

# UNION BUDGET 2017 - 2018



*This year's budget reforms old processes, empowers our human capital & aims to rejuvenate the economy.*

@NarendraModi 

**“Transform, Energise & Clean India” – TEC India**

**Dewan P. N. Chopra & Co.**

## FOREWORD

The BJP led NDA since elected in May 2014 as the government of India has been attempting transformative shifts for the governance of our nation including policy and system based administration, transparency & objectivity in action, targeted delivery. One such transformative shift was the removal of high value denominated notes overnight from the financial system with the objective of radically eliminating a parallel economy (“Black Money”) plaguing the country and its economic system for decades.

Though a novel idea, the impact of this change may not have been what the government anticipated. This single event with a sudden halt to the economic engines of the nation has already led to an estimated decline in GDP growth by 1% for FY 16-17 with a cascading impact lingering on for a period and to an extent still unknown.

The Economic Survey 2016-17 documented by the Chief Economic Advisor Mr Arvind Subramanian, has been much appreciated by many for its depth, detail and craft. However, embedded in this document were numbers that couldn’t be ignored with Private Investments declining by 7%, Credit growth at its lowest in 23 years, Non Performing Assets of Public Sector Banks at 12%, IIP manufacturing down by 2.2%, reflecting a need to take drastic fiscal measures to boost investment drive, production, job creation, liquidity and consumption to revive the economic engine and bring it back onto the growth trajectory of 8% and above.

In the midst of this, our Honorable Finance Minister, Mr Arun Jaitley, presented the Union Budget for FY 17-18. A budget that was expected by many to take radical financial and regulatory steps to mobilize the system through aggressive tax breaks, allocation to investments, driving public private partnerships, focusing on Infrastructure and Real Estate to facilitate job creation and offering SOPs to individuals, more so in the rural areas who are worst effected by demonetization. This to be done while ensuring fiscal discipline.

As articulated in his speech, the budget was driven by the agenda of TEC India “Transform, Energise and Clean India”. This agenda dove tailed into 10 distinct themes including support to farmers, rural infrastructure, jobs and skill development for the youth, housing, health and security for the poor, stability of the financial sector and bringing transparency and efficiency through a digital economy.

What transpired through the Honorable ministers speech was a budget true to its theme but not as radical as some may have expected. With limited measures introduced supporting Exports, Manufacturing, Healthcare, ITes, Hospitality & Tourism etc., many felt neglected however applauded the fiscal discipline restricting the Deficit to 3.2% in FY17-18 against 3.9% in FY 15-16.

# FOREWORD

Further, the current budget focused primarily on changes in Direct Taxes with minimal changes under Customs, Excise and Service Tax given they shall largely be subsumed under Goods and Service Tax post implementation in FY 17-18

In this light, our team at DPNC has compiled key highlights of the Union Budget 2017-18. We hope the same is concise yet highlights aspects that needed due consideration.

For any queries, clarification or suggestions, please do revert on our coordinates herein.

Regards,

**Dhruv Chopra**

**Partner, Dewan P.N. Chopra & Co.**

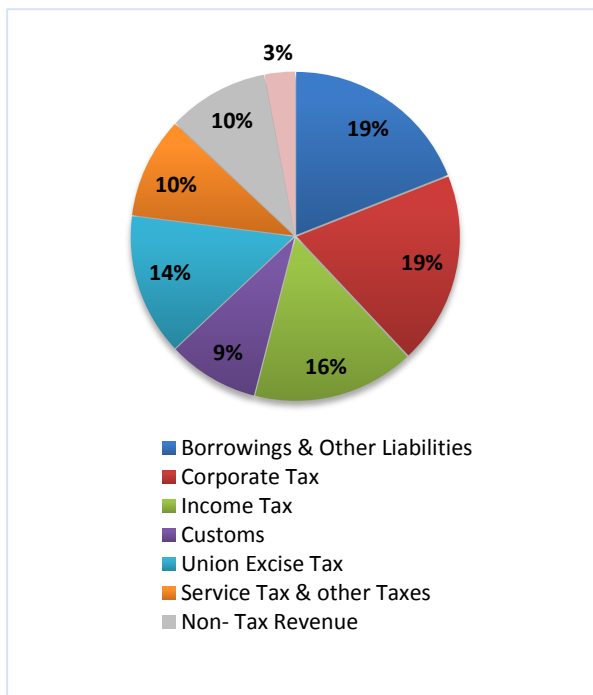
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# BUDGET ALLOCATION AT A GLANCE FY 17-18

