

# UNION BUDGET 2016-2017 .....



*“No amount of politics  
would be of any avail  
until the masses in  
India are well  
educated, well fed and  
well cared for”*

*Swami Vivekananda*

....STRIKING A BALANCE

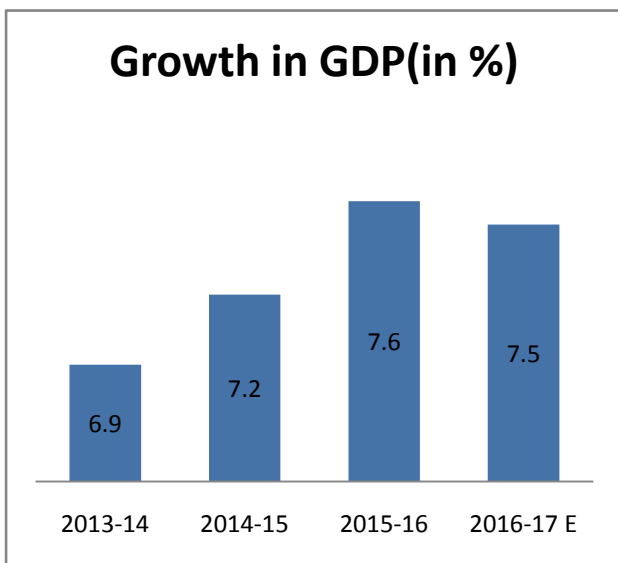
Dewan P. N. Chopra & Co.

## INDEX

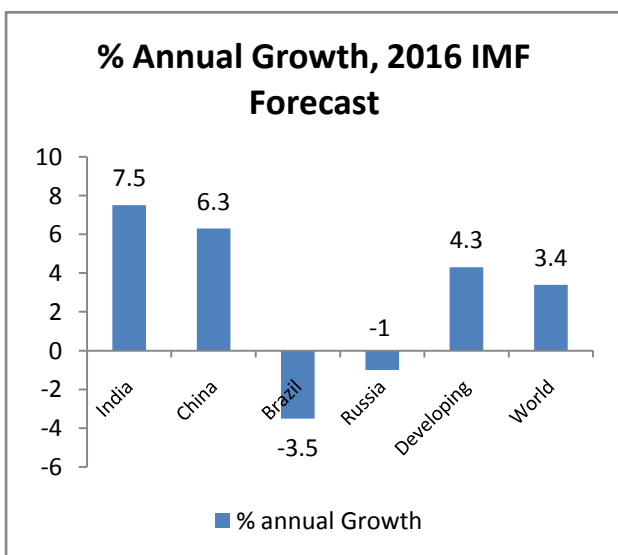
• Economic Performance 15-16	3
• Fiscal Summary	5
• Sectoral Highlights	6
• Direct Taxation	12
▪ Individual Taxation	12
▪ Firms, Co-operative Societies, Local Authorities Taxation	12
▪ Corporate Taxation	12
▪ Measures to phase out deductions/ Exemptions	13
▪ Tax incentives for start-ups	13
▪ Tax incentive for employment generation	14
▪ Ease of doing Business	15
▪ Providing legal framework for paperless assessment	16
▪ The Income Declaration Scheme, 2016	17
▪ The Direct Tax Dispute Resolution Scheme, 2016	18
▪ Other Significant Amendments	19
▪ New Taxation Regime for securitisation trust and its investors	24
▪ Measures for TDS / TCS Rationalisation	25
• Indirect Taxation	
▪ Customs	27
▪ Central Excise	31
▪ Service Tax	36
• Disclaimer	42

# ECONOMIC PERFORMANCE

## FY 15-16



Source: Economic Survey 2015-16



Source: Economic Survey 2015-16

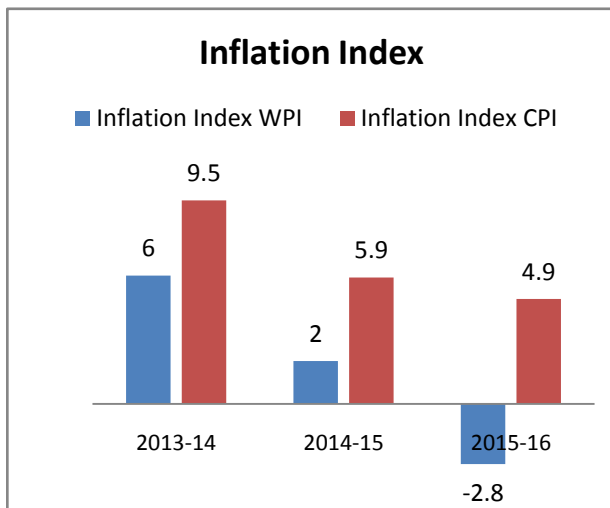
### GROSS DOMESTIC PRODUCT (GDP)

- Despite global headwinds and a poor monsoon, India registered robust growth of 7.2 per cent in 2014-15 and 7.6 per cent in 2015-16, thus becoming the fastest growing major economy in the world
- The growth rate of the Indian economy has been estimated to be in the range of 7-7.5% in 2016-17.
- Due to Macro-Economic Stability, rate of 8% or higher is expected in the next couple of years
- India's share in world GDP has increased from an average of 4.8 per cent during 2001-07 to 6.1 per cent during 2008-13 and further to an average of 7.0 per cent during 2014 to 2015 in current PPP terms (IMF).
- The Gross Value Added (GVA), which broadly reflects the supply or production side of the economy, registered an increase in the growth rate from 5.4 per cent in 2012-13 to 7.1 per cent in 2014-15. In the current year, it is likely to increase to 7.3 per cent, as per the Advance Estimates (AE) released by the Central Statistics Office (CSO), affirming the positive trends in the economy indicated by GDP growth.

*"The International Monetary Fund has hailed India as a 'bright spot' amidst a slowing global economy. The World Economic Forum has said that India's growth is 'extraordinarily high.'"*

**ARUN JAITLEY,**

**MINISTER OF FINANCE**



Source: Economic Survey 2015-16



Source: Economic Survey 2015-16

*“Structural reforms in the forthcoming union Budget that boost growth while controlling spending will create more space for monetary policy to support growth, while also ensuring that inflation remains on the projected path of 5% by the end of 2016-17.”*

