have been available to him if he had offloaded his shareholding of special purpose vehicle (SPV) at the stage of direct listing.
- The rental income arising from real estate assets directly held by the REIT to be allowed to pass through and to be taxed in the hands of the unit holders of the REIT.

DIRECT TAXATION

New Tax Regime for taxation of income of Investment Funds and the investors therein [Chapter XII-FB]

- A special Tax Regime has been introduced for taxation of income of Category I and II -Alternative Investment Funds(AIF) which invest in start ups, SMEs, infrastructure and other economically and socially desirable sectors
- The AIF can be set up as a Trust, Company, Limited liability partnership and any other body corporate.
- The AIFs have been accorded the pass through status and the income earned by the unit holder out of investments made in the said AIF shall be taxed in his hands directly.
- Any income earned by the AIF, other than income from Business and Profession, is exempt from tax . AIF is liable to pay tax on such Business income at the normal rate of taxation as may be applicable.
- The income earned by the unit holders by virtue of investment in the fund shall be deemed to be of the same nature as It had been received or had accrued or arisen to the investment fund.
- AIF shall withhold income tax at the rate of 10% on any income payable to the unit holder. However, the income received by AIF would be exempt from TDS.
- Any loss arising to AIF shall not be passed through the unit holders and shall be carried forward to be set-off against income of the next year in accordance with Chapter VI of the Income Tax Act, 1961.
- The provisions relating to Dividend Distribution Tax or Tax on Distributed income shall not apply to AIF.
- It would be mandatory for AIF to file its return of Income, as may be prescribed.

DIRECT TAXATION

Charitable Trust

- Amendment to section 2(15) of the Income-tax Act so as to include 'yoga' as a specific category of activity in the definition of 'charitable purpose' .
- Third proviso to Section 2(15) has been inserted to provide that any activity in the nature of trade, commerce or business or rendering any service in relation thereto shall not be regarded advancement of any other object of general public utility unless:
 - a) Such activity is undertaken in the course of such advancement of any other object of general public utility and,
 - b) The aggregate receipt from such activity, do not exceed 20% of total receipts of the trust and the institution.
- Section 11(2) has been substituted to provide that an assessee is required to submit the declaration in Form 10 for accumulation of income to be applied for charitable purpose in subsequent years on or before the due date of filing of return of income specified u/s 139(l)

Rationalization of provisions relating to deduction of tax on Interest(other than interest on security)

- The definition of 'time deposits' widened so as to include recurring deposits within its scope for the purposes of deduction of tax under section 194A of the Act.
- Amendment in provisions of section 194A(3)(ix) , deduction of tax under section 194A from interest payment on the compensation amount awarded by the Motor Accident Claim Tribunal compensation shall be made only at the time of payment, if the amount of such payment or aggregate amount of such payments during a financial year exceeds Rs.50,000/-.
- Amendment in provisions of the section 194A exemption provided from deduction of tax from payment of interest to members by a co-operative society under section 194A(3)(v)) of the Act shall not apply to the payment of interest on time deposits by the co-operative banks to its members.

DIRECT TAXATION

Other Significant Amendments

- No requirement in requirement of obtaining TAN by the individual or HUF who is required to deduct tax on acquisition of immovable property from a non-resident.
- The word “belongs to” has been deleted in section 153C and substituted with “relates to”.

(This amendment will take effect from 1st day of June, 2015.)

- The meaning of the term “substantially” in explanation 5 to section 9, clarified. For the purpose of taxing indirect transfers it has been proposed that value of assets situated in India shall exceed Rs. 10 crore and should comprise of at least 50% of the value of total assets of the company as on the valuation date.
- Insertion of Explanation 2 in section 263 so as to provide clarity on the issue that an order passed by the A.O. shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Commissioner or Commissioner,—
 - (a) the order is passed without making inquiries or verification which, should have been made;
 - (b) the order is passed allowing any relief without inquiring into the claim;
 - (c) the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or
 - (d) the order has not been passed in accordance with any decision, prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.

(This amendment will take effect from 1st day of June, 2015.)

- An auditor who is not eligible to be appointed as an auditor under Companies Act, 2013 shall not be eligible for carrying out audit in respect of corporate assesses under Income Tax Act.
- No MAT on share of income received by a Company-member from AOP/ BOI if such AOP/BOI is chargeable to tax at maximum marginal rate.

DIRECT TAXATION

- Section 192 has been amended to provide that the person responsible for making the payment shall for the purpose of estimating income of the assessee, or computing tax deductible, obtain from the assessee the evidence of proof or particulars of prescribed claims declared by the assessee.
- It is now proposed to amend the provisions of section 200A of the Act so as to enable computation of fee payable under section 234E of the Act at the time of processing of TDS statement under section 200A of the Act.
- Notice under section 148 can be issued by an AO after expiry of four years only after obtaining sanction from Principal Chief or Chief Commissioner or Principal Commissioner or Commissioner and In all other cases notice under section 148 can be issued by an AO who is below the rank of Joint Commissioner only after obtaining sanction from Joint Commissioner.