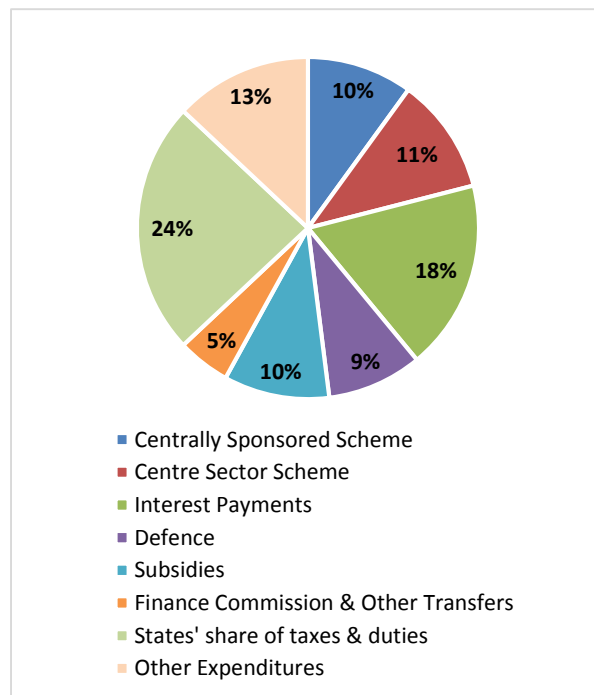
## BUDGET SNAPSHOT

### RUPEE INFLOW



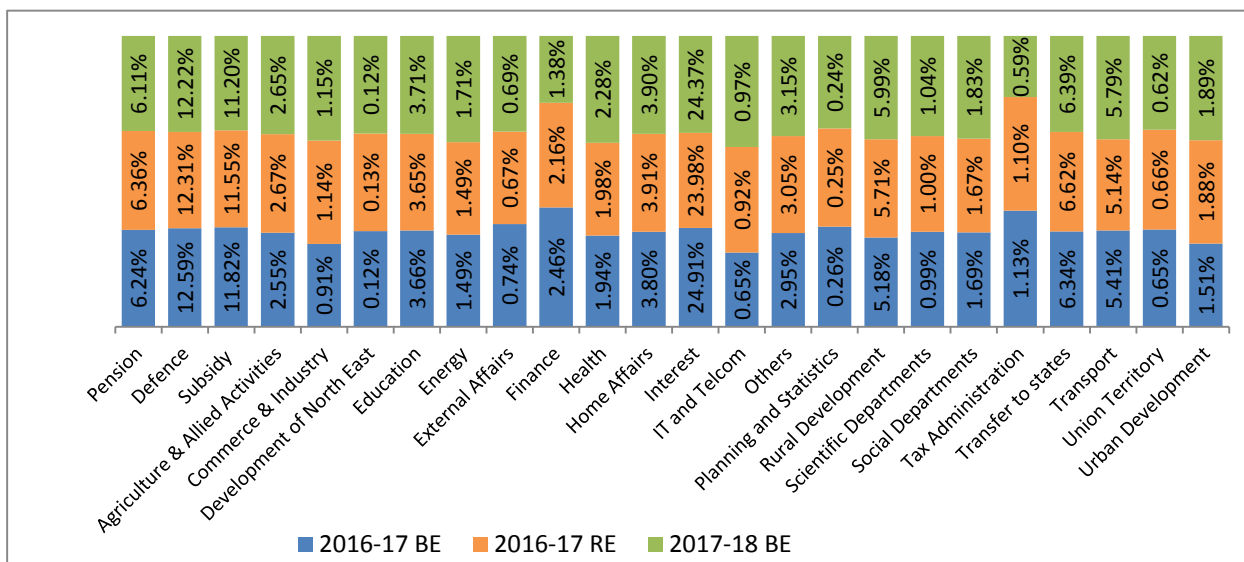
Source: Budget At A Glance 2017-18

### RUPEE OUTFLOW



Source: Budget At A Glance 2017-18

## ALLOCATION TO KEY EXPENDITURE



Source: Budget At A Glance 2017-18

## ROADMAP & PRIORITIES

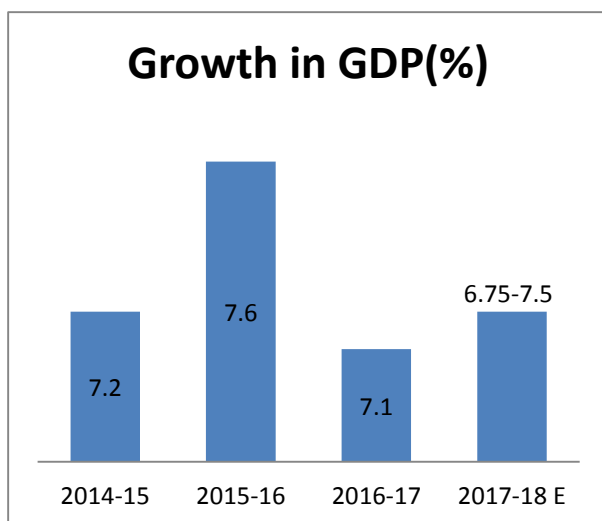
- Agenda for Budget 2017-18 is : “Transform, Energise and Clean India” – TEC India
- TEC India seeks to
  - Transform the quality of governance and quality of life of our people;
  - Energise various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential; and
  - Clean the country from the evils of corruption, black money and non-transparent political funding

# ECONOMIC PERFORMANCE

## FY 16-17

### GROSS DOMESTIC PRODUCT (GDP)

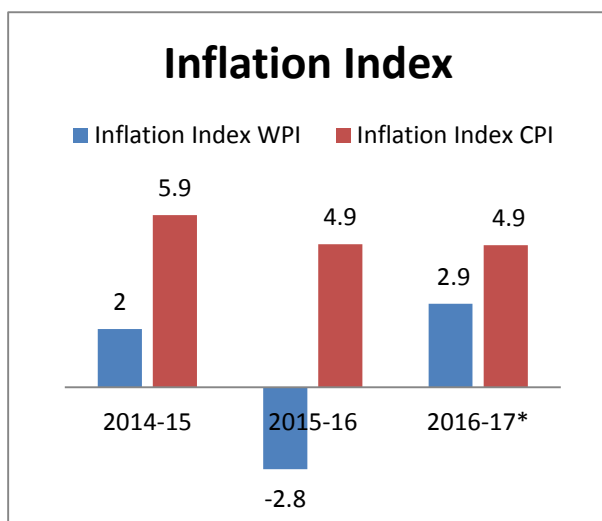
- The Indian economy has registered growth rate of GDP at 7.1% for 2016-17 as against 7.6% for 2015-16. Impact of demonetization in Q3 and Q4 is apparent.
- Post-demonetization, it is expected that the real GDP growth will range between 6.75% to 7.5% for 2017-18. Increased allocation to capital expenditure, infrastructure and focus on rural area and agriculture would drive the extent of revival.
- The growth rate of gross value added (GVA) at constant basic prices is 7.0% for 2016-17 as against 7.2% in 2015-16. The negative growth is estimated to be 6.7% for 2016-17 (H2) as compare to 7.2% in 2016-17 (H1).



Source: Economic Survey 2016-17

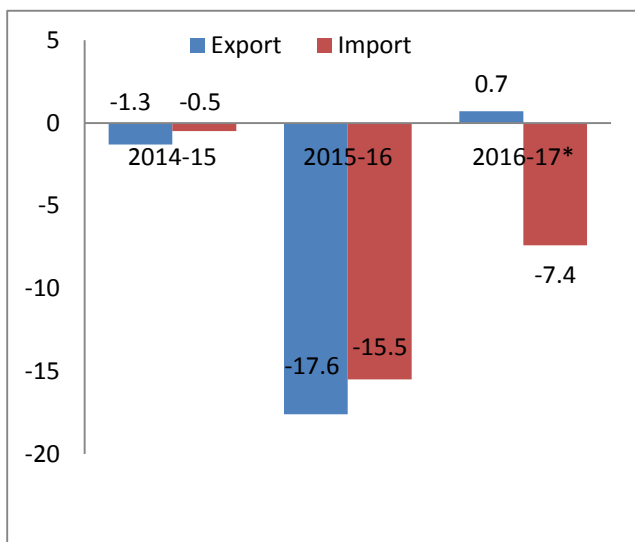
### INFLATION

- The average Consumer Price Index (CPI) inflation has witnessed downward trend from 5.9% in 2014-15 to 4.9% in 2015-16 during Apr-Dec'16, owing to abundance of Kharif agricultural and pulses production. Also, the decline in pulses prices has majorly contributed to the decline in CPI inflation reaching 3.4% by end-Dec'16.
- The WPI has significantly declined to (-) 2.8% in 2015-16 from 2.0% in 2014-15, averaging to 2.9% during Apr-Dec'16. However, there has been the reversal of WPI inflation, from a (-) 5.1% in Aug' 15 to 3.4% in Dec'16 owing to rise in international oil prices.



\*Average of first three Quarters for 2016-17

Source: Economic Survey 2016-17



\*Time period for 2016-17 is April-December

Source: Economic Survey 2016-17

*"We expect the impact of demonetization will gradually dissipate in 2017-18 and there will be a recovery in economic growth,"*