– **RBI**

## INFLATION

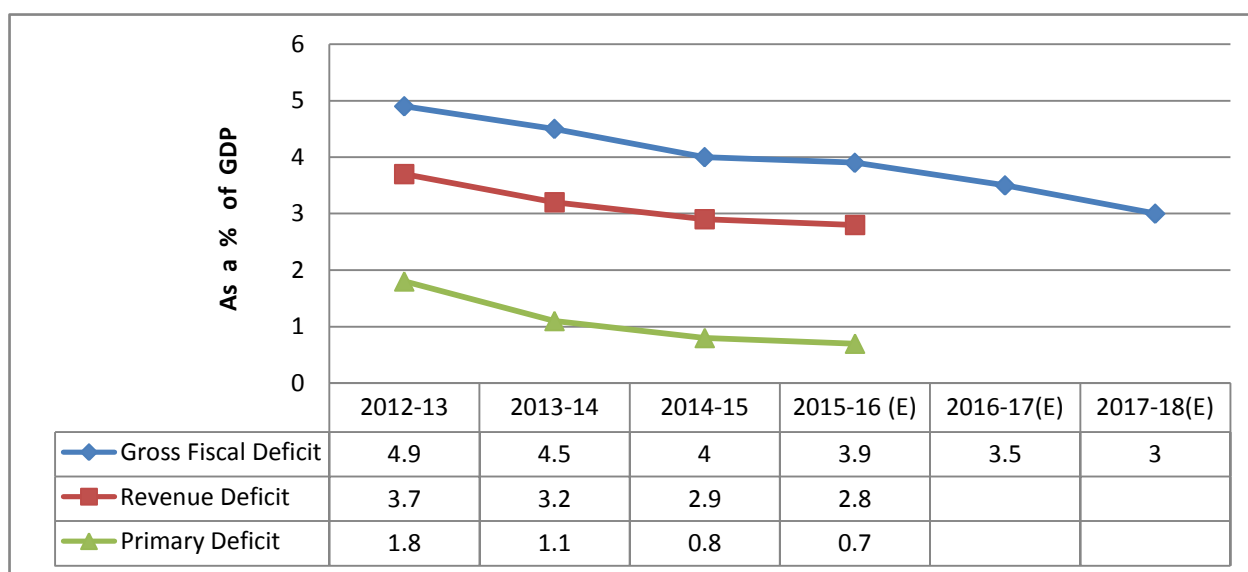
- CPI inflation was 4.9% in 2015-16 and prospect of lower oil prices over medium term is likely to dampen inflationary expectations.
- WPI inflation has declined for a continuous period of 12 months.
- The RBI is expected to meet 5% inflation target by March 2017.
- 7th pay commission recommendations not likely to de-stabilize prices, to have little impact on inflation.

## EXPORT/IMPORT

- Reflecting the weak global demand and trends, India’s exports have been declining since December 2014.
- During the current financial year (April-January), growth in India’s exports declined by 17.6 per cent and stood at US \$217.7 billion.
- Similarly, imports into India had declined by 0.5 per cent to US\$ 448.0 billion in 2014-15 as compared to US\$ 450.2 billion in 2013-14 on account of a fall in POL imports by 16.0 per cent.
- Further, in keeping with the global trends of slow growth, imports have declined by 15.5 percent in 2015-16 (April-January) to US \$ 324.5 billion.
- CAD is expected at 1.4% of GDP at the end of the year.
- Our foreign reserves are highest ever at US\$ 350 billion.

## FISCAL DEFICIT

- Fiscal deficit target of 3.9% for 2015-16 is attainable. However, the government wants to adhere to the fiscal deficit target of 3.5% in 2016-17 and 3.0% in 2017-18.
- The 14<sup>th</sup> Finance Commission has reduced the Central share of Taxes to 58% from 68%.
- Further, in 2016-17, the 7 pay commission recommendations and demands of the OROP Scheme will pose an additional challenge to achieve fiscal target.
- Accordingly, this years Budget is built on an agenda to "Transform India" based on 9 distinct pillars as below:
  - Agriculture and Farmers' Welfare
  - Rural Sector
  - Social Sector including Healthcare
  - Education, Skills and Job Creation
  - Infrastructure and Investment
  - Financial Sector Reforms
  - Governance and Ease of Doing Business
  - Fiscal Discipline
  - Tax Reforms



Source: Economic Survey 2015-16

*"A positive Budget. Refining in of Fiscal Deficit at 3.5% will lower interest rates. Focus on rural, infra, health, education will strengthen the foundation for a better future."*

**Uday Kotak**  
MD, Kotak Mahindra Bank

# SECTORAL HIGHLIGHTS

*"I welcome the higher allocation for irrigation, but we need to see its implementation"*

*Yogender Alagh  
Former member,  
Planning Commission*



*"The Budget is development oriented. It is in the interest of the poor farmers and youth."*

*Ram Vilas Paswan  
Food Minister*

## AGRICULTURE

- Government will reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022. Total allocation for Agriculture and Farmers welfare is Rs. 35,984 crore.
- Out of 141 million hectares of net cultivated area in the country, only 46% is covered with irrigation. Under 'Pradhan Mantri Krishi Sinchai Yojana', 28.5 lakh hectares will be brought under irrigation. These projects require Rs. 17,000 cr. next year.
- A major programme for sustainable management of ground water resources has been prepared with an estimated cost of Rs. 6,000 crore
- The growth rates in agriculture have been fluctuating at 1.5 per cent in 2012-13, 4.2 per cent in 2013-14, (-) 0.2 per cent in 2014-15 and there a likely growth of 1.1 per cent in 2015-16.
- The growth rate in 2015-16 is continued to be lower than the average of the last decade mainly due to second successive year of lower-than-normal monsoon.
- Krishi Kalyan Cess of 0.5% is proposed to be levied on all taxable services to finance and promote initiatives to improve agriculture
- Unified Agricultural Marketing e-Platform to provide a common e-market platform for wholesale markets. 12 states are already on board.
- 2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next three years. A policy for conversion of city waste into compost has also been approved by the Government under the Swachh Bharat Abhiyan.

*“Hope Budgetary allocation for rural-urban road connectivity is fully utilized”*

*Kiran Mazumdar Shaw  
CMD, Biocon*

*“I applaud the focus on farmers from the start and particularly not just on handouts”*

*Anand Mahindra  
CMD, M&M*

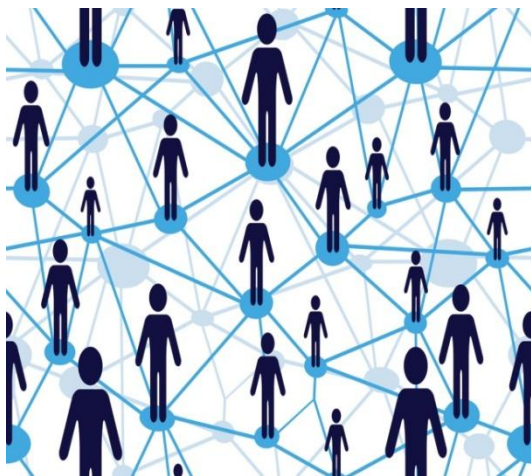


- To reduce the burden of loan repayment on farmers, a provision of Rs. 15,000 crore has been made in the BE 2016-17 towards interest subvention.
- To increase crop yields in rain fed areas, which account for nearly 55% of the country's arable land, organic farming is being promoted. Government has launched two important schemes under organic farming over a three year periods with a total provision of Rs. 412 crore.
- In Pradhan Mantri Gram Sadak Yojana, allocations in 2012-13 and 2013-14 were only Rs. 8,885 crore and Rs. 9,805 crore respectively. There is a substantial increase in current year being Rs. 19,000 crore.
- Government has approved the path breaking Crop Insurance Scheme namely Prime Minister Fasal Bima Yojana. Rs. 5,500 crore has been allocated.
- Creation of a dedicated Long Term Irrigation Fund in NABARD with an initial corpus of about Rs. 20,000 crore

## RURAL SECTOR

- Allocation for rural sector is Rs. 87,765 crore for FY 16-17. There is 228% increase in allocation of funds as compared to last year.
- Allocation of a sum of Rs. 38,500 crore for MGNREGS which is higher ever allocated.
- As on 23rd February, 2016, 5542 villages have been electrified. This is more than the total combined achievement of previous three years. The Government is committed to achieve 100% village electrification by 1st May, 2018.
- Launching of a new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional households within the next 3 years.





*"The thrust given to agriculture, rural & social sectors is commendable..proposals to give a strong impetus to infrastructural development will also provide long-term drivers"*

*Y.C Deveshwar,  
Chairman, ITC Ltd,*

- Rs. 9,000 crore has been provided for Swachh Bharat Abhiyan.