(This amendment will take effect from 1st day of June, 2015.)

- Amendment in section 115ACA definition of GDR to cover resident employee-investor as well. Current provision extends benefits to only non-resident employees. Further, only GDRs issued by the listed companies are covered for benefit under the provisions of Section 115ACA.
- Where a reassessment notice is issued for any assessment year, the assessee can approach the Settlement Commission for other assessment years as well even if reassessment notice has not been issued for such other assessment years provided the return of income has been furnished by the assessee for such years.
- Failure to furnish information required u/s 195(6) ; or furnishing of inaccurate information will attract penalty of Rs.1 lac under new section 271-I.

(This amendment will take effect from 1st day of June, 2015.)

- The Indian entity is obligated to furnish, information relating to the transaction having the effect of directly or indirectly modifying the ownership structure or control of the Indian entity. Section 271GA inserted to provide for penalty to the tune of 2% of the value of transaction or Rs.5,00,000, as the case may be, in the event of failure to furnish such information or document by the Indian entity.



INDIRECT TAXATION

CUSTOMS

Taxation Rates

- No change in the peak rate of Basic Custom Duty (BCD) of 10 % for FY 15-16.
- Education cess and secondary and higher education cess continues to be levied on Customs duty.

Sectoral Changes

Chemical and Petrochemicals

- Basic Customs Duty on ulexite ore reduced from 2.5% to Nil.
- Basic Customs Duty on ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) reduced from 2.5% to 2%.
- Basic Customs Duty on butyl acrylate reduced from 7.5% to 5%.
- Basic Customs Duty on anthraquinone reduced from 7.5% to 2.5%.
- Basic Customs Duty on antimony metal and antimony waste and scrap reduced from 5% to 2.5%.
- SAD on naphtha, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) for manufacture of excisable goods reduced from 4% to 2%.



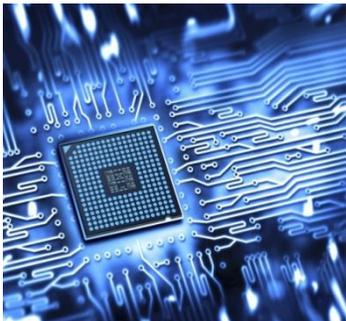
Ores & Metals

- Export duty on upgraded ilmenite reduced from 5% to 2.5%.
- Basic Customs Duty on metallurgical coke increased from 2.5% to 5%.
- SAD on melting scrap of iron & steel including stainless steel scrap for melting, copper scrap, brass scrap and aluminium scrap reduced from 4% to 2%.
- The tariff rate of basic customs duty on iron and steel and articles of iron or steel retained at 10%.



Electronics/Hardware

- All goods (except populated circuit boards) used in manufacture of ITA Bound items fully exempt from SAD, subject to actual user condition.
- Basic Customs Duty on 'metal parts' for use in the manufacture of electrical insulators reduced from 10% to 7.5%, subject to actual user condition.



INDIRECT TAXATION

- Basic custom duty on EPDM rubber, water blocking tape & mica glass tape, for use in manufacture of insulated wires & cables reduced from 10% to 7.5%, subject to actual user condition.
- Basic Customs Duty on magnetron of upto1 KW for use in the manufacture of domestic microwave ovens reduced from 5% to Nil, subject to actual user condition.
- Basic Customs Duty on zeolite, ceria zirconiacompounds and cerium compounds for use in the manufacture of washcoats, which are used in manufacture of catalytic converters reduced from 7.5% to 5%, subject to actual user condition.
- Basic Customs Duty on specified components for use in the manufacture of specified CNC lathe machines and machining centres reduced from 7.5% to 2.5%, subject to actual user condition.
- Basic Custom Duty on C-Block, Over Load Protector, Positive Thermal co-efficient & Crank Shaft for use in manufacture of compressor reduced from 7.5% to 5%.
- Basic Customs Duty on specified inputs for use in the manufacture of flexible medical video endoscope reduced from 5% to 2.5%.
- Basic Customs Duty on HDPE for use in the manufacture of telecommunication grade optical fibre cables reduced from 7.5% to Nil, subject to actual user condition.
- Basic Customs Duty on Black Light Unit Module for use in the manufacture of LCD/LED TV panels reduced from 10% to Nil, subject to actual user condition.
- Basic Customs Duty on Organic LED (OLED) TV panels reduced from 10% to Nil.
- CVD and SAD fully exempted on specified raw materials [battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in the manufacture of pacemakers, subject to actual user condition.
- SAD on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps fully exempted, subject to actual user condition.
- Basic Customs Duty on Digital Still Image Video Camera capable of recording video with minimum resolution of 800x600 pixels, at minimum 23 frames per second, for at least 30 minutes in a single sequence, using the maximum storage (including the expanded) capacity and parts and components for use in the manufacture of such cameras reduced to Nil.