- IMF

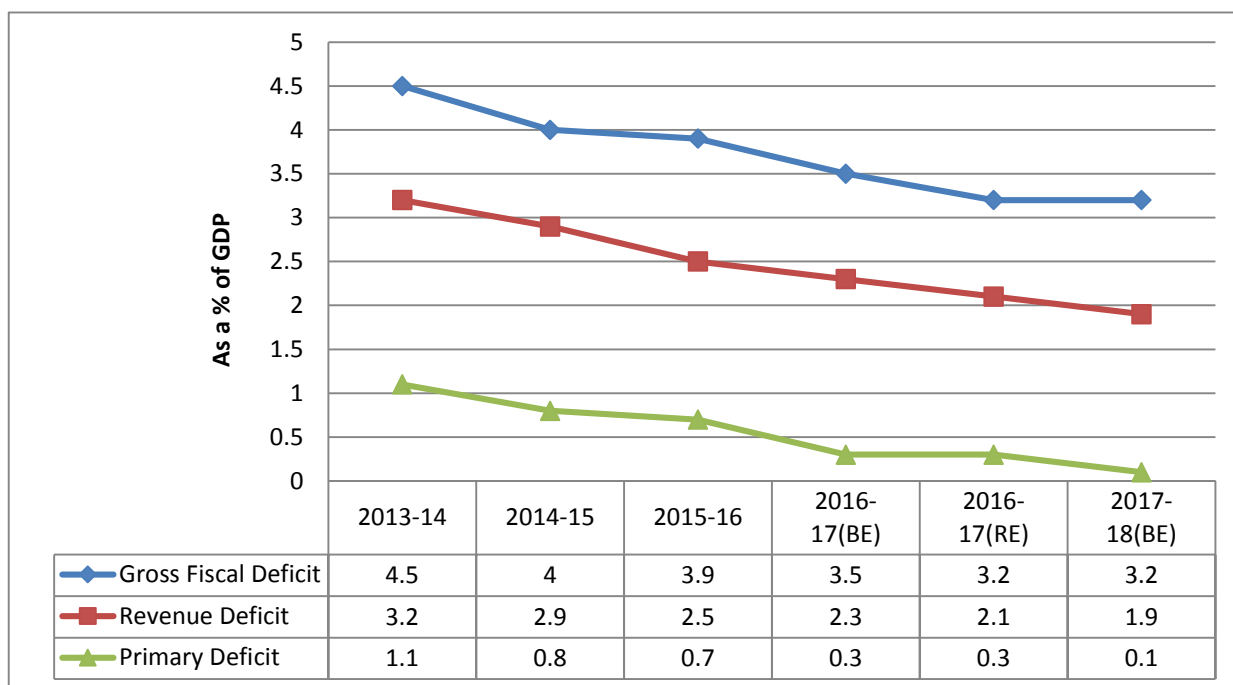
- It has been observed that the core inflation has been more stable, around 4.5%-5.0% for the year 2016-17.
- The outlook for the year as a whole is for CPI inflation to be below RBI's target of 5%, a trend likely to be assisted by demonetization.

## EXPORT/IMPORT

- The trend of negative growth in exports has been reversed during 2016-17 (Apr-Dec), with exports registering a growth of 0.7% to USD 198.8 billion from USD 197.3 billion in 2015-16 (Apr-Dec). The improvement in exports is due to improvements in the world economy, led by better growth in US and Germany.
- The imports have declined from USD 448 billion in 2014-15 to USD 381 billion in 2015-16, owing to decline in crude oil prices. During 2016-17 (Apr-Dec), the imports have declined by 7.4% to USD 275.4 billion compared to the corresponding period of previous year.
- India's trade deficit has declined by 23.5% to USD 76.5 billion in 2016-17 (Apr-Dec) as compared to USD 100.1 billion in 2015-16 (Apr-Dec).
- India's external sector position has been comfortable, with the current account deficit (CAD) significantly reduced from USD 88.2 billion (4.8% of GDP) in 2012-13 to USD 22.2 billion (1.1% of GDP) in 2015-16. It is further declined to 0.3% of GDP for 2016-17 (H1).
- Robust flow of FDI and net positive inflow of foreign portfolio investment were sufficient to finance CAD leading to accretion of foreign exchange reserves from USD 350 billion (Jan'16) to USD 361 billion (Jan'17).

## FISCAL SUMMARY

- Budget 2016-17 clearly indicates Government's commitment to continue with fiscal consolidation and projected fiscal deficit at 3.5% of GDP for 2016-17 as against 3.9% in 2015-16.
- The fiscal deficit has been pegged to 3.2% for 2017-18 and has been committed to achieve 3% for next three years. The FRBM Review Committee has also provided for 'Escape Clauses', for deviations up to 0.5% of GDP, from the stipulated fiscal deficit target.
- Despite demonetization effect, the indirect taxes have grown by 36.4% during November 2016.
- The strong growth in revenue expenditure during Apr-Nov'16 owing to 23.2% increase in salaries due to implementation of the Seventh Pay Commission and a 39.5% increase in the grants for creation of capital assets.



BE: Budgeted Estimates, RE: Revised Estimates

Source: Budget At A Glance 2017-18

*"It was a fairly routine Budget... in the sense that there have not been much changes on the revenue side.*

*Nevertheless, I am happy that the fiscal deficit is maintained at 3.2 per cent. The original road map has set it at 3 per cent."*

- C. Rangarajan (Former RBI Governor)



# SECTORAL HIGHLIGHTS



*"The Budget proposals to increase spends in rural areas, infrastructure development, poverty alleviation as well as the agricultural sector should provide a growth impetus to the Indian economy and a pickup in consumption demand."*

- Y.C. Deveshwar, Chairman (ITC)

## RURAL POPULATION

- Aim to bring one crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019, the 150th birth anniversary of Gandhiji.
- MGNREGA allocation has increased by 25% to INR 48,000 cr. in 2017-18 as compared to INR 38,500 cr. last year, recorded as the highest ever in 2017-18.
- Pace of construction of PMGSY roads accelerated to 133 km roads per day in 2016-17, against an avg. of 73 km during 2011-2014.
- On target to achieve 100% village electrification by 1st May 2018.
- Allocation for Prime Minister's Employment Generation Program and Credit Support Schemes has been increased three fold.
- Sanitation coverage in rural India has gone up from 42% in Oct 2014 to about 60%.
- For imparting new skills to people in rural areas, mason training will be provided to 5 lakh persons by 2022.
- Total allocation for Rural, Agriculture and Allied sectors is INR 1,87,223 cr.

## YOUTH



- SWAYAM platform, leveraging IT, to be launched with at least 350 online courses.
- National Testing Agency to be set-up as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions.
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of INR 4,000 cr. SANKALP

*“A good budget, has done a lot for housing and for rural development. Disappointed with no announcement on corporate tax.”*

- *Deepak Parekh,  
Chairman( HDFC)*



will provide market relevant training to 3.5 cr. youth.

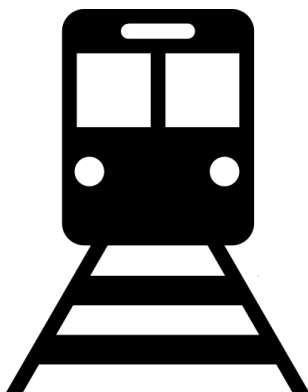
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of INR 2,200 cr.
- Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3,479 educationally backward districts.
- A scheme for creating employment in the leather and footwear industries along the lines in Textiles Sector to be launched.

#### THE POOR AND THE UNDERPRIVILEGED

- Affordable housing to be given infrastructure status.
- National Housing Bank will refinance individual housing loans of about INR 20,000 cr. in 2017-18.
- Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.
- To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.
- For senior citizens, Aadhaar based Smart Cards containing their health details will be introduced.

#### INFRASTRUCTURE

- For transportation sector as a whole, including rail, roads, shipping, provision has increased by 9% to INR 2,41,387 cr. in 2017-18 from INR 2,21,246 cr. in previous year.

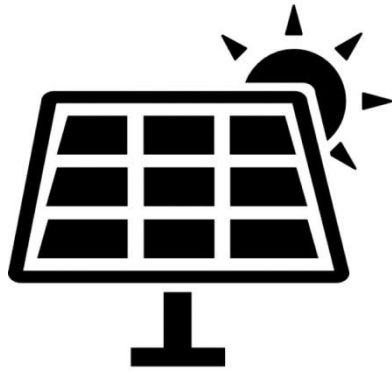


*"The growth will happen because of huge investments that is happening. For example in railways, the provision for Rs1.31 lakh crore for capital expenditure is unprecedented in railway history."*

- Suresh Prabhu  
- (Union Railway Minister)



- For 2017-18, the total capital and development expenditure of Railways has been pegged at INR 1,31,000 cr. This includes INR 55,000 cr. provided by the Government.
- Railway lines of 3,500 kms will be commissioned in 2017-18. During 2017-18, at least 25 stations are expected to be awarded for station redevelopment.
- 500 stations will be made differently abled friendly by providing lifts and escalators.
- It is proposed to feed about 7,000 stations with solar power in the medium term.
- SMS based Clean My Coach Service has been started.
- 'Coach Mitra', a single window interface, to register all coach related complaints and requirements to be launched.
- By 2019, all coaches of Indian Railways will be fitted with bio toilets.
- A new Metro Rail Act will be enacted by rationalising the existing laws. This will facilitate greater private participation and investment in construction and operation.
- In the road sector, Budget allocation for highways increased from INR 57,976 cr. in BE 2016-17 to INR 64,900 cr. in 2017-18.
- 2,000 kms of coastal connectivity roads have been identified for construction and development.
- Total length of roads, including those under PMGSY, built from 2014-15 till the current year is about 1,40,000 kms which is significantly higher than previous three years.
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode.