### SOCIAL SECTOR INCLUDING HEALTH CARE

- Allocation for social sector including education and health care of Rs. 1,51,581 crore.
- New health protection scheme will provide health cover up to Rs. One lakh per family. For senior citizens an additional top-up package up to Rs. 30,000 will be provided to help families with serious illness.
- 3,000 Stores under Prime Minister's Jan Aushadhi Yojana will be opened during 2016-17 offering medicine at affordable price.
- "Stand Up India Scheme" will be launched to facilitate at least two projects per bank branch. It will benefit at least 2.5 lakh entrepreneurs.
- To provide LPG connection in the name of women members of poor households. Rs. 2000 crore set aside to meet the initial cost of these connections

### EDUCATION, SKILLS AND JOB CREATION

- 62 Navodaya Vidyalayas will be opened in the remaining uncovered districts over the next two years for universalisation of "Primary Education" across the country.
- Regulatory architecture to be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions
- Higher Education Financing Agency to be set-up with initial capital base of Rs. 1000 Crores for improvement in infrastructure in top institutions.
- Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets to be set-up.





- Entrepreneurship Education and Training will be provided in 2200 colleges, 300 schools, 500 Government ITIs and 50 Vocational Training Centres through Massive Open Online Courses.
- In order to incentivize creation of new jobs in the formal sector, Government of India will pay the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment
- Choice to small and medium shops will be given the choice to remain open on all seven days of the week on voluntary basis like shopping malls may increase jobs by 10% in retail sector.

### INFRASTRUCTURE & INVESTMENT



*“Public Inv. n excess of 5 Lac cr. towards rail, road and other infra is good to kick start the investment cycle in the country”*

*Tweet by Sajjan Jindal*

- Total investment of Rs. 1 lakh crore proposed in the road sector in India in 2016-17
- The total outlay on roads and railways will be Rs. 2,18,000 crore in 2016-17.
- Government will permit mobilisation of additional finances to the extent of Rs. 31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority through raising of Bonds during 2016-17.
- Enacting of necessary amendments in the Motor Vehicles Act to undo Permit Raj and open up the road transport sector in the passenger segment
- A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved
- The Department of Disinvestment is being re-named as the “Department of Investment and Public Asset Management (DIPAM)”.

*“The good budget on expected lines which has managed to keep fiscal deficit at 3.5% of GDP and focus on reviving investment cycle driven by infrastructure and rural development. Various initiatives taken by the government like make in India, Start up India will move economy in right direction*

*Baba Kalyani,  
Chairman, Bharat Forge,*

- About 160 airports and air strips to be revived in partnership with State Governments to improve regional connectivity across the country
- Government is drawing up a comprehensive plan across the next 15-20 yrs. to augment investment in Nuclear Power Generation.
- New initiatives to re-invigorate the public private partnership mode include resolution of disputes, guidelines for re-negotiation to PPP, concessional agreements and new credit rating systems for infrastructure projects to address mispriced loan.
- Reforms in FDI policy include areas of insurance and pension, asset reconstructions companies, stock exchanges and food processing industry.

#### FINANCIAL SECTOR REFORMS

*I think there is disappointment on the PSU bank front because Rs. 25000 crore is something which is slightly below what the market expected. The big takeaway is fiscal consolidation. Sticking to the path is very positive for the bond markets. That is very positive for banks in general.*

*Nilesh Shah  
Chairman, Edelweiss*

- Proposal to introduce code on “Resolution of Financial Firms” to deal with bankruptcy situations in bank, insurance co. and financial sector entities
- Propose measures to support the corporate bond market including the “Insolvency and Bankruptcy Code 2015”.
- To tackle the problem of stressed assets in the banking sector, amendments would be made under the SARFAESI Act, 2002 to enable the sponsor of an ARC to hold upto 100% stake and permit non-institutional investors to invest.
- For speedier resolution of stressed assets, steps will be taken to strengthen the Debt Recovery Tribunals
- To amend the SEBI Act 1992 in the coming year to provide for higher members and benches of the Securities Appellate Tribunal.
- Allocation of Rs. 25,000 crore in BE 2016-17 towards recapitalisation of Public Sector Banks



- Massive nationwide rollout of ATMs and Micro ATMs in Post Offices over the next three years to provide better access to financial services.
- General insurance companies owned by the Government will be listed on the stock exchange to make transparency and accountability.

### GOVERNANCE AND EASE OF DOING BUSINESS

- With the objective of “minimum governed and maximum governance” key initiatives proposed include delivery of financial and other subsidy, benefits and services using the Aadhaar framework: and Direct Benefit Transfer for fertilizers.
- To remove difficulty in ease of doing business, bill to be introduced to amend the Companies Act, 2013.
- A Task Force has been constituted for rationalisation of human resources in various Ministries
- “Ek Bharat Shreshtha Bharat” programme will be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.

---

*The nine-pillar approach creates a roadmap for continued macro-economic improvement. The govt's commitment to fiscal consolidation roadmap is commendable....creates room for monetary policy action. The push to rural economy.....eases of doing business and simplification of tax compliance & reduction in tax litigation will support long term growth*

**Chanda Kocchar**  
**MD, ICICI Bank**



### 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 1.04.2016 except where otherwise specified .

### Individual Taxation

- No change in the slab rate of personal income-tax for A.Y. 2017-18.
- Rebate u/s 87A available for resident individual increased from Rs. 2000 to Rs. 5000.
- Surcharge on Individuals, HUF, AOP, BOI or artificial juridical person having income exceeding Rs.1 crore increased from 12% to 15%.
- Limit of deduction for rent paid under Section 80GG increased from Rs. 2000 per month to Rs. 5000 per month.
- Amendment in section 10(34) to provide dividend in excess of 10 Lakh shall not be exempt from tax in the case of an individual, HUF.

### Firms, Co-operative Societies, Local Authorities

#### Taxation

- The rate of tax for firms, co-operative societies and local authorities will continue to be same.
- Surcharge of 12% on firms, co-operative societies having income exceeding Rs.1 crore to remain unchanged.

### Corporate Taxation

- In case of domestic company,  
If total turnover / gross receipts of the company  
in F.Y 2014-15 < 5 Crore 29%  
All other cases (No change) 30%
- Tax rate on newly set up manufacturing companies to be @ 25% at the option of the company, if, -
  - the company has been setup and registered on or after 01.03.2016;

# DIRECT TAXATION

*"The finance minister could have reduced corporate tax rate by half a percent overall, rather than distort the structure."*

**PARTHASARATHI  
SHOME,  
FISCAL POLICY EXPERT**

*"Extension of SEZ scheme till 2020, three-year tax holiday for startups and reduced tax at 10% for global revenues generated by India-registered IPR will help drive entrepreneurial activity."*

**N. Chandrasekaran  
CEO, TCS**

- the company is engaged in the business of manufacture or production of any article or thing and is not engaged in any other business;
- the company while computing its total income has not claimed any benefit under section 10AA, benefit of accelerated depreciation, benefit of additional depreciation, investment allowance, expenditure on scientific research and any deduction in respect of certain income under Part-C of Chapter-VI-A other than the provisions of section 80JJAA; and
- the option is furnished in the prescribed manner before the due date of furnishing of income.

## Measures to phase out deductions/ Exemptions

- Corporate Tax Rate reduction will be calibrated with benefits of phasing out deduction/exemptions
  - Deduction u/s 80IA/80IAB/80IB – No deduction shall be available if the specified activity commences on or after 01.04.2017
  - Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 1.4.2017
  - Benefit of weighted deductions for Scientific research to be limited to 150% from 1.4.2017 and 100% from 1.4.2020
  - Benefit of section 10AA to new SEZ units will be available to those units only which commence activity before 31.3.2020.
  - The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020 only.