INDIRECT TAXATION

Fertilisers

- Basic custom duty on sulphuric acid for the manufacture of fertilizers reduced from 7.5% to 5%.

Renewable Energy

- Basic custom duty fully exempted on Evacuated Tubes with three layers of solar selective coating for use in the manufacture of solar water heater & system, subject to actual user condition.
- Basic custom duty on Active Energy Controller (AEC) for use in the manufacture of Renewable Power System (RPS) Invertors reduced to 5%, subject to certification by MNRE.

Health

- Basic Custom Duty & CVD fully exempted on artificial heart.

Automobile

- Basic customs duty on motor vehicles for transport of 10 or more person (non CKD) and motor vehicle for transport of goods (non CKD) increased from 10% to 20%.
- BCD on following goods retained at 10%:-
 - Motor vehicles for transport of 10 or more persons imported in a CKD condition
 - Motor vehicles for transport of goods imported in CKD condition
 - Electrically operated vehicle (including in CKD condition) for transport of 10 or more persons
- Concessional BCD rate benefit on import of specified goods for use in manufacture of electrically operated and hybrid motor vehicle extended till 1 April 2016.



Infrastructure

- Increase in Additional Duty of Customs (Road Cess) on following goods

Description of Goods	Upto 28 February 2015	From 1 March 2015
Motor Spirit	Rs.2 per litre	Rs.6 per litre
High Speed Diesel Oil	Rs.2 per litre	Rs.6 per litre

INDIRECT TAXATION

Other Significant Provisions

- Section 28 is being amended so as to:
 - (i) Insert a proviso in sub-section (2) thereof to provide that in cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of duty, no penalty shall be imposed if the amount of duty along with interest leviable under section 28AA or the amount of interest, as the case may be, as specified in the notice, is paid in full within 30 days from the date of receipt of the notice and the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded;
 - (ii) Provide that in cases involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of duty, the amount of penalty payable shall be 15% instead of the present 25%;
 - (iii) Insert Explanation 3 to provide that where a notice under clause (a) of sub-section (1) or sub-section (4) of section 28, as the case may be, has been served but an order determining duty under sub-section (8) has not been passed before the date on which the Finance Bill, 2015 receives the assent of the President, then, without prejudice to the provisions of sections 135, 135A and 140, as may be applicable, the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded if the payment of duty, interest and penalty under the proviso to sub-section (2) or under sub-section (5), as the case may be, is made in full within 30 days from the date on which such assent is received.
- Section 112 provides for penalty for improper importation of goods, etc. Section 112 is being amended to provide that any person who acquires possession of or is in any way concerned with or in any other manner deals with any dutiable goods, other than prohibited goods, which he knows or has reasons to believe are liable to confiscation under section 111, shall, subject to the provisions of section 114A, be liable to a penalty not exceeding 10% of the duty sought to be evaded of Rs. 5000, whichever is greater. It is also being provided that in cases of short levy or non-levy or short payment or non-payment and erroneous refund of duty for reasons of collusion or any willful misstatement or suppression of facts, if the duty as determined

INDIRECT TAXATION

- The above benefit of reduced penalty would also be available where the order confirming the demand is not passed till enactment of Finance Bill, 2015 and the duty, interest and penalty (if applicable) is paid within thirty days from such enactment .
- Penalty in respect of improper importation or exportation of goods liable for confiscation will be as under: -
 - a) 10% of duty involved or Rs.5,000, whichever is higher
 - b) Penalty to be restricted to 25% of such penalty so determined, if the duty along with interest is paid within thirty days of communication of order
- Provisions relating to Settlement Commission not applicable to any proceeding referred back to adjudicating authority by any court, Appellate Tribunal or any other authority for fresh adjudication.
- Advance Ruling option extended to 'resident firms' (to include partnership firms, sole proprietorships and one person companies)- (*effective from 01st March, 2015*).