*"The abolition of Foreign Investment Promotion Board is a step in the right direction to improve the ease of doing business with India."*

- *GP Hinduja (Co. Chairmam)  
Hinduja Group*



- By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, under BharatNet. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.
- Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT.
- Second phase of Solar Park development to be taken up for additional 20,000 MW capacity.
- For creating an eco-system to make India a global hub for electronics manufacturing a provision of INR 745 cr. in 2017-18 in incentive schemes like M-SIPS and EDF.
- A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18 A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.

### FINANCIAL SECTOR

- Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy is under consideration.
- A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996.
- Propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.
- A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.

*“The Budget has provided Rs. 10,000 crore for recapitalization of banks in 2017-18. But what is reassuring the FM’s statement that more will be given if required.”*

- *Arundhati Bhattacharya (Chair-Managing Director) State Bank of India*



*“The Union Budget 2017 reinforces government’s reliance on technology for achieving development goals, as it focuses on Infrastructure and empowering startups and SMEs, although IT industry expectations on facilitative proposals remain largely unmet... The budget evangelizes digital payments and infrastructure, along with promoting a transparent business environment”*

- *NASSCOM*

- In line with the ‘Indradhanush’ roadmap, INR 10,000 cr. for recapitalisation of Banks provided in 2017-18.
- Lending target under Pradhan Mantri Mudra Yojana to be set at INR 2.44 lakh cr. Priority will be given to Dalits, Tribals, Backward Classes and Women.

### DIGITAL ECONOMY

- 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.
- Aadhaar Pay, a merchant version of Aadhaar Enabled Payment System, will be launched shortly.
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhaar Pay, IMPS and debit cards.
- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.
- Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhaar based POS by September 2017.
- Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

*“We welcome various measures to promote digital economy announced in the new Budget.”*

- **Gopal Jiwarajka,**  
*(President,  
PHD Chamber of  
Commerce)*

- No transaction above INR 3 lakh would be permitted in cash subject to certain exceptions.

*(Further detailed in Corporate Tax Section)*

- Miniaturised POS card reader for m-POS (other than mobile phones or tablet computers), micro ATM standards version 1.5.1, Finger Print Readers / Scanners and Iris Scanners and on their parts and components for manufacture of such devices to be exempt from BCD, Excise/CV duty and SAD.

### PUBLIC SERVICE

- To utilise the Head Post Offices as front offices for rendering passport services.

### PRUDENTIAL FISCAL MANAGEMENT

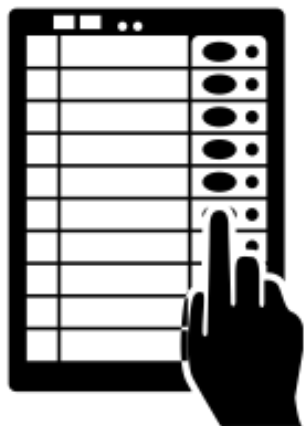
- Stepped up allocation for Capital expenditure by 25.4% over the previous year.
- Total resources being transferred to the States and the Union Territories with Legislatures is INR 4.11 lakh cr., against INR 3.60 lakh cr. in BE 2016-17.
- Net market borrowing of Government restricted to INR 3.48 lakh cr. after buyback in 2017-18, much lower than INR 4.25 lakh cr. of the previous year.

### TRANSPARENCY IN ELECTORAL FUNDING

- Need to cleanse the system of political funding in India.
- Maximum amount of cash donation, a political party can receive, will be INR 2000 from one person.
- Political parties will be entitled to receive donations by cheque or digital mode from their donors.

*“Any step to clean political funding will be supported by us.”*

- **Rahul Gandhi**



- Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard.
- Every political party would have to file its return within the time prescribed in accordance with the provision of the Income-tax Act.
- Existing exemption to the political parties from payment of income-tax would be available only subject to the fulfilment of these conditions.



# DIRECT TAXATION

The Direct Tax proposals are effective from A.Y. 2018-19 except otherwise stated.

## INDIVIDUAL TAXATION

### General Tax Slabs

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

### Senior Citizen Tax Slabs

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

### Super Senior Citizen Tax Slabs\*\*

Income	Tax Rate
Up to 5 Lakhs	Nil
Above 5 Lakhs to 10 Lakhs	20%
Above 10 Lakhs	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.

- No major change in the slab rate of personal income-tax for A.Y. 2018-19, however there is reduction of tax rate from 10% to 5% for Individuals having income between Rs. 2.5 Lakh and Rs. 5 Lakh.
- Rebate u/s 87A for Resident individual decreased from Rs. 5000 to Rs. 2500 and will be available only to individual having taxable income upto Rs. 3.5 Lakh.
- Surcharge @ 10% on Individuals, HUF, AOP, BOI or artificial juridical person having income exceeding Rs. 50 Lakh but not exceeding Rs.1 crore shall be levied from AY 2018-19.

### Tax on dividend u/s 115BBDA to extend to Other persons

- Under Section 115BBDA, dividend received by resident individual, HUF and Firm, in excess of Rs. 10 lakh is chargeable to tax at the rate of 10%;
- The said provisions are now proposed to be extended to all resident assessee except (i) domestic company, (ii) trusts, institutions, etc. registered u/s 12AA or Section 10(23C).

### TDS on rent to be deducted by Individual or HUF not liable for tax audit

- A new Section 194IB is proposed to be inserted w.e.f. 01<sup>st</sup> June 2017 as per which, if any, Individual or HUF (not liable for tax audit) pays rent in excess of Rs. 50,000 for a month or part of the month, then TDS @ 5% shall be deducted. TDS on payment of rent by Individual or HUF liable for tax audit are already covered u/s 194I.
- No TAN is required by the deductor deducting TDS under this provision.





*"We commend the focus on growing the digital footprint in the country; enhancing digital infrastructure, capping cash transactions, reducing cash donations, using Aadhaar Pay to enable more digital payments are significant measures."*

*Kunal Bahl (CEO, Snapdeal)*

## DIRECT TAXATION

### Exemption under Capital Gain if land transferred under Land Pooling Scheme in Andhra Pradesh

- A new Section 10(37A) is proposed to be inserted to provide the Exemption of Capital Gain subject to certain conditions to Individual or HUF who was owner of land in specified areas of Andhra Pradesh and who has transferred such land under Land Pooling Scheme framed by Government of Andhra Pradesh.

### Restricting cash donations

- Under Section 80G, existing limit of deduction of cash donation of Rs. 10,000 has been reduced to Rs. 2,000.

### Enabling Filing of Form 15G/ 15H for commission payments specified u/s 194D

- Section 197A amended to enable any Individual or HUF receiving insurance commission liable for TDS u/s 194D to provide self-declaration in Form 15G/15H to the deductor that their total income is below threshold limit. In such case, deductor shall not deduct TDS on payments made to such Individual or HUF. The said amendment is effective from 01<sup>st</sup> June 2017.