## Tax incentives for start-ups

- Deduction of 100% for 3 years out of 5 years of the profits and gains derived by an eligible start-up from a business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. The benefit shall be available to an eligible start-up which is setup before 01.04.2019.

**Taxation**   
**for Startups**

## DIRECT TAXATION

- Insertion of new Section 54EE to provide exemption from capital gains tax if the LTCG are invested by an assessee in units of such specified fund, as may be notified.
- Amendment in section 54GB so as to provide that LTCG arising on account of transfer of a residential property shall not be charged to tax if such capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up subject to the condition that the individual or HUF holds more than 50 % shares of the company and such company utilises the amount invested in shares to purchase new asset before due date of filing of return by the investor.

### Tax incentive for employment generation

#### **Rationalization of Section 80JJAA.**



- With a view to extend this employment generation incentive to all sectors, amendment has been made in section 80JJAA to provide that the deduction shall be available in respect of cost incurred on any employee whose total emoluments are less than or equal to 25000 per month.
- No deduction shall be allowed in respect of cost incurred on those employees, for whom the entire contribution under Employees' Pension Scheme notified in accordance with Employees' Provident Fund and Miscellaneous Provisions Act, 1952, is paid by the Government.
- Further relaxation in the norms for minimum number of days of employment in a financial year from 300 days to 240 days.





## DIRECT TAXATION

- Also the condition of 10% increase in number of employees every year is done away with so that any increase in the number of employees will be eligible for deduction under this provision.
- Further in the first year of a new business, 30% of all emoluments paid or payable to the employees employed during the previous year shall be allowed as deduction.

### Ease of doing Business.

#### Extension of Presumptive taxation to professionals

- New section 44ADA inserted to provide for estimating the income of an assessee who is engaged in any profession referred to in section 44AA(1) such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession and whose gross receipts is less than 50 Lakh rupees in a previous year, at a sum equal to 50% of gross receipts.

**(The scheme will apply to such resident assessee who is an individual, Hindu undivided family or partnership firm but not LLP).**

- Threshold limit of total gross receipts, specified under section 44AB for getting accounts audited, increased from 25 lakh to 50 lakh rupees in the case of persons carrying on profession.

#### **Increase in Turnover limit for presumptive taxation u/s 44AD**

- Threshold limit of 1 crore specified in the definition of "eligible business" increased to 2 crore rupees in the case of persons carrying on eligible business.







## DIRECT TAXATION

### POEM Deferred

- Deferment the applicability of POEM based residence test by one year and the determination of residence based on POEM shall be applicable from 01/04/17
- Amendment to proviso to section 115JB the Income-tax Act so as to provide that with effect from 01.04.2001, the provisions of section 115JB shall not be applicable to a foreign company if -
  - the assessee is a resident of a country or a specified territory with which India has DTAA and the assessee does not have a PE in India in accordance with the provisions of such Agreement; or
  - the assessee is a resident of a country with which India does not have an DTAA and the assessee is not required to seek registration under any law for the time being in force relating to companies.

**(This amendment is proposed to be made effective retrospectively from the 1st day of April, 2001 and shall accordingly apply in relation to assessment year 2001-02 and subsequent years)**

### Providing legal framework for paperless assessment

- Amendment to section 282A(1) so as to provide that notices and documents required to be issued by income-tax authority under the Act shall be issued by such authority either in paper form or in electronic form in accordance with such procedure as may be prescribed.
- Amendment to the existing provision of section 2 by inserting new clause (23C) to define the term "hearing" to include communication of data and documents through electronic mode.

**(this amendment to be effective from 01.06.2016.)**





*“BJP vowed to bring back black money thro enforcement, not thro amnesty schemes. This what Chidambaram also did. What is the difference?”*

*Arvind Kejriwal  
CM, Delhi*

## DIRECT TAXATION

### The Income Declaration Scheme, 2016

**(It shall come into force on the 1st day of June, 2016)**

- An opportunity is proposed to be provided to persons who have not paid full taxes in the past to come forward and declare the undisclosed income .
- The scheme is proposed to be brought into effect from 1st June 2016 and will remain open up to the date to be notified by the C.G. in the official gazette.
- The scheme is proposed to be made applicable in respect of undisclosed income of any financial year upto 2015-16.
- Tax is proposed to be charged at the rate of 30% on the declared income +surcharge @25% of tax payable & penalty @25% of tax payable which comes to 45% of declared income.
- Following shall not be eligible for the scheme
  - where notices have been issued under section 142(1) or 143(2) or 148 or 153A or 153C, or
  - where a search or survey has been conducted and the time for issuance of notice has not expired, or
  - where information is received under an agreement with foreign countries regarding such income,
  - cases covered under the Black Money Act, 2015, or
  - Persons notified under Special Court Act, 1992, or
  - cases covered under IPC, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988.
- **Benefits Available from disclosure.**
  - Declarations shall be exempt from wealth-tax in respect of assets specified in declaration.
  - No scrutiny and enquiry under the Income-tax Act and Wealth-tax Act be undertaken in respect of such declarations.

## DIRECT TAXATION

*"While international arbitration proceedings have commenced, Cairn notes the efforts of the Government of India to resolve the retrospective tax issue."*

*CAIRN Spokesperson*

- Immunity from prosecution under such Acts be provided.
- Immunity from the Benami Transactions (Prohibition) Act, 1988.

### The Direct Tax Dispute Resolution Scheme, 2016

- In order to reduce the huge backlog of cases and to enable the Government to realise its dues expeditiously, Direct Tax Dispute Resolution Scheme, 2016 has been introduced.
- The salient features of the proposed scheme are as under:

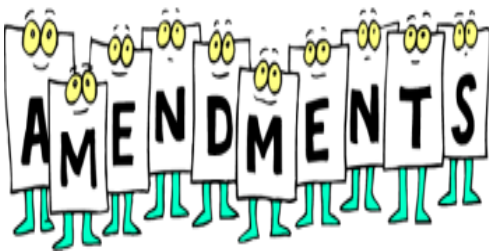
- The scheme be applicable to "tax arrear" which is defined as the amount of tax, interest or penalty determined under the Income-tax Act or the Wealth-tax Act, 1957 in respect of which appeal is pending before the Commissioner of Income-tax/Wealth Tax(Appeals) as on the 29.02.2016.
- The pending appeal could be against an assessment order or a penalty order.
- The declarant under the scheme shall be required to pay tax at the applicable rate plus interest upto the date of assessment.
- No penalty if disputed tax is less than 10 lakh once declaration as above is made.
- In case of disputed tax exceeding rupees 10 Lakh, 25% of the minimum penalty leviable shall also be required to be paid.
- In case of pending appeal against a penalty order, 25% of minimum penalty leviable shall be payable alongwith the tax and interest payable on account of assessment or reassessment.
- Consequent to such declaration, appeal in respect of the disputed income and disputed wealth pending before the CIT (Appeals) shall be deemed to be withdrawn.

## DIRECT TAXATION

- The declarant under the scheme shall get immunity from institution of any proceeding for prosecution for any offence under the Income-tax Act or the Wealth-tax Act.
- In the following cases a person shall not be eligible for the scheme:-
  - Cases where prosecution has been initiated before 29.02.2016.
  - Search or survey cases where the declaration is in respect of tax arrears.
  - Cases relating to undisclosed foreign income and assets.
  - Cases based on information received under Double Taxation Avoidance Agreement under section 90 or 90A of the Income-tax Act where the declaration is in respect of tax arrears.
  - Person notified under Special Courts Act, 1992.