Changes in Customs Tariff Act, 1975

- Tariff rate of BCD on bituminous coal revised from 55% to 10% *with effect from 01st March 2015*

Miscellaneous Changes

Offence of making false declaration/ documents under Customs will be treated as a scheduled offence under the Prevention of Money Laundering Act, 2002. ***This change will be effective from the date of enactment of the Finance Bill, 2015.***



INDIRECT TAXATION

CENTRAL EXCISE

Highlights of Taxation Rates [effective from 01st Mar., 2015]

- **Exemption of Education Cess and Secondary & Higher Education Cess (SHE) on all Excisable Goods:** As part of the movement towards GST, Education Cess and Secondary & Higher Education Cess leviable on excisable goods are subsumed in Basic Excise duty.
- **Change in Ad Valorem rate of Excise Duty:**
 - The standard ad valorem rate of Basic Excise Duty (i.e. CENVAT) increased from 12% to 12.5%.
 - The total incidence of duties of excise on petrol and diesel remains unchanged.
 - Other Basic Excise Duty rates (ad valorem as well as specific) with a few exceptions have not been changed.
 - Some changes have also been made to excise levy on cigarettes and the compounded levy scheme applicable to pan masala, gutkha and certain other tobacco products(**other than biris**).
- **Rate of Excise Duty increased for goods covered by the Medicinal and Toilet Preparations Act, 1955 increased from 12% to 12.5% ad valorem.**

Sectoral Changes [effective from 01st Mar., 2015]

Petroleum

- The Schedule Rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oils being increased from Rs.2 per litre to Rs.8 per litre. The effective rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil increased from Rs.2 per litre to Rs.6 per litre only
- Education Cess and Secondary and Higher Education Cess, presently applicable to petroleum products, including petrol and High Speed Diesel exempted.





INDIRECT TAXATION

- Rates of duty of excise (CENVAT) on Petrol and High Speed Diesel Oil (both branded and unbranded) are also revised.

Food Processing Sector

- Mechanism for valuation of following products has been shifted from transaction value based to RSP based: -
 - Condensed milk put up in unit containers with an abatement @ 30%
 - All goods covered under Central Excise Tariff Heading 210120 such as extracts, essences or concentrates of tea or mate and preparations with a basis of these goods including iced tea with an abatement @ 30%
 - Waters containing added sugar or other sweetening matter of flavored and other non-alcoholic beverages except mineral water and aerated drinks with an abatement @ 35%.
- Excise Duty of 2% without Cenvat credit or 6% with Cenvat credit has been levied on condensed milk put up in unit containers.
- Excise Duty of 2% without Cenvat credit or 6% with Cenvat credit has been levied on peanut butter.

Automobiles

- Excise duty on chassis for ambulances has been reduced from 24% to 12.5%;
- Concessional excise duty of 6% granted to specified goods used in manufacturing electrically operated vehicles and hybrid vehicles has been extended upto 31 March 2016.

Health

- Excise Duty on cigarettes has been increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Similar increases are proposed on cigars, cheroots and cigarillos;
- Maximum speed of packing machine is being specified as a factor relevant to production for determining Excise Duty payable under the Compounded Levy Scheme, as presently applicable to pan masala, gutkha and chewing tobacco.



INDIRECT TAXATION

- Excise duty on cut tobacco increased from Rs. 60 per kg to Rs. 70 per kg.

Electronics/Hardware

- Excise duty on Wafers for use in the manufacture of integrated circuit (IC) modules for smart cards has been reduced from 12% to 6%;
- Excise duty on Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps has been reduced from 12% to 6%;
- Excise duty on Mobiles handsets, including cellular phones from 1% without Cenvat credit or 6% with Cenvat credit to 1% without Cenvat credit or 12.5% with Cenvat credit. NCCD of 1% on mobile handsets including cellular phones remains unchanged;
- Excise duty on Tablet computers from 12% to 2% without Cenvat credit or 12.5% with Cenvat credit;
- Excise duty on Specified raw materials [battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in the manufacture of pacemakers to Nil;
- Mechanism for valuation of LED lights or fixtures including LED lamps with abatement @ 35% has been shifted from transaction value based to RSP based.

Renewable Energy



- Accordingly, deemed production and duty payable per Excise duty on Pig iron SG grade and Ferro-silicon magnesium for use in the manufacture of cast components of wind operated electricity generators to Nil, subject to certification by MNRE;
- Excise duty on Solar water heater and system from 12% to Nil without Cenvat credit or 12.5% with Cenvat credit.
- Excise duty on Round copper wire and tin alloys for use in the manufacture of Solar PV ribbon for manufacture of solar PV cells to Nil subject to certification by Department of Electronics and Information Technology (DEIT).

Consumer Goods

- Excise Duty on leather footwear (footwear with uppers made of leather of heading 4107 or 4112 to 4114) of Retail Sale Price of more than Rs. 1000 per pair has been reduced from 12% to 6%.