### Increase in threshold limit for maintenance of books of accounts in case of Individual and HUF

- Limit of Turnover/Gross Receipts and Income for maintenance of Books of Account by Individual or HUF u/s 44AA increased to Rs. 25 Lakh and Rs. 2.5 Lakh respectively from existing limit of Rs. 10 Lakh and Rs. 1.2 Lakh.

## DIRECT TAXATION

### Increase in turnover limit for Tax Audit u/s 44AB for persons paying tax on presumptive basis

- Section 44AB proposed to be amended to increase turnover limit for applicability of tax audit for persons opting for presumptive taxation scheme u/s 44AD from Rs. 1 crore to Rs. 2 crore to align the same with the turnover limit for applicability of presumptive taxation u/s 44AD.

### Removal of deduction u/s 80CCG

- The deduction available to Resident Individual for investment made in listed equity shares as per scheme by Central Govt. is removed w.e.f AY 2018-19;
- All resident individual who have availed this exemption by AY 2017-18 shall be allowed this deduction.

### Restriction on set off of loss from House property

- A new sub section (3A) has been inserted in Section 71, wherein the set off of losses of house property during the year against any other head of income has been restricted to Rs. 2 lakhs only;
- However, the same can be c/f and set off from House Property Income in subsequent years upto 8 AY immediately succeeding the AY in which loss was first computed.

### Tax exemption to partial withdrawal from National Pension System (NPS)

- A new sub section (12B) has been inserted in Section 10 to provide exemption on partial withdrawal by an employee in accordance with terms and conditions specified under Pension Fund Regulatory and Development Authority, 2013 and regulations made there under;
- The said exemption is available on withdrawal upto 25% of contribution made by employee.



## DIRECT TAXATION

### NPS Deduction u/s 80CCD for Self Employed Individual

- In case of self-employed individual, deduction u/s 80CCD w.r.t. NPS has been increased to 20% of Gross Total Income as against 10% of Gross Total Income in earlier years.

### Presumptive Taxation u/s 44AD – Incentive for going Cashless

- Deemed income rate of 8% on turnover/gross receipts reduced to 6% for payments received by an account payee cheque or account payee draft or use of electronic clearance system through a bank account. However, for payments received in cash, the existing rate of 8% will continue.

*Amendment applicable w.e.f. AY 2017-18*

### Conversion of Preference Shares to Equity Shares exempt

- Section 47 proposed to be amended to provide that “conversion of preference shares of a company into its equity shares” will not be treated as transfer. Consequential amendments are also proposed in section 49 and section 2(42A) in respect of cost of acquisition and period of holding.

### Refund allowed in case of scrutiny

- A proviso to sub-section (1D) to section 143 inserted to provide that processing of return and issuance of refunds can be made even if the case is selected for the scrutiny. Earlier, no return can be processed after the issuance of notice for scrutiny.

*Amendment applicable for return filed on or after 1st Apr 2017.*



## DIRECT TAXATION

### Sale of Share -FMV deemed as consideration in certain cases

- New Section 50CA inserted in line of section 50C to provide that in case of transfer of unquoted equity shares where the Fair Market Value determined in the prescribed manner is less than the consideration received, such Fair Market Value shall be the deemed value of consideration for the purpose of computation of capital gains u/s 48.
- Methods for determination of FMV to be prescribed.

### Expanding the scope of long term bonds under 54EC

- Section 54EC is proposed to be amended to widen its scope to investment in any bond redeemable after three years which shall be notified by the Central Government in this behalf. At present bonds issued by NHAI and REC only covered.



# DIRECT TAXATION

## CORPORATE TAXATION

### Reduction in tax rate for MSME Companies

- In case total turnover or gross receipts of domestic company for FY 2015-16 does not exceed Rs. 50 crore, then, rate of tax shall be 25%.

### Increase in deduction of provision for bad and doubtful debts for Banks

- Allowance of deduction for provision for bad and doubtful debts u/s 36(via)(a) increased to 8.5% of total income from existing rate of 7.5%.

### Lower TDS rate u/s 194J for call centres

- Rate of TDS has been reduced to 2% from existing rate of 10% u/s 194J in respect of payments received or credited to payee, being a person engaged only in business of operation of call centre.

### Extension of scope of section 43B to Co-operative Banks

- Section 43B proposed to be amended to provide that interest payable to the co-operative banks other than a “primary agricultural credit society” or a “primary co-operative agricultural and rural development bank” shall be allowed only if it is actually paid on or before the due date of furnishing of return of income u/s 139(1).

### Taxation of Carbon Credits

- New section 115BBG proposed to be inserted to provide income from transfer of carbon credits shall be taxable at the rate of ten per cent and no expenditure or allowance in respect of such income shall be allowed.

*“The reduction of corporate tax for MSMEs is a welcome move and will boost the economic growth”*

*- Anand Maheshwari*

*(President, Microsoft India)*

## DIRECT TAXATION



### Notional Income on House property held as stock in trade beyond 1 year

- Section 23 is proposed to be amended by inserting subsection (5) to provide that where the property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil. After such 1 yr., Annual Value of such house property will be taxable.

### Carry forward of losses by Startups

- In order to facilitate ease of doing business and to promote start up India, it is proposed to amend section 79 of the Act to provide that where a change in shareholding has taken place in a previous year in the case of a company being an eligible start-up, the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of seven years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.



### Extending the period for claiming deduction by start-ups

- In view the fact that start-ups may take time to derive profit out of their business, it is proposed to provide that deduction u/s 80-IAC can be claimed by an eligible start-up for any three consecutive assessment years out of seven years



## DIRECT TAXATION

beginning from the year in which such eligible start-up is incorporated instead of 5 years at present.

### C/f of MAT & AMT credit extended from 10 years to 15 years

- With a view to provide relief to the assesseees paying MAT and AMT, it is proposed to amend section 115JAA & 115JB to provide that the tax credit determined under these sections can be c/f to 15 AY immediately succeeding the AY in which such tax credit becomes allowable.

### Disallowance of depreciation and capital expenditure under section 35AD on cash payment

- In order to discourage cash transactions even for capital expenditure, it is proposed to amend the provisions of section 43 to provide that where an assessee incurs any expenditure for acquisition of any asset in respect which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account, exceeds Rs 10,000, such expenditure shall be ignored for the purposes of determination of actual cost of such asset. Consequently depreciation on such portion of the cost will be lost.

Similar amendment proposed to be made in Section 35AD for non-allowance of cost of the asset purchased in cash exceeding Rs 10,000/-

*"Profit-linked deduction for startups extended to three of seven years is a good move. We were hoping for MAT to go away but its extension up to 15 years is still satisfactory."*

*Saurabh Srivastav (Co-founder, Indian Angel Network)*

# DIRECT TAXATION

## Measures to promote Affordable Housing



- Amendment proposed in section 80-IBA (deduction for promoting Affordable Housing) to make it more workable. Instead of built up area of 30 and 60 sq.mtr, the carpet area of 30 and 60 sq.mtr. will be counted. Also the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr will apply. The scheme was to be completed in 3 years after commencement has been now extended to 5 years.





*“From the real estate sector perspective, the “Housing for all by 2022” initiative got a further boost through the coronation of Infrastructure status to the affordable housing segment. This will help lower the cost of borrowing, provide easier access to foreign funds like ECBs.”*

*Kamal Khetan (Chairman  
and Managing Director,  
Sunteck Realty)*

# DIRECT TAXATION

## INTERNATIONAL TAXATION

### Extension of eligible period of concessional tax rate on interest on External Commercial Borrowing, Extension of benefit to Rupee Denominated Bonds u/s 194LC and on Interest u/s 194LD

- It is proposed to amend section 194LC to provide that the concessional rate of 5% TDS on interest payment on ECB u/s 194LC will now be available in respect of borrowings made before the 1st July, 2020 as against existing time line of 1st July, 2017

Further, the above benefit of lower withholding tax u/s 194LC has also been extended to Rupee Denominated Bonds.