### Other Significant Amendments

- Amendment in clause (va) of section 28 of the Act to bring the non-compete fee received / receivable (which are recurring in nature) in relation to not carrying out any profession, within the scope of section 28 of the Act.
- Further, receipts for transfer of right to carry on any profession, which are chargeable to tax under the head "Capital gains", would not be taxable as profits and gains of business or profession.
- Amendment has been made to section 197A for making the recipients of rent referred to in section 194-I also eligible for filing self-declaration in Form no 15G/15H for non-deduction of tax at source.





## DIRECT TAXATION

- Processing under section 143(1) be mandated before assessment, amendment in sub-section (1D) to provide that before making an assessment under sub-section (3) of section 143, a return shall be processed under sub-section (1) of section 143.
- Time limit for completion of assessment u/s 143(3)/147/153A/153C reduced by 3 months.
- Benefit of additional depreciation @ 20% under section 32(1)(ia) extended to an assessee engaged in the business of transmission of power also.
- Amendment in section 56(2)(vii) of the Act so as to provide that any shares received by an individual or HUF as a consequence of demerger or amalgamation of a company shall not be treated as income u/s 56(2)(vii).

### Taxation of Buy Back of Shares

- Provisions of section 115QA extended to any buy back of unlisted share undertaken by the company in accordance with the provisions of the law relating to the Companies and not necessarily restricted to section 77A of the Companies Act, 1956.
- Rules to be notified dealing with buy back of shares being issued under tax neutral reorganization.

### Increase in Time period for acquisition or construction of self occupied house property for claiming deduction of Interest

- Second proviso of clause (b) of section 24 amended to provide that the deduction on account of interest paid on capital borrowed for acquisition or construction of a self-occupied house property shall be available if the acquisition or construction is completed within five years from the end of the F.Y in which capital was borrowed.



## DIRECT TAXATION

### Sale of Vehicle / goods and services.

- Amendment to section 206C is proposed so as to provide that the seller shall collect TCS at the rate of 1% from the purchaser on sale of motor vehicle of the value exceeding 10 lakh and sale in cash of any goods (other than bullion and jewellery), or providing of any services exceeding 2 lakh rupees.

**(This amendment will take effect from 1st June, 2016)**

- Equalization levy of 6% of gross amount for payment made to non-residents exceeding Rs. 1 lakh a year in case of B2B transactions.
- 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident.
- To boost affordable housing, 100% deduction on profits for flats upto 30sq.mt. in metro cities and 60 Sq.mt in other cities, MAT will be applicable.
- Section 115BBF proposed to be inserted which provide concessional rate of 10% on income from worldwide exploitation of patents developed and registered in India by a resident.
- GAAR to be implemented from 1 April 2017.
- In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made on or from 1.4.2016.
- Non taxable limit of employer contribution to Superannuation Fund increased from 1 lakh to Rs. 1.5 lakh per annum .
- Non taxable limit of employer contribution to Recognized Provident fund is capped at Rs. 1.5 lakh per annum



## DIRECT TAXATION

### Rationalisation of advance tax payment schedule and charging of interest under section 234C.

- Advance tax installment (15 June/ 15 Sep/ 15 Dec/15 Mar) as applicable to Corporate tax payers are proposed to be made applicable to Non Corporate tax payers as well.
- However, tax payer opting to pay tax under presumptive scheme of taxation u/s 44AD, shall be liable to pay advance tax in a single installment on or before 15<sup>th</sup> March.
- Section 234C further has excluded from its purview, tax payers who earn income in the nature of Profits from Business/Profession for the first time during the year.

### Rationalisation of the Provisions relating to the Income Tax Appellate Tribunal

- To minimize litigation ,filing of appeal by the Assessing Officer against the order of the DRP has been done away.
- To bring certainty to the order of ITAT, it is proposed to reduce the period within which ITAT may amend mistake apparent from record from existing 4 years to 6 months from the end of the month in which the order was passed.
- Amendment is proposed to provide that a single member bench may dispose of case where assessed income does not exceed Rs. 50 Lac.

### Rationalisation in Penalty Provisions

- Section 271 to be replaces by new Section 270A which proposes to levy penalty based on under reporting and mis reporting of income.
- Rate of penalty in case of under reporting shall be 50% of tax payable on under reported income.
- In cases where the income is misreported, penalty shall be 200% of tax payable on misreported income.
- The cases of mis-reporting of income specified as (i) misrepresentation or suppression of fact or (ii) non recording of investments in books or (iii) expenditure being unsubstantiated by evidence or (iv) false entry in books of accounts or (v) failure to record receipt in books or (vi) failure to report international transaction.  
**(Applicable from AY 2017-18)**





## DIRECT TAXATION

### Exemption from requirement of furnishing of PAN to non resident.

- At present 206AA , does not apply to payment of interest on bond to non resident . It is now prosposed to Amend section 206AA to provide that the provisions of this section shall also not apply to a non-resident, in respect of any other payment, other than interest on bonds subject to such condition as may be prescribed.

**(Applicable from 01.06.2016)**

### Taxes of Sovereign Gold Bonds

- Amendment to section 47 of the Income-tax Act, so as to provide that any redemption of Sovereign Gold Bond under the Scheme, by an individual shall not be treated as transfer and therefore shall be exempt from tax on capital gains.
- Further , amendment to section 48 of the Income-tax Act, so as to provide indexation benefits to long terms capital gains arising on transfer of Sovereign Gold Bond to all cases of assesses.

### Taxation of Gold Monetization Scheme, 2015

- It is also proposed to amend clause (15) of section 10 so as to provide that the interest on Deposit Certificates issued under the Scheme, shall be exempt from income-tax.

**These amendments are proposed to be made effective retrospectively from the 01.04.2016 and shall accordingly apply in relation to assessment year 2016-17 and subsequent years.**

# DIRECT TAXATION

## New Taxation Regime for securitisation trust and its investors

- In order to rationalise the tax regime for securitisation trust and its investors, and to provide tax pass through treatment, it is proposed to amend the provisions of the Act to substitute the existing special regime for securitisation trusts by a new regime having the following elements: -
  - The new regime shall apply to securitisation trust being an SPV defined under SEBI (Public Offer and Listing of Securitised Debt Instrument) Regulations, 2008 or SPV as defined in the guidelines on securitisation of standard assets issued by RBI or being setup by a securitisation company or a reconstruction company in accordance with the SARFAESI Act;
  - The income of securitisation trust shall continue to be exempt. However, exemption in respect of income of investor from securitisation trust would not be available and any income from securitisation trust would be taxable in the hands of investors;
  - The income accrued or received from the securitisation trust shall be taxable in the hands of investor in the same manner and to the same extent as it would have happened had investor made investment directly in the underlying assets and not through the trust;
  - TDS shall be effected by the securitisation trust at the rate of 25% in case of payment to resident investors which are individual or HUF and @ 30% in case of others. In case of payments to non-resident investors, the deduction shall be at rates in force;
  - The facility for the investors to obtain low or nil deduction of tax certificate would be available; and
  - The trust shall provide breakup regarding nature and proportion of its income to the investors and also to the prescribed income-tax authority.

**(These amendments will take effect from 1.06.2016)**



## DIRECT TAXATION

### Measures for TDS / TCS Rationalisation

- Threshold limits for TDS deduction has been increased in the following cases.