INDIRECT TAXATION

- Percentage abatement prescribed for RSP based valuation of all footwear falling under Chapter 64 of Central Excise Tariff has been changed from 35% to 25%.
- Mechanism for valuation of Waters containing added sugar or other sweetening matter of flavored and other non-alcoholic beverages except mineral water and aerated drinks with an abatement @ 35% has been shifted from transaction value based to RSP based.
- Additional duty of excise levied on waters, including aerated waters, containing added sugar abolished.
- The Basic Excise Duty on Waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured has been increased from 12% to 18%.

Swachh Bharat and Energy Sector

- Effective rate of Clean Energy Cess has been increased from Rs.. 100 per tonne to Rs. 200 per tonne.
- Education Cess and Secondary and Higher Education Cess levied on Clean Energy Cess are exempted.
- Excise Duty on sacks and bags of polymers of ethylene other than for industrial use is being increased from 12% to 15%.

Miscellaneous

- Full exemption from Excise Duty extended to captively consumed intermediate compound coming into existence during the manufacture of Agarbattis. Agarbattis attract Nil Excise Duty.
- Rate of duty on cement changed as below:
 - Mini cement plant: 6 per cent + Rs.125 per MT (earlier 6 per cent+120 per MT).
 - Other than from mini cement plant: 12.5 per cent + Rs.125 per MT (earlier 12 per cent +120 per MT).
 - Cement other than those cleared in packaged: 12.5 per cent (earlier 12 per cent).
- Goods falling under Central Excise Tariff Heading 252329 such as Ordinary Portland cement, dry or colored, Portland pozzolana cement or slag cement has been increased Rs.900 per tonne to Rs. 1,000 per tonne

INDIRECT TAXATION

Amendment in the Central Excise Act, 1944

- Following changes are proposed in the Central Excise Act, 1944 and will be effective from the date of enactment of the Finance Bill, 2015.
- Provision relating to recovery of duties: -
 - Special treatment of cases where there is existence of fraud, collusion, etc. but the transactions are recorded in the specified records has been dispensed with;
 - Relevant date for invoking extended period of limitation where return has been filed would be the date when the return has been filed and not the due date of filing return;
 - Relevant date for invoking extended period of limitation where only interest is recoverable, has been prescribed to be date of payment of duty to which such interest relates;
 - The provision related to recovery of duty is proposed to be made inapplicable where duty amount in dispute is shown as payable in the periodic returns filed by the assessee. The manner in which recovery of disputed duty would be made in such cases will be prescribed.
- Penalty provisions pertaining to fraud, collusion etc.

Particulars	Fraud Case	Other than fraud case
Duty as determined under sub-section (10) of section 11A of the Excise Act	Penalty would be leviable equal to duty so determined in the order. However in respect of period 8-4-2011 to the date of the assent to the duty so determined	Penalty would be higher of the two: - 10% of the Duty determined under Section 11A(10) of the Excise Act; or Rs. 5000

INDIRECT TAXATION

“We welcome Initiatives on ease of doing business, Enhancing the global competitiveness of the Indian industry, Skill development for creating employment in rural sectors mom, rationalization of taxes for GST rollout & enhancing social security. will be a marginal increase of basic duties. The service tax increase is not expected to have much impact on manufacturing, since there is a facility to offset it.”

RAHUL BAJAJ, CHAIRMAN, BAJAJ GROUP

Duty and interest payable thereon under section 11AA	Where duty and interest thereon paid within 30 days of communication of show cause notice, the amount of penalty would be leviable 15% of the duty demanded. Subject to the condition that the reduced penalty would also be paid within 30 days of communication of show cause notice	No penalty would be leviable where the duty and interest paid on or before the issuance of Show Cause Notice (“the SCN”) or within 30 days of the SCN
Duty as determined under sub-section (10) of section 11A of the Excise Act and interest payable thereon under section 11AA the Excise Act paid within 30 days of the date of communication of order of the Central Excise Officer.	Penalty would be reduced to 25% of the penalty imposed in the order. Provided further that such reduced penalty is also paid within 30 days of the communication of such order.	Penalty would be reduced to 25% of the penalty imposed in the order. Provided further that such reduced penalty is also paid within 30 days of the communication of such order.
Proceedings in the pending show cause notices can be closed	On payment of duty, interest and penalty at the rate of 15% of the duty within 30 days of the enactment of the Finance Bill, 2015.	On payment of duty and interest within 30 days of the enactment of the Finance Bill, 2015.