Similar amendment in section 194LD to extend benefit of lower withholding tax of 5% on interest payable to FIIs and QFIIs on their investments in Government securities and rupee denominated corporate bonds before 1st July, 2020 as against existing time line of 1st July, 2017

### Capital Gain exemption to Rupee Denominated Bonds

- With a view to facilitate transfer of Rupee Denominated Bonds from non-resident to non-resident, it is proposed to amend section 47 so as to provide that any transfer of capital asset, being rupee denominated bond of Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer.

### Exemption on leftover stock of crude oil

- It is proposed to insert a new clause (48B) in section 10 so as to provide that any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement referred to in Sec 10(48A) shall also be exempt subject to such conditions as may be notified by the Central Government.



# DIRECT TAXATION

## Clarity relating to Indirect transfer provisions with respect to FPIs

- Section 9 is proposed to be amended to clarify that Investments held directly or indirectly by Foreign Portfolio Investor - Category I or Category II are excluded from indirect transfer provisions retrospective w.e.f. 1 Apr 2012 i.e. AY 2012-13

## Clarification with regard to interpretation of 'terms' in DTAA/ Other agreements entered into u/s 90 and 90A

- With a view to provide clarity and reduce protracted litigation, sections 90 and 90A are proposed to be amended, to provide that where any 'term' used in a DTAA, is defined under the DTAA, the said term shall be assigned the meaning as provided in the said DTAA. Where the term is not defined in DTAA, but is defined in the Act, it shall be assigned the meaning as per the definition in the Act or any explanation issued by the Central Government.

## Cost of acquisition of shares held by demerged company

- Section 49 proposed to be amended to provide that cost of acquisition of the shares of Indian company referred to in Sec. 47(vic) in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company.

## DIRECT TAXATION

### Enabling credit of Foreign Tax paid in cases of dispute



- Sec 155 proposed to be amended to empower the Assessing Officer to pass a rectification order u/s 154 to grant consequential relief for Foreign tax credit on payment of disputed tax abroad and submission of related evidences.





# DIRECT TAXATION

## TRANSFER PRICING

### CAP on deduction of Interest paid to Foreign Associated Enterprises (AEs)

- To address thin Capitalisation (in line with BEPS Action Plan 4), a new Section 94B proposed to be introduced we.f. FY 2017-18, which proposes to restrict deduction towards interest paid to a non-resident AE upto 30% of EBITDA. Payment of interest exceeding INR 1 Crore by Indian Co/ Indian PE of foreign entity only to be covered. Banks and insurance company payers excluded.

Debt shall be deemed to be treated as issued by AE if AE provides an implicit or explicit guarantee to the lender or the AE deposits a corresponding and matching amount of funds with the lender.

Interest disallowed as per above provision is allowed to be carried forward to 8 Ays to be adjusted against income under head PGBP to the extent of maximum allowable interest expenditure.

### Secondary TP adjustments in certain cases (TP)

- New section 92CE to be inserted to provide for secondary adjustments, to align with OECD TP Guidelines & international best practices. "Secondary adjustment" is an adjustment in books of accounts of Assessee and its AE to reflect that the actual allocation of profits between assessee and its AE are consistent with transfer price determined as a result of primary adjustment, thereby removing the in balance between cash account and actual profit of the assessee.

Assessee shall be required to carry out secondary adjustment in cases where a primary adjustment exceeding INR 1 Crore to transfer price:

- has been made suomotu by the assessee in his return of income; or

## DIRECT TAXATION

- has been made by AO and accepted by assessee; or
- is determined by advance pricing agreement (APA) entered into by assessee u/s 92CC; or
- is made as per the safe harbour rules framed u/s 92CB; or
- is arising as a result of resolution of an assessment by way of mutual agreement procedure (MAP) under agreement entered into u/s 90 / 90A

Where primary adjustment results in an increase in total income or reduction in loss of assessee, the excess money available with its AE, if not repatriated to India within prescribed time, shall be deemed to be an advance made by assessee to such AE and the interest on such advance shall be computed as income of assessee, in the prescribed manner.

Not to apply where Primary adjustment is made in respect of period prior to AY 2017-18.

### Domestic Transfer Pricing scope restricted

- To reduce compliance burden, scope of Domestic TP is proposed to be restricted u/s 92BA. DTP not to apply on section 40A(2)(b) transactions w.e.f 1 April 2017 i.e. AY 2017-18 & onwards. Now, DTP provisions will only apply to intercompany transactions if one or both the parties are involved in activities eligible for tax holidays.

# DIRECT TAXATION

## ASSESSMENT, LITIGATION AND OTHERS

### Rationalization in time limit for completion of assessment, reassessment and re-computation

- Following amendments have been brought in Section 153:
  - Time limit for making assessment u/s 143 or 144 have been reduced to 18 months for assessment related to AY 2018-19 and 12 months for assessment related to AY 2019-20 and onwards;
  - Time limit for making reassessment u/s 147 shall be reduced to 12 months from the end of financial year in which notice u/s 148 is served, for notices served u/s 148 on or after 01st April 2019;
  - Time limit for making fresh assessment in pursuance of order passed or received in financial year 2019-20 and onwards u/s 254 or 263 or 264 shall be 12 months from end of financial year in which order is received.

### Incentives for Investment in immovable property (Period of Holding reduced to 2 years)

- With a view to promote the real-estate sector and to make it more attractive for investment, it is proposed to amend section 2(42A) of the Act so as to reduce the period of holding from the existing 36 months to 24 months in case of immovable property, being land or building or both, to qualify as long term capital asset.

### Shifting of base year from 1981 to 2001 for Fair Market Value and Indexation of capital asset

- The base year for indexation and consideration of FMV is proposed to be changed from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property by making amendments in section 55 & 48.

*“Capital Gain on Joint Development Agreement to be taxed only at product launch, one year tax exemption from national rental income from unsold inventory and reduction of Long Term Capital Gain tax period from 3 – 2 years provide respite to investors/developers of real estate.*

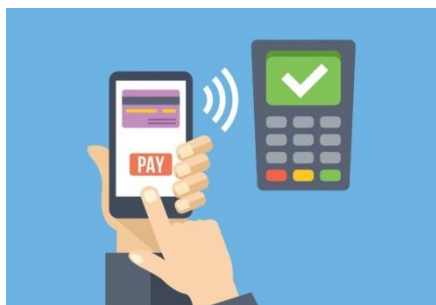
*Gaurav Gupta (Director, Omkar Realtors)*



# DIRECT TAXATION

## Measures to discourage cash transactions

- **Expenditure in cash:**
    - Amendment proposed in Section 40A to alter the maximum permissible expenditure in cash from existing limit of Rs 20,000 to Rs 10,000.
  - **Receipt/sales in cash:**
    - To curb black money, it is proposed to insert Sec 269ST to provide that no person shall receive an amount of three lakh rupees or more otherwise than by A/c payee cheque/ bank draft/ electronic payment. Contravention of 269ST will attract penalty u/s 271DA equivalent to the amount of such receipt.
    - Above limit of 3 lakhs is to be considered
      - in aggregate from a person in a day;
      - in respect of a single transaction; or
      - in respect of transactions relating to one event or occasion from a person,
    - It is also proposed to consequentially amend the provisions of section 206C to omit the provision relating to tax collection at source at the rate of one per cent of sale consideration on cash sale of jewellery exceeding five lakh rupees as the same becomes redundant after introduction of section 269ST
- These amendments will take effect from 1st April, 2017.