Section	Heads	Existing Limit (In Rs.)	Proposed limit (In Rs.)
192A	Payment of accumulated balance due to an employee in EPF	30,000	50,000
194BB	Winnings from Horse Race	5,000,	10,000
194C	Payments to Contractors	75,000	1,00,000
194LA	Payment of Compensation on acquisition of certain Immovable Property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194G	Commission on sale of lottery ticket	1,000	15,000
194H	Commission or brokerage	5,000	15,000

## DIRECT TAXATION

- Changes has been made in Rates of TDS in following cases.

Present Section	Heads	Existing rate of TDS (In %)	Proposed rate of TDS (in %)
194DA	Payment in respect of Life insurance Policy	2%	1%
194EE	Payments in respect of NSS deposits	20%	10%
194D	<b>Insurance Commission</b>	10%	5%
194G	<b>Commission on sale of lottery</b>	10%	5%
194H	Commission or brokerage	10%	5%
194K	Income in respect of Units	<b>To be omitted w.e.f 01.06.2016</b>	
194LA	Payment of Compensation on acquisition of Capital Asset	<b>To be omitted w.e.f 01.06.2016</b>	



## INDIRECT TAXATION

### CUSTOMS

#### Taxation Rates

- No change in the peak rate of Basic Custom Duty (BCD) of 10 % for FY 16-17.
- Education cess and secondary and higher education cess continues to be levied on Customs duty.

#### Sectoral Changes [effective from 01.03.2016]

##### *Ores and Concentrates*

- Export Duty on Iron Ore Fines and lumps with iron content less than 58% & on all sorts Chromium Ores and Concentrates has been reduced to NIL.
- Export Duty on Natural Bauxite has been reduced from 20% to 15%.

##### *Food Processing*

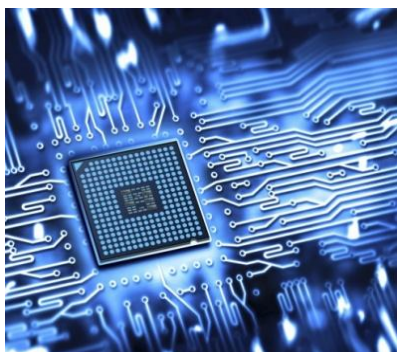
- Basic Customs duty on Cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers and Refrigerated Containers has been reduced from 10% to 5%.

##### *Mineral Fuels and Mineral Oils*

- Basic Customs Duty on solid fuels manufactured from coal, Lignite (excluding jet) and Peat has been reduced to 2.5%
- Basic Customs Duty on Coke and semi-coke of coal, lignite or peat, retort carbon, Coal gas, water gas, producer gas and similar gases other than petroleum gases and other gaseous hydrocarbons, Tar distilled from coal, lignite or peat and other mineral tars, Pitch and Pitch Coke obtained from Coal Tar/mineral tar has been reduced from 10% to 5%.

##### *Petroleum Exploration and Production*

- BCD on goods required for exploration & production of hydrocarbon in respect of which licenses or leases were issued or renewed before 01.04.1999 has been reduced to NIL.



# INDIRECT TAXATION

## *Chemicals and Petrochemicals*

- Basic custom duty on Acyclic and Cyclic Hydrocarbons other than para-xylene and styrene has been reduced to 2.5%.
- Basic Customs Duty on Ethanol subject to actual user condition has been reduced from 5% to 2.5%.

## *Electronics and Hardware*

- Basic Customs Duty on Polypropylene granules / resins for the manufacture of capacitor grade plastic films has been reduced from 7.5% to NIL.
- Basic Customs Duty on E Readers has been increased from NIL to 7.5% while simultaneously BCD on parts of E Readers has been fixed at 5% against various applicable rates.
- Basic Customs Duty on Magnetron of capacity of 1 KW to 1.5 KW for manufacture of domestic microwaves has been reduced from 10% to NIL.
- Basic Customs Duty on Specified Telecommunication Equipment (VoIP Phones etc.) has been increased to 10% from the erstwhile NIL Rates.
- Basic Customs Duty on Preform of Silica for manufacture of telecom grade optical fibre has been increased to 10% from NIL.
- Basic Customs Duty on capital goods and inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses, and Thermal fuses has been reduced to NIL.
- Exemption in respect of BCD, CVD and SAD on charger / adapter, battery and wired headsets / speakers for manufacture of mobile phone has been withdrawn.
- BCD, CVD and SAD on Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets / speakers of mobile phones has been reduced to NIL.
- BCD, CVD and SAD on Parts and components, subparts for manufacture of Routers, Modems etc. for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera etc. has been reduced to NIL.



# INDIRECT TAXATION

- Exemption from BCD in respect of Magnetic - Heads (all types), Ceramic / Magnetic cartridges and stylus, Antennas, EHT cables, Level meters/level indicators/ tuning indicators/ peak level meters/ battery meter/VC meters / Tape counters, Tone arms, Electron guns has been withdrawn.
- BCD on Specified Telecommunication Equipment (VoIP Phones etc.) has been increased to 10% from the erstwhile NIL Rates.
- BCD on Pre form of Silica for manufacture of telecom grade optical fibre has been increased to 10% from NIL.
- BCD on capital goods and inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses, and Thermal fuses has been reduced to NIL.
- Special Additional Duty on Populated PCB's for PC's increased to 4% and for Tablets/Mobiles has been increased to 2% from erstwhile NIL Rates.

## *Automobiles*

- Basic custom duty on Golf Cars has been increased from 10% to 60%.
- Benefit of 6% CVD on parts of electric and hybrid vehicles extended without time limit which was earlier applicable till 31.03.2016

## *Infrastructure*

- CVD on specified Machinery for construction of roads has been increased from NIL to 12.5%.

## *Defence Production*

- Central and State Governments to pay applicable rates of duties on Direct Imports of Specified Goods w.e.f 01.04.2016 which were earlier charged to NIL rates for governments.
- Contractors of Central Government or PSU's to pay applicable rates of BCD on Imports of Specified Goods w.e.f 01.04.2016 which were earlier charged to NIL rates.

## *Renewable Energy*

- Basic Customs Duty on Industrial Solar Water Heater has been increased from 7.5% to 10%.





## INDIRECT TAXATION

### *Other Significant Provisions*

- Sections 28, 47, 51 and 156 are being amended so as to:
  - a. increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc.
  - b. provide for deferred payment of customs duties for importers and exporters to certain class of importers and exporters.
- In order to enable storage of specific goods under physical control of the department, as control over the other types of warehouses would be only record based, a new concept of 'Special Warehouse' has been introduced, defined u/s 2(43) and will be licensed u/s 58A. Simultaneously, the concept of warehousing station has been removed by deletion of section 9.
- Section 25 is being amended to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC.
- New section 58B is being inserted so as to regulate the process of cancellation of licences which is a necessary concomitant of licensing.
- The existing section 59 governing warehousing bonds submitted by importers availing duty deferred warehousing is being substituted so as to fix the bond amount at thrice the duty involved and to furnish security as prescribed.
- The existing section 61 is being substituted to extend the period of warehousing to all goods used by Export Oriented Undertakings, Units under Electronic Hardware Technology Parks, Software Technology Parks, Ship Building Yards and other units manufacturing under bond; empower Principal Commissioners and Commissioners to extend the warehousing period upto one year at a time.



# INDIRECT TAXATION

## CENTRAL EXCISE

### AMENDMENTS IN THE CENTRAL EXCISE ACT, 1944

- Section 11A is being amended so as to increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc.