INDIRECT TAXATION

Cases where show cause notices are adjudicated after the enactment of the Finance Bill, 2015	25% of the reduced penalty of the duty provided within 30 days of communication of the adjudication order if the duty, interest and penalty is paid within such time	25% of the penalty imposed provided within 30 days of communication of the adjudication order if the duty, interest and penalty is paid within such time
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- Where in the Appellate preceding the duty amount is modified by the Appellate Authority in the fraud cases then the penalty amount also modified accordingly. Subject to the condition that the additional duty, interest and penalty would also paid within 30 days of such Appellate Authority.
- Cases where no show cause notice has been issued prior to the date on which Finance Bill, 2015 receives the assent of the President, shall be governed by the new penal provisions as elucidated above.
- Following changes will be effective from 1 March 2015.
 - Scheme of Advance Rulings has been extended to resident firms.
 - Following products have been either brought under Schedule III (relating to deemed manufacture) to the Central Excise Act, 1944 or the existing entries in the said Schedule have been modified: -
 - Extracts, essences and concentrates, of tea or mate, and preparations with a basis of these extracts, essences or concentrates or with a basis of tea or mate;
 - Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices specified in Central Excise Tariff Heading 2009

INDIRECT TAXATION

- All goods falling under Central Excise Tariff Heading 8539 (Electrical filament or discharge lamps, including sealed beam lamp units and ultra – violet or infra-red lamps; arc lamps except lamps for automobiles), LED lights or fixtures including LED lamps falling under Chapter 85 or Central Excise Tariff Heading 9405.

Amendments in the Central Excise Rules, 2002

The following changes will be effective from 1 March 2015.

- Following provisions of Central Excise Rules, 2002 shall apply mutatis mutandis to registered importer:
 - Imposition of restrictions in case of evasion of duty, default in payment of duty, irregular availment of CENVAT credit, etc.
 - Access to registered premises of importer by Central Excise officer for scrutiny and verification of records.
 - Confiscation and penal provisions for contravention of any provisions of Central Excise Rules, 2002.
- Penalty of Rs.100 per day subject to maximum of Rs.20,000 is payable for delay in filing of return including Annual Financial Information Statement, Annual Installed Capacity Statement and other returns by Manufacturer or 100% EOU



INDIRECT TAXATION

SERVICE TAX

Taxation Rates [Effective Date to be notified by Central Government]

- The service tax rate is increased from 12% to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the new service tax rate.

Review of the Negative List of services [Effective Date to be notified by Central Government]

- Following services shall be removed from the negative list of services:
 - a) Service by way of access to amusement facility such as rides, bowling alleys, amusement arcades, water parks, theme parks or other such places.
 - b) Service by way of admission to entertainment event of concerts, non-recognized sporting events, pageants, music concerts and award functions, if the amount charged for admission is more than Rs 500 for right to admission of such an event.
 - c) Service by way of carrying out any processes as job work for production or manufacture of alcoholic liquor for human consumption.
 - d) Services provided by the Government or local authority to a business entity.

General exemptions [Notification No. 25/2012-ST dated 20.06.2012]

- Exemption will be withdrawn on the following services:
 - a) Construction, erection, commissioning or installation of original works pertaining to an airport or port
 - b) Services provided by a mutual fund agent to a mutual fund or assets management company
 - c) Services provided by a distributor to a mutual fund or AMC
 - d) Services provided by a selling or marketing agent of lottery ticket to a distributor of lottery
 - e) Departmentally run public telephone

INDIRECT TAXATION

- f) Guaranteed public telephone operating only local calls
- g) Service by way of making telephone calls from free telephone at airport and hospital where no bill is issued
- h) Service provided by a commission agent located outside India to an exporter located in India [**Applicable with immediate effect**]
- i) Services provided by a distributor to a mutual fund or AMC

New exemptions

- Exemption will be allowed on the following services:
 - a) Services of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables
 - b) Life insurance service provided by way of Varishtha Pension Bima Yojna.
 - c) Service provided by way of exhibition of movie by the exhibitor/theatre owner to the distributor or association of persons consisting of exhibitor as one of its members.
 - d) All ambulance services provided to patients
 - e) Service provided by way of admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve
 - f) Service provided by a Common Effluent Treatment Plant operator for treatment of effluent

Other measures relating to Service Tax

- Changes in Abatements
 - The abatement for executive (business/first class) air travel is reduced from 60% to 40%. Consequently, service tax would be payable on 60% of the value of fare for business class.
 - Service Tax shall be payable on 30% of the value of transport services by road and vessel as against 25% of the value in case of road transport and 40% in case of transport by vessels.
 - Abatement is withdrawn on chit fund service





INDIRECT TAXATION

Other measures relating to Service Tax

- Reverse charge mechanism
- Manpower supply and security services when provided by individual, HUF, partnership firm to a body corporate are being brought to full reverse charge.
- Services provided by mutual fund agents, mutual fund distributors and lottery agents are being brought to under reverse charge
- Changes in Cenvat Credit Rules, 2004:
- Cenvat Credit Rules are amended to allow credit of service tax paid under partial reverse charge by the service receiver without linking it to the payments of value of service to service provider as a trade facilitation measure.
- Changes In Service Tax Rules
- In respect of any service provided under aggregator model, the aggregator is being made liable to pay service tax if the service is provided using the brand name of aggregator in any manner.
[Applicable with immediate effect]
- The composition rate on specified services, namely, life insurance service, services of air travel agent, money changing service provided by banks or authorized dealers, and service provided by lottery distributor and selling agent, is proposed to be revised proportionately.
- Provision for issuing digitally signed invoices are being added along with the option of presentation of records in electronic form. The conditions and procedure in this regard shall be specified by the CBEC.
- Rule 6 (6A) which provided for recovery of service tax self-assessed and declared in the return under section 87 is omitted consequent to amendment in section 73 for enabling such recovery.

INDIRECT TAXATION

- Exemption presently available on specified services of construction, repair of civil structures, etc. when provided to Government shall be restricted only to:
 - a) A historical monument, archaeological site
 - b) Canal, dam or other irrigation work;
 - c) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal. **(Notification No. 25/2012-ST dated 20.06.2012)**
- Exemption to services provided by a performing artist in folk or classical art form of (i) music, or (ii) dance, or (iii) theater, will be limited only to such cases where amount charged is upto Rs 1,00,000 per performance (except brand ambassador). **(Notification No. 25/2012-ST dated 20.06.2012)**
- Exemption to transportation of 'food stuff' by rail, or vessels or road will be limited to transportation of food grains including rice and pulses, flours, milk and salt only. **(Notification No. 25/2012-ST dated 20.06.2012).**



Swachh Bharat Cess [Effective Date to be notified by Central Government]

- The Central Government proposed to impose a Swachh Bharat Cess on all or certain taxable services at a rate of 2% on the value of such taxable services. The proceeds from this Cess would be utilized for Swachh Bharat initiatives.
- Exemption to some of the services covered under Negative List [Notification No. 25/12-ST] [Effective from date of amendment being made in Negative List]
- Services by way of right to admission to:
 - (i) exhibition of cinematographic film, circus, dance, or theatrical performances including drama or ballet.
 - (ii) recognized sporting events.
 - (iii) concerts, pageants, award functions, musical or sporting event not covered by the above exemption, where the consideration for such admission is upto Rs. 500 per person.

INDIRECT TAXATION

Changes in the Finance Act, 1994:

- Section 67 of the Act prescribes that a taxable service shall include any reimbursable cost or expenditure incurred and charged by the service provider to make legal position clear and avoid disputes.
- Section 66F of the Act prescribes that unless otherwise specified, reference to a service shall not include reference to any input service used for providing such service.
- Section 73 is being amended in the following manner:
 - (i) a new sub-section (1B) is inserted to provide that recovery of the service tax amount self-assessed and declared in the return but not paid shall be made under section 87, without service of any notice under sub-section (1) of section 73, and
 - (ii) sub-section (4A), that provides for reduced penalty if true and complete details of transaction were available on specified records, is being omitted.
- Section 76 is being amended to rationalize penalty, in cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of service tax, in the following manner,-
 - (i) penalty not to exceed ten per cent of service tax amount involved in such cases;
 - (ii) no penalty is to be paid if service tax and interest is paid within 30 days of issuance of notice under section 73 (1);
 - (iii) a reduced penalty equal to 25% of the penalty imposed by the Central Excise officer by way of an order is to be paid if the service tax, interest and reduced penalty is paid within 30 days of such order; and
 - (iv) if the service tax amount gets reduced in any appellate proceeding, then penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25% of penalty imposed) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.

INDIRECT TAXATION

- Section 78 is being amended to rationalize penalty, in cases involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the Act or rules with the intent to evade payment of service tax, in the following manner,-
 - (i) penalty shall be hundred per cent of service tax amount involved in such cases;
 - (ii) penalty equal to 15% of the service tax amount is to be paid if service tax, interest and reduced penalty is paid within 30 days of service of notice in this regard;
 - (iii) a reduced penalty equal to 25% of the service tax amount determined by the Central Excise Officer, by an order, is to be paid if the service tax, interest and reduced penalty is paid within 30 days of such order; and
 - (iv) if the service tax amount gets reduced in any appellate proceeding, then penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25%) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.
- Service shall include services by:
 - i. chit fund foremen by way of conducting a chit; and
 - ii. Distributor or selling agent of lottery, as appointed or authorized by the organizing state for promoting, marketing, distributing, selling, or assisting the state in any other way for organizing and conducting a lottery.
- A definition of the term “government” is incorporated in the Act.

INDIRECT TAXATION

Minimum government and maximum governance to improve the ease of doing business

Compliance Facilitation

- Online Central Excise/Service Tax Registration within two working days.
- Time limit for taking CENVAT Credit on inputs and input services is being increased from six months to one year.
- Facility of direct dispatch of goods by registered, dealer from seller to customer's premises is being provided. Similar facility is also being allowed in respect of job-workers. Registered importer can also send goods directly to customer from the port of importation.
- Penalty provisions in Customs, Central Excise & Service Tax are being rationalized to encourage compliance and early dispute resolution.
- Central Excise/Service Tax assesseees are being allowed to issue digitally signed invoices and maintain other records electronically.

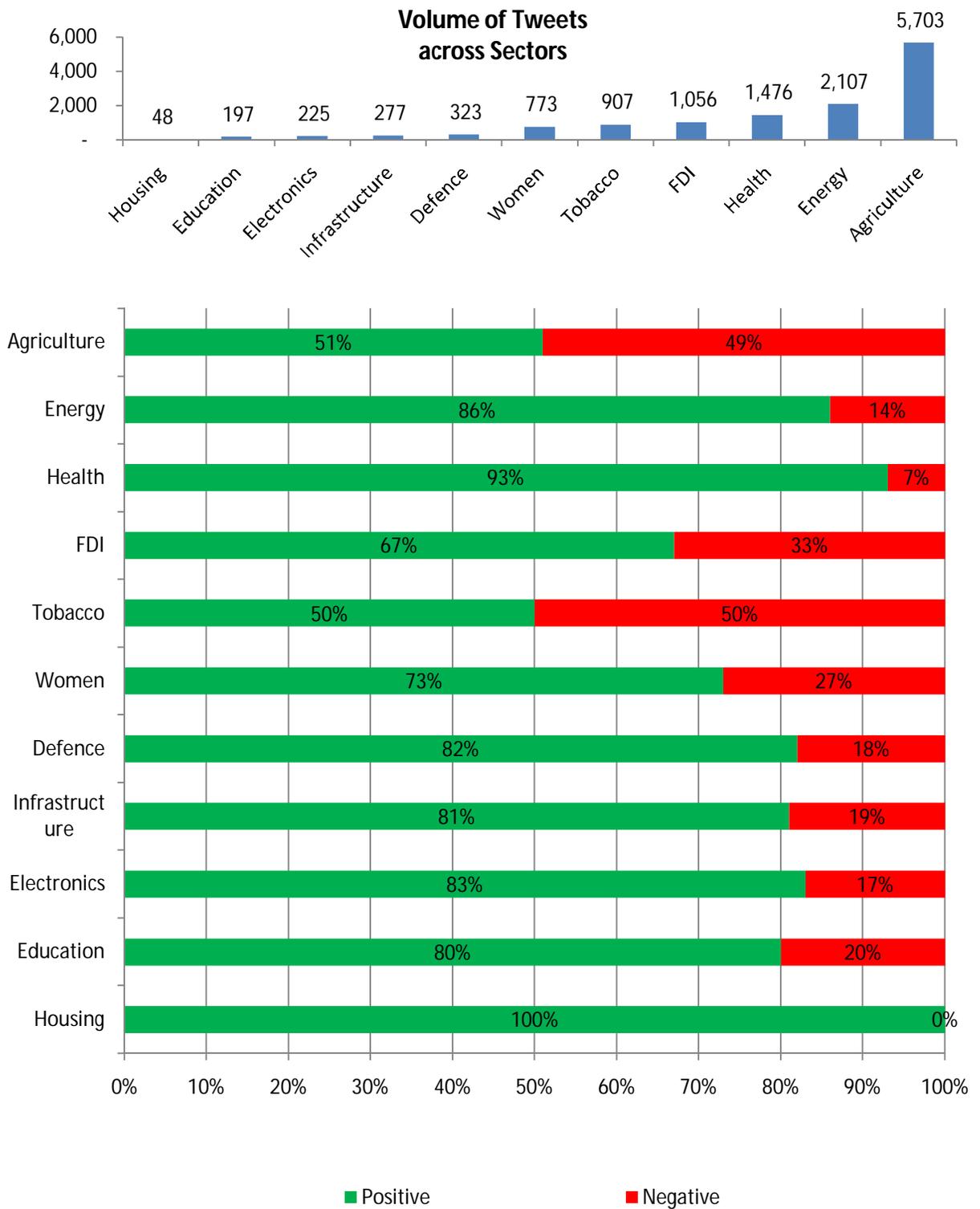
GST

- The statement of Hon'ble Finance Minister, emphasizing importance of GST for Indian economy and its development, from his budget speech is reproduced below:

"GST is expected to play a transformative role in the way our economy functions. It will add buoyancy to our economy by developing a common Indian market and reducing the cascading effect on the cost of goods and services. We are moving in various fronts to implement GST from the next year".



“TWITTERATI” REACTS



Source: <https://twitter.com/blogworks?refsrc=email&s=11>

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