## Reducing time for filing revised return

- Under Section 139(5), time limit for filing the revised return has been reduced to end of relevant assessment year or before completion of assessment, whichever is earlier as against 1 year from the end of the assessment year as per earlier provisions.

# DIRECT TAXATION

## Fee for delayed filing of return

- A new Section 234F shall be introduced to levy fee for late filing of ITR. It shall be levied as follows:
  - If total income is less than Rs. 5 lakhs, fee shall not exceed Rs. 1,000;
  - If income is more than Rs. 5 lakhs, if return is filed after due date but before 31 December, fee shall be Rs. 5,000
  - In any other case, fee is Rs. 10,000
- The same shall be paid before filling ITR and same shall be considered for computation u/s 143(1)
- Consequently, penalty u/s 271F proposed to be removed;



## Interest on refund to deductor

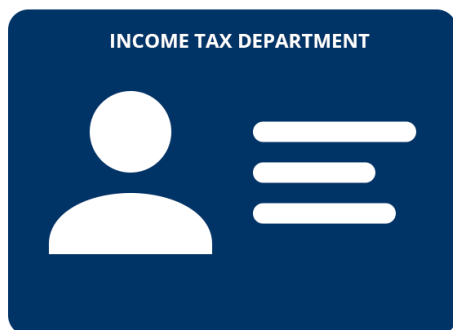
- As per new sub section (1B) inserted in Section 244A, if a deductor is entitled to refund, then, in addition to said refund, deductor shall be entitled to interest @ 0.5% per month or part of the month;

The said amendment shall apply from AY 2017-18 and subsequent assessment year.

## Penalty on professionals for furnishing incorrect information in statutory report or certificate

- A new Section 271J has been inserted wherein it is provided that if an accountant or merchant banker or registered valuer furnishes incorrect information in a report or certificate under any provisions of Act or rules, then AO or CIT(A) may direct him to pay a sum by way of penalty of Rs. 10,000 for each such report or certificate;
- Further Section 273B has been amended to provide that such penalty shall not be levied if there was a reasonable cause for such failure;





## DIRECT TAXATION

- The said amendment shall apply from 01st April 2017.

### Quoting of PAN made mandatory in TCS transactions

- A new Section 206CC has been inserted to provide mandatory quoting of PAN in all TCS transactions taxable under Chapter XVII BB;
- In case PAN is not quoted or wrongly quoted, person collecting TCS shall collect tax at twice the rate specified in respective section or 5%, whichever is higher;
- The said section shall not apply to non resident who does not have Permanent Establishment (PE) in India;
- The said amendment is effective from 01<sup>st</sup> April 2017.

### Rationalization of Section 211 and Section 234C relating to Advance tax

- Any professional paying tax on presumptive basis under Section 44ADA shall be liable to pay advance tax in one installment before 15th March only and not in 4 installment;
- Further, if there is a shortfall in advance tax payment due to dividend taxable u/s 115BBDA, then interest u/s 234C shall not be levied.
- The said amendment shall apply from AY 2017-18 and subsequent assessment year.

### Transparency in funding of political parties

- It is proposed to amend the provisions of section 13A to provide for additional conditions for availing the benefit of the said section by political parties:
  - No donations of Rs.2000/- or more in cash.

## DIRECT TAXATION

- Political party furnished a return of income on or before the due date under section 139.

Further, it is proposed to amend the said section to provide that the political parties shall not be required to furnish the name and address of the donors who contribute by way of electoral bond.

An amendment is being proposed to the Reserve Bank of India Act to enable the issuance of electoral bonds. A donor could purchase bonds from authorised banks against cheque and digital payments only.

### Merging of AAR

- Authority for Advance Ruling (AAR) for Income-Tax to be merged with AAR for Customs, Central Excise and Service Tax; and create common AAR.

### Extension of power of CBDT in certain cases

- It is proposed to insert reference of sections 271C and 271CA which deals with levy of penalty for non-deduction of tax, in the Section 119 so as to empower the Board to issue directions or instructions in respect of the said sections also.

### Disallowance of expenses under IOS

- Section 58 amended so as to provide that provisions of section 40(a)(ia) also apply in case of “Income under head Other Sources”, Therefore, disallowance shall be made in respect of an expenditure incurred against “income from other sources” unless tax has been deducted thereon at applicable rates. Section 40(a)(iia) has already been inserted in section 58 of the Act.

### Consolidation of mutual fund exempt

- It is proposed to provide that in case of unit in the consolidated plan of a mutual fund scheme received in lieu of unit in the consolidating plan,

## DIRECT TAXATION

the actual cost and the period of holding shall be the cost and the period of holding of the unit in the consolidating plan.

### Special provisions for computation of capital gains in case of joint development agreement

- Under the existing provisions of section 45, capital gain is chargeable to tax in the year in which transfer takes place except in certain cases. With a view to minimise the genuine hardship which the owner of land may face in paying capital gains tax in the year of transfer, it is proposed to insert a new sub-section (5A) in section 45 so as to provide that in case of an assessee being individual or Hindu undivided family, who enters into a specified agreement for development of a project, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. It is further proposed to provide that the stamp duty value of his share, being land or building or both, in the project on the date of issuing of said certificate of completion as increased by any monetary consideration received, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset. Consequential amendment is proposed in section 49 so as to provide that the cost of acquisition of the share in the project being land or building or both, in the hands of the land owner shall be the

*“Key reforms being the infrastructure status for Affordable Housing and lowering the tenure for long term capital gains tax to 2 years.”*

*Ravindra Pai (MD,  
Century Real Estate)*

## DIRECT TAXATION

amount which is deemed as full value of consideration under the said proposed provision.

### STT paid on purchase compulsory u/s 10(38)

- Section 10(38) is proposed to amend to provide that exemption under this section for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share is chargeable to Securities Transactions Tax under Chapter VII of the Finance (No 2) Act, 2004. However, to protect the exemption for genuine cases where the Securities Transactions Tax could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc., it is also proposed to notify transfers for which the condition of chargeability to Securities Transactions Tax on acquisition shall not be applicable.



### Widening scope of Income from other sources

- The anti-abuse provisions of section 56(2) for receipt of money or property without consideration or inadequate consideration are applicable only to Individuals, HUF and in some specific cases, to firms and companies.

In order to prevent the practice of receiving the sum of money or the property without consideration or for inadequate consideration, it is proposed to insert a new clause (x) in sub-section (2) of section 56 so as to provide that receipt of the sum of money or the property by any person without consideration or for inadequate consideration in excess of Rs. 50,000 shall be chargeable to tax in the hands of the recipient under the head "Income from other sources". It is also proposed to widen the scope of existing exceptions by including the receipt by certain trusts or institutions and receipt by way of certain transfers not regarded as transfer under section 47.

## DIRECT TAXATION

Consequential amendment is also proposed in section 49 for determination of cost of acquisition.

### Clarificatory amendment in Section 12A

- It shall be required to obtain fresh registration by making an application within a period of thirty days in case of modifications of the objects which do not conform to the conditions of registration.
- Now, it is mandatory for claiming exemption u/s 12A, to file return of income on or before the due date prescribed u/s 139.

### Extension of power to survey

- The scope of provisions of section 133A of the Income-tax Act widened so as to include any place at which activity for charitable purpose is carried on.