### Sectoral Changes [effective from 01<sup>st</sup> Mar., 2015]

#### *Aerated Beverages*

- Excise Duty on Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured has been increased from 18% to 21%

#### *Tobacco and Tobacco Products*

- Excise Duty on Cigar, cheroots, Cigarillos, Cigarillos of tobacco substitutes and others of tobacco substitutes has been increased from higher of 12.5% or Rs.3375 per thousand to higher of 12.5% or Rs.3775 per thousand.
- Excise Duty has been increased on across all lengths of non-filter and filter cigarettes.
- Excise Duty on Cigarettes of tobacco substitutes has been increased from Rs.3375 per thousand to Rs.3775 per thousand.
- Excise Duty on Unmanufactured tobacco has been increased from 55% to 64%
- Excise Duty on Paper rolled biris [handmade or machine made] and other biris [other than handmade biris] has been increased from Rs. 30 per thousand to Rs. 80 per thousand. However, the effective rate of basic excise duty of Rs.21 per thousand remains unchanged.

#### *Food processing*

- Excise Duty on Refrigerated containers has been reduced from 12.5% to 6%.

# INDIRECT TAXATION

## Metals

- Excise Duty on disposable containers made of aluminium foils has been increased from 6% to 12.5% incase buyer takes CENVAT Credit.

## Renewable Energy

- Excise Duty on Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Ester Adhesive (VEA) and Epoxy Resin used for manufacture of rotor blades and intermediates, parts and sub parts of rotor blades for wind operated electricity generators has been increased from NIL to 6%.
- Rate of Excise Duty on Solar lamp has been reduced to NIL.
- To prescribe “valid agreement between importer / producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project” as an alternative to the condition of “production of valid power purchase agreement between the importer/producer of power and the purchaser, for the sale and purchase of electricity generated using non-conventional materials” for availing concessional customs/excise duty benefits in case of power generation project based on municipal and urban waste.

## Civil Aviation

- Excise Duty on ATF other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme airports has been increased from 8% to 14%.

## Electronics & IT hardware

- Option to pay Excise Duty on Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] at the rate of 4% without CENVAT Credit or 12.5% with CENVAT Credit.



*“Excise duty on ATF has been hiked from 8% to 14%. Given that ATF accounts for almost 40% of an airline's operating cost, the 6 percentage point increase in excise duty will mean a hike of 2.5% in cost. Coupled with sales tax levied on the hiked excise portion, the overall impact could see up to a 4% increase in ticket prices.”*

**Sharat Dhall**  
**Yatra**

## INDIRECT TAXATION

- Excise Duty on Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] has been reduced to NIL.

### *Machinery*

- Excise Duty on Electric motor, shafts, sleeve, chamber, impeller, washer for manufacture of centrifugal pump has been reduced from 12.5% to 6%.

### *Automobiles*

- Excise Duty of 6% on Specified parts of Electric Vehicles and Hybrid Vehicles which was applicable till 31.03.2016 to continue without limit.
- Excise Duty on Engine for xEV (hybrid electric vehicle) from 12.5% to 6%.

### *Miscellaneous*

- Excise duty on sacks and bags of all plastics is being rationalized at 15%.
- Unconditional exemption to improved cook stoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes, and coal
- Exemption from Excise Duty on Disposable sterilized dialyzer and micro barrier of artificial kidney
- Exemption from Excise Duty on Ready Mix Concrete manufactured at the site of construction for use in construction work at such site.
- Excise Duty on Parts of railway or tramway locomotives or rolling stock and railway or tramway track fixtures and fittings, railway safety or traffic control equipment, etc. has been reduced from 12.5% to 6%.
- Retail Sale Price [RSP] based assessment of excise duty has been extended to following the goods:

## INDIRECT TAXATION

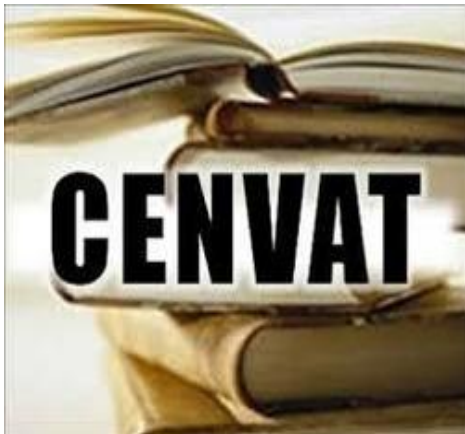
- a) goods falling under heading 3401 and 3402 with abatement rate of 30%,
- b) aluminium foils of a thickness less than 0.2 mm with abatement rate of 25%,
- c) wrist wearable devices (commonly known as 'smart watches') with abatement rate of 35%, and
- d) accessories of motor vehicle and certain other specified goods with abatement rate of 30%.

### *CLEAN ENERGY CESS*

- The Clean Energy Cess renamed as Clean Environment Cess and also been increased from Rs.300 per tonne to Rs.400 per tonne.
- Clean Energy Cess / Clean Environment Cess has been exempt on coal, lignite or peat produced or extracted as per traditional.

### *MISCELLANEOUS [w.e.f. 01.03.2016]*

- The Oil Industry (Development) Act, 1974 is being amended so as to reduce the rate of Oil Industries Development Cess, on domestically produced crude oil, from Rs. 4500 PMT to 20% ad valorem OI DB Cess. [effective from the date of assent to the Finance Bill, 2016]
- Infrastructure Cess is being levied on motor vehicles, of heading 8703, as under:
  - a) Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc – 1%
  - b) Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc – 2.5%
  - c) Other higher engine capacity motor vehicles and SUVs and bigger sedans – 4%.
- Three wheeled vehicles, Electrically operated vehicles, Hybrid vehicles, Hydrogen vehicles based on fuel cell technology, Motor vehicles which after clearance have been registered for use solely as taxi, Cars for physically handicapped persons and Motor vehicles cleared as ambulances or registered for use solely as ambulance will be exempt from this Cess.



# INDIRECT TAXATION

## *AMENDMENTS IN THE CENTRAL EXCISE RULES, 2002 AND THE CENVAT CREDIT RULES, 2004*

- The Central Excise Rules, 2002 are being amended so as to:
  - reduce the number of returns to be filed by an assessee above a certain threshold from 27 to 13, i.e. one annual and 12 monthly returns. CBEC will provide for e-filing of annual return,
  - extend the facility for revision of return to manufacturers as well.
  - provide that in cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.
  - provide that in case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.
- The CENVAT Credit Rules, 2004 are being amended, so as to improve credit flow, reduce the compliance burden and associated litigations.
- Instructions are being issued to Chief Commissioners of Central Excise to file application to Courts to withdraw prosecution in cases involving duty of less than rupees five lakh and pending for more than fifteen years.



# INDIRECT TAXATION

## SERVICE TAX

### Krishi Kalyan Cess [*effective from 01.06.2016*]

- The central Government proposes to impose a Krishi Kalyan Cess on value of all taxable service at a rate of 0.5% w.e.f. 1.06.2016. The proceeds from this cess to be utilized to finance and promote initiatives to improve agriculture

### General exemptions

- Exemption will be withdrawn on the following services:
  - Services provided by,-
    - a senior advocate to an advocate or partnership firm of advocates providing legal service; and
    - a person represented on an arbitral tribunal to an arbitral tribunal,is being withdrawn w.e.f. 1st April, 2016 and Service Tax is being levied under forward charge.
  - Construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1st March 2016, is being withdrawn w.e.f. 1st March, 2016. However, 60% abatement has been provided for calculation of service tax
  - Services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn w.e.f. 1st April, 2016.
  - Service Tax is being levied on transportation of passengers by AC stage carriage w.e.f. 1st June, 2016, at the same level of abatement as applicable to the transportation of passengers by a contract carriage, that is, 60% without credit of inputs, input services and capital goods.