### Section 197(C) omitted

- Section 197(C) of the Finance Act, 2016 proposed to be omitted which provided for assessment of undisclosed income relating to any period prior to commencement of the Income Declaration Scheme, 2016.

### Reasons to search not to be disclosed

- Retrospective amendment in section 132 and 132A, Reasons to believe as recorded by the income-tax authority authorising a search operation or a requisition of books of account or asset, shall not be disclosed to any person, authority or appellate tribunal.

### Extension of search assessment

- Section 153A and 153C amended to provide that in case of tangible evidence is found during the search, the Assessing Officer can assess income beyond period of six years upto ten years preceding the year in which search took place.

## DIRECT TAXATION

However, following conditions need to be fulfilled:

- The Assessing Officer has in his possession books of accounts or other documents or evidence which reveal that the income which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more in one year or in aggregate in the relevant four assessment years falling beyond the sixth year.
- Such income escaping assessment is represented in the form of asset.
- The income escaping assessment or part thereof relates to such year or years.





## INDIRECT TAXATION

- Passing of 122<sup>nd</sup> Constitutional Amendment Bill related to Goods and Service Tax and Demonetisation were highlighted as the two tectonic events in the past year.
- The Finance Minister, Shri Arun Jaitley, proposed not to make many changes in current regime of Excise & Service Tax because the same are to be replaced by GST soon.
- Assuring to bring in GST at the scheduled time, he said "Centre, through the Central Board of Excise & Customs, shall continue to strive to achieve the goal of implementation of GST as per schedule without compromising the spirit of co-operative federalism. Implementation of GST is likely to bring more taxes both to Central and State Governments because of widening of tax net. I have preferred not to make many changes in current regime of Excise & Service Tax because the same are to be replaced by GST soon."
- GST Council has finalized its recommendations on almost all the issues based on consensus and after spirited debate and discussions. The preparation of IT system for GST is also on schedule. The government intends to start its extensive reach-out efforts to trade and industry for GST from 1<sup>st</sup> April, 2017 to make them aware of the new taxation system.
- Limited changes have been made due to transition of GST in FY 2017-18. The list of key changes are attached herewith as 'Annexure I'.



# ANNEXURES

## ANNEXURE I: Proposals involving change in Duty/Tax Rates - CUSTOMS

Commodity			Rate of Duty	
			From	To
I.	Incentivizing domestic value addition, 'Make in India'			
A.	Reduction in Customs duty on inputs and raw materials to reduce costs			
		<b>Mineral fuels and Mineral oils</b>		
	1	Liquefied Natural Gas	BCD – 5%	BCD – 2.5%
	2	<b>Metals</b>		
	3	Nickel	BCD – 2.5%	BCD – Nil
		<b>Finished Leather</b>		
	4	Vegetable tanning extracts, namely, Wattle extract and Myrobalan fruit extract	BCD – 7.5%	BCD – 2.5%
		<b>Capital Goods</b>		
	5	Ball screws, linear motion guides and CNC systems for use in the manufacture of CNC machine tools, subject to actual user Condition	Ball screws and liner motion guides BCD - 7.5 % CNC system BCD - 10%	BCD – 2.5%
		<b>Renewable Energy</b>		
	6	All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified Conditions	BCD – 10% /7.5% CVD – 12.5%	BCD – 5% CVD – 6%
	7	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions	BCD – 10% /7.5% CVD – 12.5%	BCD – 5% CVD – 6%
		<b>Miscellaneous</b>		
	8	All parts for use in the manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD, CVD	BCD – 5% CVD – 6%
	9	All inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps, subject to actual user Condition	Applicable BCD	5%



Commodity			Rate of Duty	
			From	To
<b>B.</b>	<b>Changes in Customs and Excise / CV duty to address the problem of duty inversions in certain sectors</b>			
		<b>Textiles</b>		
	13	Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified Conditions	BCD – 7.5%	BCD – 5%
		<b>Automobiles</b>		
	17	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	BCD – 7.5%	BCD – 5%
<b>C.</b>	<b>Changes in Customs duty to provide adequate protection to domestic industry</b>			
		<b>Food Processing</b>		
	22	Cashew nut, roasted, salted or roasted and Salted	BCD – 30%	BCD – 45%
		<b>Electronics / Hardware</b>		
	23	Populated Printed Circuit Boards (PCBs) for use in the manufacture of mobile phones, subject to actual user condition	SAD – Nil	SAD – 2%
		<b>Miscellaneous</b>		
	24	RO membrane element for household type Filters	BCD – 7.5%	BCD – 10%
<b>D.</b>	<b>Promotion of cashless transactions and promote domestic manufacturing of devices used thereof</b>			
	25	a) Miniaturized POS card reader for m-POS (not including mobile phones or tablet (not including mobile phones or tablet computer), b) Micro ATM as per standards version 1.5.1, c) Finger Print Reader / Scanner, and d) Iris Scanner	Applicable BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil
<b>II.</b>	<b>Imposition of export duty to conserve domestic resources</b>			
	27	Other aluminium ores, including laterite	Nil	15%
<b>III.</b>	<b>Improving ease of doing business and Export Promotion</b>			
	28	De-minimise customs duties exemption limit for goods imported through parcels, packets and letters	Duty payable not exceeding Rs.100 per consignment	CIF value not exceeding Rs.100 per consignment

**EXCISE**

Commodity			Rate of Duty	
			From	To
I.	Public Health			
A.	Tobacco and Tobacco Products			
II.	1	Cigar and cheroots, Cigarillos	12.5% or Rs.3,755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
	<b>Promotion of cashless transactions and promote domestic manufacturing of devices used therefore</b>			
	2	a) Miniaturized POS card Reader for m-POS (not including mobile phones or tablet computers), b) micro ATM as per standards version 1.5.1, c) Finger Print Reader / Scanner, and d) Iris Scanner	Applicable duty	

Note: " Basic Excise Duty" means the excise duty set forth in the First Schedule to the Central Excise Tariff Act, 1985.

## SERVICE TAX

S No.	Changes	Existing	Proposed
<b>A. Relief to the armed forces of the Union from service tax</b>			
1.	Services provided or agreed to be provided by the by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government is being exempted from service tax from 10th September, 2004 (the date when the services of life insurance became taxable).	14%	Nil
<b>B. Dispute resolution, certainty of taxation and avoidance of litigation</b>			
1.	Notification No. 41/2016-ST dated 22.09.2016, which has exempted from service tax, one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units, is proposed to be made effective from 1.6.2007 (the date when the services of Renting of immovable property became taxable).	14%	Nil
2.	Rule 2A of the Service Tax (Determination of Value) Rules, 2006 is proposed to be amended from 01.07.2010 so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of Land.	4.20%	4.20%
<b>C. Promotion of Regional Connectivity Scheme of Ministry of Civil Aviation</b>			
1.	Under the Regional Connectivity Scheme (RCS), exemption from service tax is being provided in respect of the amount of viability gap funding (VGF) payable to the airline operator for providing the services of transport of passengers by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport as notified by Ministry of Civil Aviation.	14%	Nil
<b>D. Rationalization Measures</b>			
1.	The exemption in respect of services provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIMs, is being extended to include non-residential programmes.	14%	Nil

2.	Explanation-I (e) to Rule 6 of CENVAT Credit Rules, 2004 is being amended so as to exclude banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances from its ambit.		
3.	The Negative List entry in respect of “services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption”, in the Finance Act, 1994, is proposed to be omitted and instead placed in the exemption notification. Consequently, clause (40) of section 65B of the Finance Act, which defines ‘process amounting to manufacture’ is also proposed to be omitted and instead placed in the exemption notification.	Nil	Nil

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