### New exemptions

- Exemption will be allowed on the following services:
  - Services provided by Employees' Provident Fund Organization (EPFO) to employees are being exempted from Service Tax w.e.f. 1st April, 2016
  - Services provided by Insurance Regulatory and Development Authority (IRDA) of India are being exempted from Service Tax w.e.f. 1st April, 2016.



## INDIRECT TAXATION



- Services by way of construction etc. in respect of-
  - housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);
  - low cost houses up to a carpet area of 60 square metres in a housing project under “Affordable housing in Partnership” component of PMAY,
  - low cost houses up to a carpet area of 60 square metres in a housing project under any housing scheme of the State Government,are being exempted from Service Tax w.e.f. 1st March, 2016.
- The regulatory services provided by Securities and Exchange Board of India (SEBI) are being exempted from Service Tax w.e.f. 1st April, 2016.
- Services of general insurance business provided under ‘Niramaya’ Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies are being exempted from Service Tax w.e.f. 1st April, 2016.
- Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubatees are being exempted from Service Tax w.e.f. 1st April, 2016.
- Services provided by way of skill/vocational training under Deen Dayal Upadhyay Grameen Kaushalya Yojana are being exempted from Service Tax w.e.f. 1st April, 2016.
- Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship are being exempted from Service Tax w.e.f. 1st April, 2016.
- The threshold exemption to services provided by a performing artist in folk or classical art forms of music, dance or theatre is being enhanced from Rs 1 lakh to Rs 1.5 lakh per event w.e.f. 1st April, 2016.

## INDIRECT TAXATION

- Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), Integrated Programme in Management and Fellowship Programme in Management (FPM) are being exempted from Service Tax w.e.f. 1st March, 2016.

### Relief Measures

- The rate of Service Tax on single premium annuity (insurance) policies is being reduced from 3.5% to 1.4% of the premium, in cases where the amount allocated for investment, or savings on behalf of policy holder is not intimated to the policy holder at the time of providing of service, with effect from 1st April, 2016.
- To provide level playing field to Indian Shipping lines vis-a-vis foreign shipping lines, it is being proposed to:
  - a) zero rate the services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India w.e.f. 1st March, 2016, and
  - b) impose Service Tax on services provided by them by way of transportation of goods by a vessel from outside India up to the customs station in India with effect from 1st June, 2016 so as to complete the credit chain and enable Indian Shipping Lines to avail and utilize input tax credits.
- The facility of payment of Service Tax on receipt basis is being extended to 'One Person Company' (OPC) w.e.f. 1st April, 2016.
- Exemptions on services of:
  - a) construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools, hospitals etc.
  - b) construction of ports, airports, [which were withdrawn w.e.f. 01.04.2015], are being restored in respect of services provided under contracts which had been entered into prior to 01.03.2015 on payment of applicable stamp duty, with retrospective effect from 01.04.2015.



## INDIRECT TAXATION

- Services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government but not necessarily by an Act of Parliament or a State Legislature, during the period from the 1st July, 2012 to 29th January, 2014, are being exempted from Service Tax with consequential refunds, subject to the principle of unjust enrichment.

### Interest Rate

- Interest rates on delayed payment of duty/tax across all indirect taxes are being rationalized and made uniform at 15%, except in case of Service Tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the Service Tax payment became due.
- In case of assessees, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment of Service Tax will be 12%.  
[The above changes will come into effect on the day the Finance Bill receives the assent of the President.]

### Rationalization of Abatements [w.e.f. 01.04.2016]

- Credit of input services is being allowed on transport of passengers and goods other than in containers by rail at the existing rate of abatement of 70%.
- Credit of input services is being allowed on transport of goods in containers by rail at a reduced abatement rate of 60%.
- Credit of input services is being allowed on transport of goods by vessel at the existing rate of abatement of 70%.
- The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).



## INDIRECT TAXATION

- The abatement on shifting of used household goods by a Goods Transport Agency (GTA) is being rationalized at the rate of 60%, without CENVAT credit on inputs, input services and capital goods. (The existing rate of abatement of 70% allowed on transport of other goods by GTA continues unchanged).
- The abatement rate on services of a foreman to a chit fund is being rationalised at the rate of 30%, without CENVAT credit on inputs, input services and capital goods.

### Reduce litigation and providing certainty in taxation

- Indirect tax Dispute Resolution Scheme, 2016, wherein a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of duty, can file a declaration, is being introduced. In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in certain cases.
- Section 67A is being amended to obtain rule making powers in respect of the Point of Taxation Rules, 2011, so as to provide that the point in time when service has been provided or agreed to be provided shall be determined by rules made in this regard.
- Notification No. 27/2012 – C.E. (N.T.) dated 18.06.2012 is being amended w.e.f. 1st March, 2016 so as to provide that time limit for filing application for refund of CENVAT Credit under Rule 5 of the CENVAT Credit Rules, 2004, in case of export of services, is 1 year from the date of receipt of payment in convertible foreign exchange or issue of invoice, whichever is later.
- Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is being declared as a service u/s 66E of the Finance Act, 1994 so as to clear the ambiguity of treating it a service or sale of intangible goods.
- A condition mandating inclusion of cost of fuel in the consideration for availing abatement on the services by way of renting of motor-cab is being prescribed w.e.f. 1st April, 2016.



# INDIRECT TAXATION

## Service Tax Rules

- The annual return will have to be filed by Service Tax assesseees, above a certain threshold, taking total number of returns to three in a year for them. This change shall come into effect from 1st April, 2016.

## CENVAT Credit Rules [w.e.f. 01.04.2016]

- The rules are being amended so as to:
  - allow banks and other financial institutions to reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal.
  - to improve credit flow, reduce the compliance burden and associated litigation.
  - to provide for reversal of CENVAT Credit of inputs/input services which have been commonly used in providing taxable output service and an activity which is not a 'service'.
  - to allow CENVAT credit of Service Tax paid on amount charged for assignment by Government or any other person of a natural resource, over such period of time as the period for which the rights have been assigned.

## MISCELLANEOUS

### Service Tax Rules

- Section 73 of the Finance Act, 1994 is being amended so as to increase the limitation period from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of Service Tax.

### Other changes in the Finance Act, 1994

- Further amendments are being made to Service Tax law so as to provide for closure of proceedings against co-noticees, once the proceedings against the main noticee have been closed.
- The monetary limit for launching prosecution is being increased from Rs. 1 crore to Rs. 2 crore of Service Tax evasion.

## DISCLAIMER

This document has been prepared in summary form by Dewan P. N. Chopra & Co., Chartered Accountants, from sources believed to be reliable. The information contained herein is intended only for the person to whom it is sent. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information. Recipients should conduct and rely upon their own examination, investigation and analysis and are advised to seek their own professional advice. The information and data contained herein is not a substitute for the recipient's independent evaluation and analysis. This document is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

## CONTACT US

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

### Head Office

57-H, Connaught Circus  
New Delhi (India)-110001  
Phones: +91-11-23321418/2359  
Email: dpnc@dpncindia.com

### Corporate Offices

D-295, Defence Colony,  
New Delhi (India)-110024  
Phones: +91-11-24645891/92/93

D-203, Defence Colony,  
New Delhi (India)-110024  
Phones: +91-11-24645897/40526860

C-109, Defence Colony,  
New Delhi (India)-110 024  
Phones: +91-11-24645895/96

C-09, Defence Colony,  
New Delhi (India) -110024  
Phones: 91-11-24645894/41071956

Connect with us:

