

# ANALYSIS OF UNION BUDGET 2017

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Dear Sir / Madam,

We are pleased to forward herewith the highlights of the budget presented by the *Hon'ble Finance Minister Mr. Arun Jaitley* on *01<sup>st</sup> February, 2017*.

This is an initial review of the budget which would be approved and finalized after discussions. However, certain provisions relating to indirect taxes are made applicable immediately.

We value your feedback which will improve our presentation.

Regards,

M/s Patki & Soman  
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Date: 6<sup>th</sup>February, 2017



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Hon. Finance Minister, Arun Jaitley, presented his 4<sup>th</sup> Annual budget which proved a sentiment booster for rural and lower- middle income households and raised the 2017-18 federal deficit target to 3.2% of GDP to cover the spending promises.

In the last two and half years' administration has moved from discretionary, favoritism based to system and transparency based. The CPI-based inflation has declined from 6% in July 2016 to 3.4% in December, 2016.

Budget 2017-18 contains 3 major reforms. First, presentation of Budget advanced to 1st February to enable the Ministries to operationalise all activities from the commencement of the financial year. Second, merger of Railways Budget with General Budget to bring Railways to the center stage of Government's Fiscal Policy and Third, removal of plan and non-plan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries.

The main agenda for the Union Budget 2017 was "Transform, Energise and Clean India" – TEC India. It was further focused on 10 broad themes-

Farmers, rural population, youth, poor and health care for the underprivileged, infrastructure, financial sector for stronger institutions, digital economy, speedy accountability public services, prudent fiscal management and tax administration for the honest.

All in all, the budget will tremendously strengthen the muscles of the nation as it aimed to continue to fight against black money and make people tax compliant.



India has become the sixth largest manufacturing country in the world, rising up from the previous ninth position, and thus retaining its bright spot in the world economic landscape.

The IMF expects the Indian economy to grow by 6.6% in 2016–17, which is not only a significant one percentage point lower than the previous estimate, but also brings India back to the status of the second-fastest growing economy, especially as China is expected to outgrow by 6.7%.

Recognising the strength of Indian economic fundamentals, the IMF expects the impact of demonetization to fade away gradually, as it pegs the 2017–18 growth at 7.2%, overtaking China again by a good 0.7 percentage points. The World Bank, however, is more optimistic and has projected a GDP growth of 7% in 2016–17, 7.6% in 2017–18 and 7.8% in 2018–19.

The broad macro-economic indicators, based on latest data, are as follows:

**Inflation:** The retail inflation stayed above the comfort zone of 5% till August 2016, but it started moderating thereafter during the normal monsoon, dropping to a two-year low of 3.4%. The average for the year-to-date (April-December 2016) stood at 4.85%, higher than 4.8% during the same period of the previous year.

**Fiscal Deficit:** The fiscal deficit as a percentage of GDP was budgeted at 3.5% for 2016–17 in the previous year's budget. This is revised to 3.2% for 2017–18.

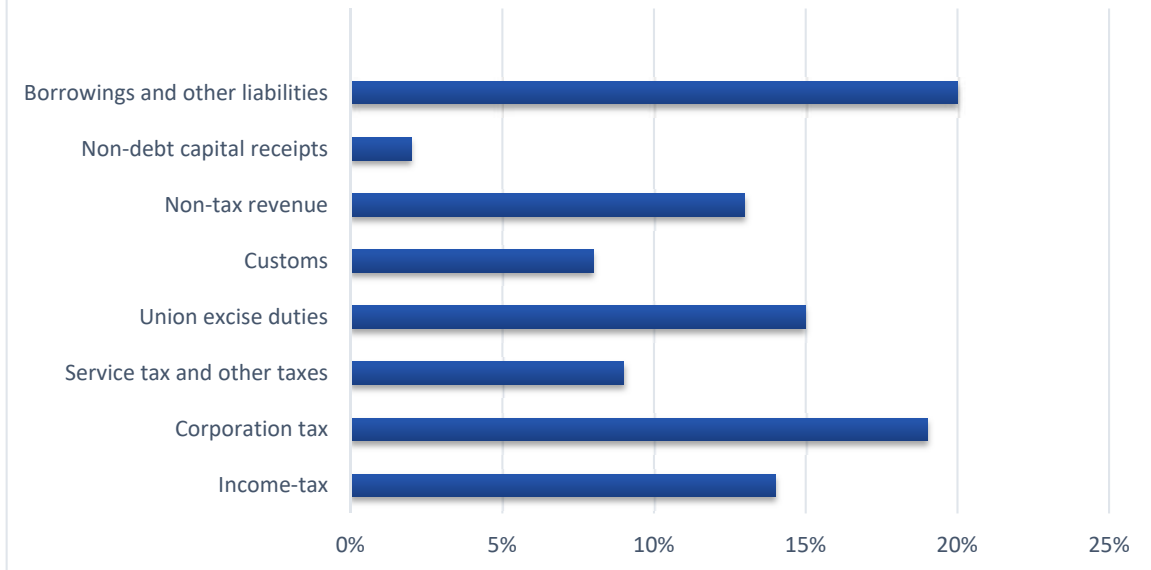
**Trade Deficit:** India's trade deficit narrowed by 25% in the cumulative period of April to December 2016, when it stood at \$76.5 billion, as against \$100.1 billion in the corresponding period of the previous year. This is on the back of a 7.4% decline in imports coupled with a meagre growth of 0.75% in exports during said period. Imports of both oil and non-oil products dropped during this period by 10.76% and 6.42%, respectively, reflecting the subdued gross capital formation.

**Currency:** The rupee saw a depreciation of 3.3%, as it stood at an average of Rs 67.21 per US dollar during April 2016 to January 2017 against an average of Rs 65.03 per US dollar during the same period in the previous year.

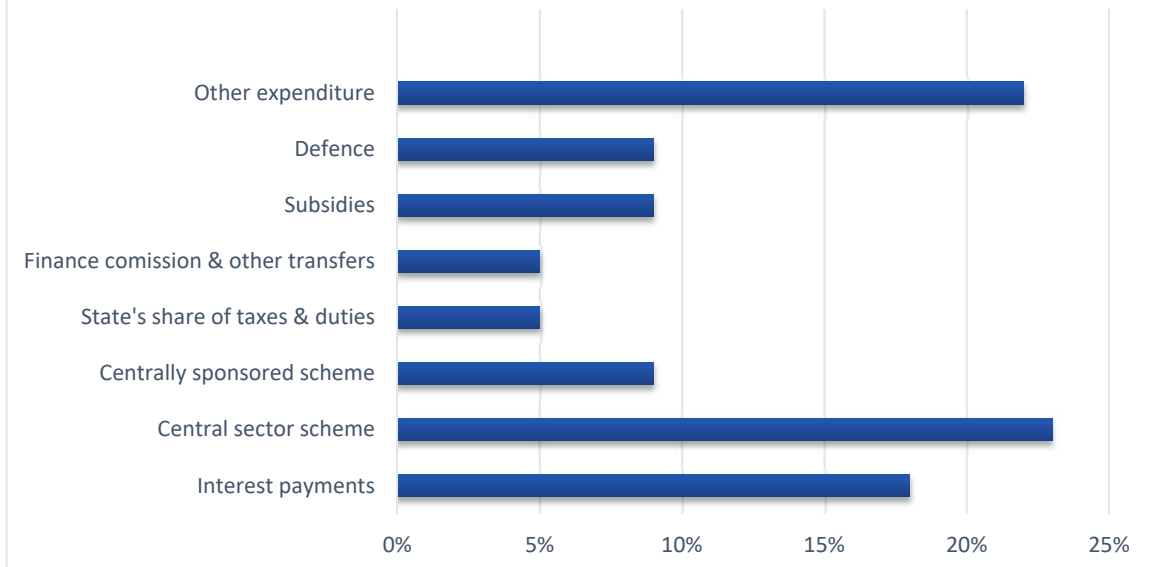
**Outlook:** According to the Central Statistical Organisation's first advance estimates for 2016–17, the GDP is expected to grow by 7.1%, which is slower than 7.6% in the previous year. However, this discounts the impact of demonetization. Factoring in this impact, we expect the growth to decline by another about 50 basis points.

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## SOURCES OF REVENUE



## AREAS OF SPENDING



## Individual Taxation:

### **Tax Rate:**

- Tax rate for the income limit between Rs 2.5 lakhs to Rs 5 lakhs has been reduced from 10% to 5%
  - Rebate under sec 87A has been reduced to Rs 2,500 for individuals having income upto Rs 3.5 lakhs
  - Surcharge @ 10% has been introduced for individuals or HUFs or AOP or BOI having income above Rs 50 lakhs but below Rs. 1 crore

Wealthy should pay more!

### **House Property:**

- Loss from let out property exceeding Rs 2 lakhs will not be deductible from income other than House property income

### **Capital Gains:**

- Base year for the purpose of calculating of Indexation benefit in case of long term capital gains has been shifted from 1 April 1981 to 1 April 2001
- For immovable property to qualify as a long term capital asset, the holding period has been reduced to 2 years from 3 years, in line with unlisted shares
- Exemption on long term capital gains in case of transfer of listed equity shares will not be available if STT was not paid on such acquisition
- If unlisted shares are transferred at a value lesser than FMV of shares, the FMV shall be considered as the consideration value for computing capital gains
- Exemption under sec 54EC will now be available to any other bond notified by the central government (still to be notified)

### **Deduction/ Exemptions:**

- In case of partial withdrawal from NPS Trust by an employee subscriber, exemption introduced of up to 25% of the amount contributed by him
  - The limit of deduction for contribution made to NPS by a self-employed individual is increased from 10% to 20%
- Deduction in respect of investment made under Rajiv Gandhi Equity Savings Scheme has been discontinued (balance deduction for prior eligible investments available upto FY 2018-19)

Tax breaks for NPS

Swachh India! No cash transaction above Rs 300,000, donation made in cash upto Rs 2,000 is eligible for a deduction under sec 80G as compared to the previous limit of Rs 10,000 for cash donations.

**Others:**

- TDS @ 5% to be deducted by an individual or HUF (to whom tax audit is not applicable u/s 44AB), while making payment of rent exceeding Rs 50,000 per month.
- Statutory limit for maintaining books of account has been increased from turnover of Rs 10 lakhs to Rs 25 lakhs for business and receipts of Rs 1.2 lakhs to Rs 2.5 lakhs for profession for persons covered u/s 44AA.
- Statutory limit for getting books of account audited has been increased from Rs 1 crore to Rs 2 crore
- Presumptive taxation rate (for business having turnover less than Rs 2 crore) reduced to 6% from 8% only in case of receipts through a proper banking channel (other than cash)
- The Finance Minister proposed to issue a 1-page income-tax return form for individuals having income up to Rs 5 lakhs without business income. Also these filers are proposed not to be scrutinized (for the first year) unless some information necessitating scrutiny is available.
- Due date for filing of revised income-tax return has been limited to 12 months from existing 24 months from the end of the relevant financial year, in line with the existing limit of filing a belated income-tax return
- Fee on account of filing a belated return has been introduced, being Rs 5,000 for filing the income-tax return after due date under sec 139(1) but before 31 December following the end of financial year and Rs 10,000 in any other case. However, the fee is limited to Rs 1,000 if the total income does not exceed Rs 5 lakhs. Discretionary penalty of Rs 5,000 for failure to furnish tax return has been abolished.
- Any 'term' used in an agreement in reference to sec 90(1) and 90A of the Act, is defined under the said agreement, the said term shall be assigned the meaning as provided in the said agreement and where the term is not defined in the agreement, but is defined in the Act, it shall be assigned the meaning as defined in the Act or any technical explanation issued by the Central Government
- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.

**Assessments:**

- Maximum period for completion of regular assessment is reduced to 18 months from 21 months for the Assessment Year 2018-19 and to 12 months for the Assessment Year 2019-20
- Maximum period for completion of assessment under Sec 147 is increased from 9 months to 12 months, from end of financial year in which the notice under Sec 148 has been issued. The change is effective for cases where the notice under Sec 148 has been issued on or after 1 April 2018.



- Limitation of assessment of up to last six assessment years in case of search has been removed. Also, the time limit for completion of such search assessment has been reduced from 21 months to 18 months from the end of the financial year in which the search was initiated for the FY 17-18 and 12 months for the Financial Year 18-19
- Interest receivable by deductor @ 0.5% on excess taxes refundable to such deductor has been introduced
- It is proposed to authorise the CBDT, to issue directions or instructions in order to remove hardships faced by the taxpayers in connection with imposition of penalty relating to tax deduction or collection at source.
- For FY 2016-17 onwards, where refund is due in a case where scrutiny assessment proceedings are initiated, the Assessing officer needs to record reasons in writing with the previous approval of the Principal Commissioner or Commissioner for non-grant of the refund before conclusion of assessment
- If any foreign tax credit has not been granted on account of disputed tax, shall be allowed within 6 months from the month in which dispute has been settled on furnishing necessary supporting documents to the assessing officer

### *Corporate Taxation:*

- Income tax for companies with annual turnover upto Rs 50 crore is reduced to 25%
- IT is proposed to extend the provision of sec 115BBDA of the Act which provides for levy of tax@10% on dividend income exceeding Rs 10 lakhs, to all resident persons except specified persons such as domestic companies or trust registered u/s 12AA.
- Affordable housing classification changed from built up area to carpet area. Also, 100% tax exemption eligibility criteria for completion of project has been extended to 5 years.
- The scope of sec 56 has been widened to include that any money, immovable or specified movable property received by any person without consideration, shall be taxable if its value exceeds Rs 50,000.
- MAT credit is allowed to be carried forward upto 15 years instead of 10 years.
- The limit of cash expenditure allowable u/s 40A (3) has been reduced to Rs 10,000 from existing Rs 20,000. Additionally, depreciation will not be allowed where the capital expenditure is exceeding Rs 10,000 in cash.
- FPI category I & II exempted from indirect transfer provisions, shall not apply in case of redemption of shares or interest outside India as a result of or arising out of redemption of investment in India which is chargeable to tax in India.
- Insurance agents' commission are no longer subject to TDS if they submit form 15G/15H.

- Now, domestic transfer pricing is applicable only if one of the entities involved in related party transaction enjoys specified profit linked deductions. Accordingly, transactions covered u/s 40A(2)(b) are excluded.
- Conversion of preference shares into equity shares is now tax neutral.
- Cost of acquisition of shares of Indian company in hands of demerged company, shall be taken as the cost of acquisition in the hands of resulting foreign company.
- Merger of AAR for Income-tax, customs, central excise and service tax.
- Disallowance shall be made in respect of expenditure incurred against income from other sources unless tax has been deducted
- If an accountant or a merchant banker or a registered valuer, furnishes incorrect information in a report or certificate, he shall be liable to a penalty of ten thousand rupees for each such default.
- Donation by an exempt entity to other exempt entity with a direction that such donation will form part of corpus, shall not be treated as application of income for charitable purpose.
- It is proposed to amend the provisions relating to computation of book profit for the purpose of levy of MAT in order to align it with the Ind-AS.
- Certain exempt entities are now required to furnish return mandatorily.
- Amendment made by the Finance Act, 2016 in Sec 112 of the Act providing for concessional rate of tax in respect of transfer of share of a private limited company shall be applicable retrospectively from assessment year 2013-14.
- The amount of deduction referred to u/s 10AA, shall be allowed from the total income of the undertaking before giving effect to the provisions of the said section.
- PAN should be furnished in the case of TCS, failing which tax shall be collected at higher rate.

#### **Other Provisions:**

- It is proposed to provide a concessional tax rate of 10 % in case of income arising from sale of carbon credit.
- Capital gains exemption extended to specific capital assets transferred by Individuals/ HUF under the Andhra Pradesh Capital City Land Pooling Scheme Rules, 2015.
- For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received.
- It is proposed to amend Sec. 194LD to extend concessional rate of TDS charged at 5% on interest earned by foreign entities in ECB or in bonds and Government securities to 01 July, 2020. This benefit is also extended to Rupee Denominated (Masala) Bonds.
- For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. It is also proposed

to amend Sec. 80IAC in respect of the profit linked deduction available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years.

- Allowable provision for NPA of banks has been increased from 7.5% to 8.5%. Interest taxable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks.
- Sec 9A provides for a special regime in respect of offshore funds, whereby the fund management activity carried out through a fund manager in India shall not constitute a business connection nor trigger residency for such an offshore fund in India. Said section is subject to various conditions, one of which provides that monthly average of the corpus of the fund should not be less than ₹100 crores. It is proposed to provide that this condition shall not apply in the previous year in which the fund is being wound up.
- In case of foreign company, sale of leftover stock of crude oil in case of strategic petroleum reserve after the expiry of agreement or the arrangement, subject to fulfilment of certain conditions, shall not be liable to tax in India.
- Compensation received for compulsory acquisition of land under RFCTLARR Act, is exempt from tax.
- It is proposed to amend sec 206C, to exempt Central Government, State Government, embassy, High Commission, consulate and the trade representation of a foreign State, local authority, public sector company which is engaged in the business of carrying passengers, from the applicability of the provision of sec 206C (1F) of the Act. Accordingly, Seller need not collect tax at 1% from these buyers on sale of motor vehicles exceeding Rs.10 Lakhs.
- It is proposed to amend sec 194J to reduce the rate of deduction of tax at source to 2% from 10 % in case of payments received or credited to a person engaged only in the business of operation of call center.
- Professionals covered under Sec. 44ADA would be required to pay advance tax in single instalments
- It is proposed to amend Sec. 47 to exempt Transfer of rupee denominated bonds of an Indian company issued outside India by a non-resident to another non-resident.
- Presently, gains arising on account of rupee appreciation against a foreign currency at the time of redemption of a rupee denominated bond of an Indian company subscribed by a non-resident investor is exempt from tax. It is proposed to extend this exemption to secondary holders of such bonds as well.
- It is proposed to make orders passed by the authority under sec. 10(23C) of the Act, appealable before Appellate Tribunal.
- It is proposed to authorise CBDT to issue directions or instructions in order to remove hardship faced by the taxpayers in connection with imposition of penalty relating to TDS or TCS.
- Proposed to insert a new Sec. 92 CE to provide that the assessee shall make secondary adjustment where primary adjustment to the transfer price has been made in certain cases. The provision shall apply if the primary adjustment exceeds

one crore rupees and the excess money attributable to the adjustment is not brought to India within the prescribed time.

- In order to address the issue of thin capitalisation, it is proposed to provide that the interest paid by an Indian company or permanent establishment of a foreign company, in excess of 30 % of earnings before interest, taxes, depreciation and amortisation (EBITDA), or interest paid to its associated enterprise, whichever is less, shall not be allowed as deduction in computing its taxable profit.
- It is also proposed to allow carry forward and set off of the interest so disallowed for eight assessment years.
- Presently as per Sec. 47, consolidation of plans of mutual funds is not regarded as a taxable transfer. Amendments are proposed to provide that
- The cost of acquisition of units in the consolidating plan shall be deemed to be the cost of acquisition of the units in the consolidated plan; and
- The period of holding of the units in the consolidated plan shall include the period of holding of the units in the consolidating plan.
- It is proposed to provide that where any 'term' used in an agreement entered into under Sec.90(1) and 90A of the Act, is defined under the said agreement, the said term shall be assigned the meaning as provided in the said agreement and where the term is not defined in the agreement, but is defined in the Act, it shall be assigned the meaning as defined in the Act or any technical explanation issued by the Central Government.
- Where the capital asset referred to in Sec. 35AD is used for an ineligible business and the benefit of said section is withdrawn, the actual cost to the assessee in respect of such asset shall be the actual cost to the assessee, as reduced by an amount equal to the amount of depreciation calculated at the rate in force that would have been allowable had the asset been used for the purposes of business since the date of its acquisition.
- In order to maintain the confidentiality of the source of the information and the identity of the informer, it is proposed to clarify that the 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.
- Authorised officer can, subject to conditions as specified, provisionally attach a property for a period of 6 months in order to protect the interest of revenue. It is also proposed to provide that he can make a reference to the valuation officer for the purpose of estimation of FMV of a property.
- The Joint Director, Deputy Director or the Assistant Director of Income-tax are authorized to call for information for the purpose of any enquiry without seeking approval of the higher authority.
- The power of survey under Sec. 133A is expanded so as to include any place at which activity for charitable purpose is carried on.
- It is proposed to authorise the CBDT to frame a scheme for centralised issuance of notice calling for information and documents for the purpose of verification of

information in its possession, processing of such documents and making the outcome thereof available to the Assessing Officer.

- In order to remove hardship, it is proposed to omit sec 197(C) of the Finance Act, 2016 which provided for assessment of undisclosed income relating to any period prior to commencement of the Income Declaration Scheme, 2016. However, in search cases, it is proposed to provide that in case tangible evidence is found during the search, the Assessing Officer can assess income up to 10 years preceding the year in which search took place. Further, now the assessing officer, need not give the reasons to believe the concealment of assets by assessee.

More power to  
Taxmen...

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## Personal Taxation:

### + Rates of Taxation:

- Rates of Personal Taxation for F.Y. 2017-18.

Up to 60 Years	Tax Rate	Above 60 years but below 80 years	Tax Rate	Above 80 years	Tax Rate
Up to Rs. 2,50,000	Nil	Up to Rs. 3,00,000	Nil	Up to Rs. 5,00,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%	Rs. 3,00,001 to Rs. 5,00,000	5%	--	--
Rs. 5,00,001 to Rs. 10,00,000	20%	Rs. 5,00,001 to Rs. 10,00,000	20%	Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%	Above Rs. 10,00,000	30%	Above Rs. 10,00,000	30%

### Notes:

- The reduction of rate to 5% for first income slab, is likely to bring tax saving of at least Rs 12,875 for taxpayers with income exceeding Rs 5 lakhs.
- Education cess and surcharge will remain as applicable.
- A surcharge of 10% on tax payable is proposed for individuals having an income of Rs 50 lakhs to Rs 1 crore.
- MMR for income above Rs 1 crore will remain 35.535% (with surcharge of 15%), but for income upto 1 crore the MMR change to 33.99% (from 30.9%, with surcharge of 10%)
- Resident individual taxpayers whose total income does not exceed Rs 350,000 (earlier Rs 500,000), will be eligible for a tax rebate of Rs 2,500 (earlier Rs 5,000) or actual tax payable, whichever is lower.

### ✚ **Loss from House property:**

Section 71 of the Act relates to set-off of loss from one head against income from another. It is proposed to insert sub-sec (3A) in the said section to provide that set-off of loss under the head "Income from house property" against any other head of income shall be restricted to Rs 200,000 for any assessment year. However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent 8 years.

Think before investing in second house!! Will it be tax beneficial?

In the current regime, any mortgage interest on rented property (including deemed to be let out property) is allowed to be set off completely and in case of a negative earning, it can be reduced even from the compensation income. This change has been brought about to bring in parity between mortgage interest deductions from rented vs self-occupied property.

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-19 and subsequent years.

### ✚ **Long-term capital asset:**

As per the existing provision of the Act, to qualify for long-term asset, an assessee is required to hold the immovable asset for more than 36 months. With a view to promote the real-estate sector and to make it more attractive for investment, it is proposed to amend section

Capital Gains:

Cut the Pains

2 (42A) of the Act so as to reduce the period of holding to 24 months in case of immovable property, being land or building or both, to qualify as long term capital asset.

Further, as the base year (1981) for computation of capital gains has become more than three decades old, it has been proposed to revise the base year and amend sec 55 of the Act so as to provide that the cost of acquisition of an asset acquired before 01.04.2001 shall be allowed to be taken as FMV as on 1st April, 2001 and the cost of improvement shall include only those capital expenses which are incurred after 01.04.2001.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

### ✚ **Exemption of long-term capital gains tax u/s 10(38)**

Under the existing provisions of the Sec 10(38) of the Act, 1961, the income arising from a transfer of long term capital asset, being equity share of a company or a unit of an equity oriented fund, is exempt from tax if the transaction of sale is undertaken on or after 1st October, 2014 and is chargeable to STT under Chapter VII of the Finance (No.2) Act, 2004.

It is proposed to amend sec 10(38) 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 STT (except genuine cases where STT could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company etc).

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

### ***Withholding tax provisions for rent***

The existing provisions of sec 194-I of the Act provide that payment of rent by an individual or HUF who is liable for tax audit under sec 44AB of the Act in the preceding year, was liable to withholding tax.

Section 194-IB is proposed to be inserted in the Act requiring withholding tax at the rate of five per cent on rent payments exceeding Rs 50,000 per month, or part thereof, by an individual or an HUF (other than those covered under sec 194-I).

Such tax is to be deducted at the time of credit of rent, for the last month of the previous year or the last month of tenancy (if such property is vacated during the year), or at the time of payment of such rent, whichever is earlier.

If tax is required to be deducted under sec 206AA (where the deductee does not furnish PAN), such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of tenancy, as the case may be. Further, such deductor is not required to obtain any tax deduction account number as per sec 203A of the Act.

The proposed amendment shall be applicable w.e.f 1 June, 2017 onwards.

### ***Restriction on cash transactions***

In order to achieve the mission of the Government to move towards a less cash economy to reduce generation and circulation of black money, it is proposed to insert sec 269ST in the Act to provide that no person shall receive an amount of Rs 300,000 or more, —

- (a) in aggregate from a person in a day;
- (b) in respect of a single transaction; or
- (c) in respect of transactions relating to one event or occasion from a person, otherwise than by banking channels.

It is further proposed to provide that the said restriction shall not apply to Government, any banking company, post office savings bank or co-operative bank.

Transactions of the nature referred to in sec 269SS are proposed to be excluded from the scope of the said section.

It is also proposed to insert new sec 271DA in the Act to provide for levy of penalty on a person who receives a sum in contravention of the provisions of the proposed sec 269ST. The penalty



is proposed to be a sum equal to the amount of such receipt. The said penalty shall however not be levied if the person proves that there were good and sufficient reasons for such contravention. It is also proposed that any such penalty shall be levied by the Joint Commissioner.

It is also proposed to consequentially amend the provisions of sec 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.

These amendments will take effect from 1st April, 2017.



## Corporate Taxation:

### ✚ **Effective Rate Chart for Corporates:**

Income Slabs	Domestic Companies (post budget effective rate)			Foreign Companies (post budget effective rate)	
	Turnover not Exceeding Rs. 50 Crore in FY. 2015-16	Normal Provision  (Others)	MAT Provision	Normal Provision	MAT Provision
Up to Rs. 1 Crore	25.75%	30.90%	19.06%	41.20%	19.06%
Exceeding Rs. 1 Crore and up to Rs. 10 Crores	27.55%	33.06%	20.39%	42.02%	19.44%
Exceeding Rs. 10 Crores	28.84%	34.61%	21.34%	43.26%	20.01%

#### Notes:

- i) For domestic companies having total turnover/ gross receipts in the previous year (2015-16) not exceeding Rs. 50 Crores, basic tax rate has been reduced to 25%.
- ii) In other cases, the tax rates remain unchanged at 30%
- iii) For Foreign Companies, basic tax rates remain unchanged at 40%.
- iv) For Partnership firms & LLP's tax rates remain unchanged. Effective tax rate of 30.9% if taxable income is less than Rs. 1 Crore and 34.61% if taxable income exceeds Rs. 1 Crores.
- v) Tax rates of both MAT & AMT remain unchanged.
- vi) Tax Rate for DDT remains unchanged at 15% (plus applicable surcharge and education cess).

### ✚ **Rationalization of taxation of income by way of dividend:**

Sec 115BBDA of the Income tax act provides for levy of tax at 10% on dividend income in excess of Rs. 10 Lakhs on gross basis, to all resident persons (except domestic company, trusts, institutions, certain funds registered under 12AA etc.)

Presently these provisions are applicable only to individuals, HUF and Firms.

With a view to ensure horizontal equity among all categories of tax payers deriving income from dividend, it is proposed to amend sec 115BBDA so as to provide that the provisions of said section shall be applicable to all resident assessee except domestic company and certain funds, trusts, institutions, etc.

This amendment will take effect from AY 2018-19 onwards.

### ***Rationalisation of Provisions of Sec 80-IBA to promote Affordable Housing:***

The existing provisions of sec 80-IBA provides for 100% deduction in respect of the profits and gains derived from developing and building certain housing projects subject to specified conditions. The conditions specified, *inter alia*, include the limit of 30 square meters for the built-up area of residential unit in respect of project located in the Chennai, Delhi, Kolkata and Mumbai or within 25 kms from the municipal limits of these four cities. Further, it is also provided that in order to be eligible to claim deductions, the project shall be completed within a period of three years.

Now, affordable houses get 30% more room

In order to promote the development of affordable housing sector, it is proposed to amend sec 80-IBA so as to provide the following relaxations:

(i) The size of residential unit shall be measured by taking into account the "carpet area" as defined in Real Estate (Regulation and Development) Act, 2016 and not the "built-up area", will broadly increase house sizes by 30%.

(ii) The restriction of 30 square meters on the size of residential units shall not apply to the place located within a distance of 25 kms from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai.

(iii) The condition of period of completion of project for claiming deduction under this section shall be increased from existing three years to five years.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

### ***No notional income for house property held as stock-in-trade:***

Sec 23 of the Act provides for the manner of determination of annual value of house property.

It is proposed to amend the sec 23 so as to provide that where the house 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

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-19 and subsequent years.

### **MAT credit**

Currently tax credit can be carried forward upto 10 assessment years in the case of MAT or AMT. It is proposed to amend sec 115JAA and Sec 115JD so as to provide that the amount of tax credit in respect of MAT and AMT can be carried forward upto 15 years.

It is also proposed to amend sec 115JAA and 115JD so as to provide that the amount of tax credit in respect of MAT/ AMT shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the difference between the amount of foreign tax credit (FTC) allowed against MAT/ AMT and FTC allowable against the tax computed under regular provisions of Act other than the provisions relating to MAT/AMT.

A 'MAT'ter of fact!

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

## **Taxation of Trusts & Institutions:**

### **Transparency in electoral funding:**

In order to discourage the cash transactions and to bring transparency in the source of funding to political parties, it is proposed to amend the provisions of Sec. 13A to provide for additional conditions for availing the benefit of the said section which are as under:

(i) No donations of Rs.2,000/- or more is received otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds,

(ii) Political party furnishes a return of income for the previous year in accordance with the provisions of sub-sec (4B) of sec 139 on or before the due date under sec 139.

Further, in order to address the concern of anonymity of the donors, 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.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment year 2018-19 and subsequent years.

### **Clarity relating to Indirect transfer provisions**

Section 9 of the Act deals with cases of income which are deemed to accrue or arise in India. Sub-sec (1) of the said section creates a legal fiction that certain incomes shall be deemed to accrue or arise in India. Clause (i) of said sub-sec (1) provides a set of circumstances in which income accruing or arising, directly or indirectly, is taxable in India. The said clause provides that all income accruing or arising, whether directly or indirectly, through or from any business connection in India, or through or from any property in India, or through or from any asset or source of income in India, or through the transfer of a capital asset situate in India shall be deemed to accrue or arise in India.

The Finance Act, 2012 inserted certain clarificatory amendments in the provisions of sec 9. The amendments, *inter-alia*, included insertion of Explanation 5 in sec 9(1)(i) w.e.f. 1st April, 1962. The Explanation 5 clarified that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

In response to various queries raised by stakeholders seeking clarification on the scope of indirect transfer provisions, the CBDT issued Circular No 41 of 2016. However, concerns have been raised by stakeholders that the provisions result in multiple taxation.

In order to address these concerns, it is proposed to amend the said section so as to clarify that the Explanation 5 shall not apply to any asset or capital asset mentioned therein being investment held by non-resident, directly or indirectly, in a Foreign Institutional Investor, as referred to in clause (a) of the Explanation to sec 115AD, and registered as Category-I or Category II Foreign Portfolio Investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992, as these entities are regulated and broad based. The proposed amendment is clarificatory in nature.

This amendment will take effect retrospectively from 1st April, 2012 and will, accordingly, apply in relation to assessment year 2012-13 and subsequent years.

### **Enabling of Filing of Form 15G/15H for commission payments specified under sec 194D:**

The existing provision of sub-sec 194D of the Act provides for TDS at the rate of 5% for payments in the nature of insurance commission beyond a threshold limit of Rs. 15,000 per financial year. Further, the existing provisions of sec 197A of the Act, *inter-alia* provide that tax shall not be deducted, if the recipient of certain payments on which tax is deductible furnishes to the payer a self- declaration in prescribed Form.No.15G/15H declaring that the tax on his estimated total income of the relevant previous year would be nil. Presently, the payment in the nature of income referred to in sec 194D is not covered by provisions of sec 197A. In order to reduce compliance burden in the case of Individuals and HUFs, it is proposed to amend sec 197A so as to make them eligible for filing self-declaration in Form.No.15G/15H for non-deduction of tax at source in respect insurance commission referred to in sec 194D.

This amendment will take effect from 1st June, 2017.

### ✚ ***Non-deduction of tax in case of exempt compensation under RFCTLAAR Act, 2013:***

As per existing provisions, any person paying compensation shall deduct tax at source at the rate of 10 % on the compensation or enhanced compensation or consideration for compulsory acquisition of any immovable property (other than agricultural land) under any law for the time being in force.

Sec 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) provides that income tax shall not be levied on award or agreement made subject to provisions of Sec. 46 of the Act. However, there is no provision in the Act to avoid withholding of tax under sec 194LA on such payments.

It is proposed to amend sec 194LA to provide that no deduction shall be made where such payment is made in respect of any award or agreement which has been exempted from levy of income-tax under Sec. 96 (except those made under sec 46) of the RFCTLARR Act.

The proposed amendment shall be applicable from 1<sup>st</sup> April, 2017 onwards.

### ✚ ***Scope of sec 92BA of the Act relating to Specified Domestic Transactions:***

As per Sec. 92BA of the Act, any expenditure in respect of which payment has been made by the assessee to certain "specified persons" under Sec. 40A(2)(b) are covered within the ambit of specified domestic transactions.

Domestic transfer pricing change to be brought with immediate effect!

In order to reduce the transfer pricing related compliance, it is proposed to provide that expenditure in respect of which payment has been made by the assessee to a person referred to in under Sec. 40A(2)(b) are to be excluded from the scope of Sec. 92BA of the Act. Thus, scope of domestic transfer pricing is now restricted, only if one of the entities is involved in related party transaction enjoying specified profit-linked deduction.

These amendments will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017- 18 onwards.

### ✚ ***Tax neutral conversion of preference shares to equity shares:***

Under the existing provisions of the Act, conversion of security from one form to another is regarded as transfer for the purpose of levy of capital gains tax. However, tax neutrality to the conversion of bond or debenture of a company to share or debenture of that company is provided under the Sec. 47.

To provide tax neutrality to the conversion of preference share into equity shares, is proposed to amend Sec. 47 to provide that the conversion of preference share of a company into its equity share shall not be regarded as transfer.

The holding period of preference shares shall be considered to determine the holding period of equity shares obtained on conversion.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

✚ ***Cost of acquisition in Tax neutral demerger of a foreign company:***

Under the existing provision of Sec. 47(vic), the transfer of shares of an Indian company by a demerged foreign company to a resulting foreign company is exempt from tax.

It is proposed to amend Sec. 49 so as to provide that cost of acquisition of the shares of Indian company in the hands of the demerged foreign company shall be considered as cost in the hands of resulting foreign company.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

✚ ***Rationalisation of sec 211 and sec 234C relating to advance tax:***

In the Finance Act, 2016, the benefit of presumptive basis taxation has been extended to professionals.

It is now proposed that such professionals covered under Sec. 44ADA would be required to pay advance tax in single instalments on or before 15<sup>th</sup> March of every financial year. Such relaxation in is already available to the eligible assessee covered under sec 44AD.

Consequential amendment is also proposed in sec 234C.

The proposed amendment shall be applicable from AY 2017-18 onwards.

✚ ***Amendments to the structure of Authority for Advance Rulings:***

It has been decided to merge the AAR for income-tax, central excise, customs duty and service tax.

Fee for application of advance ruling increased to Rs. 10,000. Time to pronounce ruling extended to 6 months from date of receipt of application.

These amendments will take effect from 1st April, 2017.

✚ ***Rationalisation of the provisions in respect of time limits for completion of search assessment:***

It is proposed to amend Sec. 153 to rationalise the time limit for completion of assessment, reassessment and recomputation of income.

The time limit for completion of assessment for search case in cases referred to sec 153A/B/C, have been reduced from 21 months to 18 months and further 12 months for AY 18-19 and 19-20 respectively.

It is also proposed to insert a proviso to the Explanation of the said section to provide that where a proceeding before the Settlement Commission abates under sec 245HA, the period of limitation available under this section for assessment or reassessment shall after the exclusion

of the period under sub-sec (4) of sec 245HA shall not be less than one year; and where such period of limitation is less than one year, it shall be deemed to have been extended to one year.

These amendments will take effect from 1st April, 2017.

It is also proposed to amend sub-sec (3) of sec 153B to provide that where a notice under sec 153A or sec 153C has been issued prior to 1st day of June, 2016 and the assessment has not been completed by such date due to exclusion of time referred to in the Explanation, such assessment shall be completed in accordance with the provisions of this section as it stood immediately before its substitution by the Finance Act, 2016.

This amendment will take effect retrospectively from 1st June, 2016.

#### ***Disallowance for non-deduction of tax from payment to resident:***

Existing provisions of sec 58 of the Act, specify the amounts which are not deductible in computing the income under the head "Income from other sources".

For computing income under the head "PGBP", a disallowance of 30% is made for non-deduction of tax from payment to resident under Sec. 40(a)(ia).

In order to improve compliance of provision relating to TDS, it is proposed to increase the ambit said provisions of Sec. 40(a)(ia) apply in computing income chargeable under the head "income from other sources"

This amendment will apply in relation to the assessment year 2018-19 onwards.

#### ***Limitation of Interest deduction:***

The higher the level of debt in a company, and thus the amount of interest it pays, the lower will be its taxable profit. For this reason, debt is often a more tax efficient method of finance than equity. For this reason, country's tax administrations often introduce rules that place a limit on the amount of interest that can be deducted in computing a company's profit for tax purposes.

Under the initiative of the G-20 countries, the OECD in its BEPS project had taken up the issue of base erosion and profit shifting by way of excess interest deductions by the MNEs in Action plan 4.

In view of the above, it is proposed to insert a new sec 94B, to provide that interest expenses claimed by an entity to its associated enterprises shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less.

The provision shall be applicable to an Indian company, or a permanent establishment of a foreign company being the borrower who pays interest in respect of any form of debt issued to a non-resident or to a permanent establishment of a non-resident and who is an 'associated enterprise' of the borrower.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.



### **✚ *Restriction on exemption in case of corpus donation by exempt entities to other exempt entities:***

To ensure that the income of Charitable trust is actually utilised towards charitable purposes, it is proposed to insert a new Explanation to Sec. 11 of the Act to provide that any contribution by trust or institution with specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income.

A similar amendment is proposed vide proviso to Sec. 10(23C) in respect of contributions made by a specified trust, hospital, educational institution or medical institution to a charitable trust or institution for determining application of income.

These amendments will take effect from assessment year 2018-19 onwards.

### **✚ *Mandatory furnishing of return by certain exempt entities:***

As per the existing provisions of Sec. 139 (4C) it is mandatory to file return by certain entities which are exempt from the levy of income-tax.

How can we  
Trust the Trusts?

In order to verify that certain entities which enjoy exemption under Sec. 10 actually carry out the activities for which the exemption has been provided under the Act, it is proposed to provide that any person as referred to in clause (23AAA), Investor Protection Fund referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and any Board or Authority referred to in clause (29A) of sec 10 shall also be mandatorily required to furnish a return of income.

It is proposed to insert an additional condition that a charitable trust or institution would be required to file its Return of Income within the time prescribed under the Act in order to claim exemption under sec 11 of the Act.

This amendment will take effect from assessment year 2018-19 onwards.

### **✚ *Rationalisation of provisions of Sec 10AA:***

Sec. 10AA provides for deduction of profits and gains earned by SEZ units from total income of the assessee.

Sec. 10AA allows deduction in computing the total income of the assessee, hence the deduction is to be allowed for the total income of the assessee as computed in accordance with the provision of the Act before giving effect to the provisions of Sec. 10AA. However, courts have taken a view (while deciding the matter pertaining to sec 10A which also contains similar provision) that the deduction is to be allowed from the total income of the undertaking and not from the total income of the assessee.

It is proposed to clarify that the deduction under Sec. 10AA shall be allowed from the total income of the assessee computed in accordance with the provisions of the Act before allowing

deduction under Sec. 10AA. Also, the deduction under Sec. 10AA shall be restricted to the said total income.

This amendment will take effect from AY 2018-19 onwards.

#### **Strengthening of PAN quoting mechanism in the TCS regime:**

It is proposed that any person paying any sum or amount, on which tax is collectable at source under Chapter XVII BB shall furnish his PAN to the person responsible for collecting such tax, failing which tax shall be collected at the twice the rate mentioned in the relevant section under Chapter XVII BB or at the rate of 5%, whichever is higher.

Quote PAN for deal,  
or pay tax at double  
the rate!

A non-resident not having a permanent establishment in India is exempted from this requirement.

Certain other conditions covering certain scenarios have also been provided in this proposed section.

The proposed amendment shall be applicable w.e.f. 1 April, 2017 onwards.

#### **Widening scope of sec 56**

Under the existing provisions of sec 56(2)(vii), any sum of money or any property received without consideration or for inadequate consideration (in excess of the specified limit of Rs. 50,000) by an individual or Hindu undivided family is chargeable to income-tax in the hands of the resident under the head "Income from other sources" subject to certain exceptions.

Further, receipt of certain shares by a firm or a company in which the public are not substantially interested is also chargeable to income-tax in case such receipt is in excess of Rs. 50,000 and is received without consideration or for inadequate consideration.

The existing definition of property for the purpose of this section includes immovable property, jewellery, shares, paintings, etc. These anti-abuse provisions are currently applicable only in case of individual or HUF and firm or company in certain cases.

It is proposed to insert a new clause (x) in sub-sec (2) of sec 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 sec 47.

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

These amendments will take effect from 1st April, 2017 and the said receipt of sum of money or property on or after 1st April, 2017 shall be chargeable to tax in accordance with the provisions of proposed clause (x) of sub-sec (2) of sec 56.

Out of 125 crore Indians only 1.5% (1.9 crore) pay income tax

There is no solution to shrinking tax base as long as 98.5% Indian don't pay tax

Demonetisation effect:

In 1.09 crore accounts, average deposit of Rs 5.03 lakh

In 1.48 lakh accounts, average deposit of Rs 3.31 crores

No major changes in Indirect taxes, since GST likely to be implemented

Growth in past 20 years:

Customs- 25 times;  
Excise 7 times;  
Service tax 239 times

## EXCISE

Rate remains unchanged to 12.5%

- Excise duty on tobacco and tobacco products has been increased
- Exemption from duty on POS devices and their parts has been extended until 30 June, 2017.
- Excise duty rate on motor vehicles for transportation of more than 13 persons including the driver has been reduced to 12.5% with retrospective effect from 1 January, 2017.
- Time limit of three months prescribed for deciding the remission of duty.
- EOUs are eligible to claim excise exemption in respect of inputs/ raw materials procured by them domestically and utilized for manufacture of goods that are cleared by them to DTA.
- Certain changes made in provisions for advance ruling (for excise, customs and service tax).
- Time limit of 3 months from the date of receipt of application has been prescribed for approval of requests regarding transfer of unutilized CENVAT credit lying in accounts in case of transfer of business (e.g. on account of sale, merger, amalgamation or lease)
- Excised duty on certain products changed
- Nil excise duty on waste and scrap of precious metals (7105 or 7112), strips, wires, sheets, plates and foils of silver (7106), articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire (7113), silver coins of purity 99.9% above, bearing a brand name (7114) is being made subject to condition that no credit of input or input services or capital goods has been availed by the manufacturers of such goods

### Rate changes (effective from 2 February 2017, applicable until 30 June 2017)

Goods	Existing rate (%)	New rate (%)
Catalyst for use in the manufacture of case components of wind operated electricity generator	12.5	Nil
Resin for use in the manufacture of case components of wind operated electricity generator	12.5	Nil
Membrane sheet and tricot/ spacer for use in the manufacture of reverse osmosis (RO) membrane for household type filters	12.5	6%
Solar tempered glass for use in the manufacture of: (a) Solar photovoltaic cells or modules; (b) Solar power generating equipment or systems; (c) Flat plate solar collectors; (d) Solar photovoltaic module and panel for water pumping and other applications	Nil	6%
Parts/ raw material for use in the manufacture of solar tempered glass for use in specified solar products	12.5	6%
All items of machinery required for initial setting up of fuel cell based system for generation of power or for demonstration purposes	12.5	6%
All items of machinery required for balance of systems operating on bio-gas, or bio-methane or by-product hydrogen	12.5	6%
All parts for use in the manufacture of LED lights or fixtures including LED lamps	Applicable duty	6%

Commodity	Old rate	New rate
Handmade paper rolled bidis (2403 19 29)	Rs. 21 per thousand	Rs. 28 per thousand
Machine made paper rolled bidis (24031929)	Rs. 21 per thousand	Rs. 78 per thousand

## SERVICE TAX

- Scope of exemption for services provided by Indian Institutes of Management by way of 2-year full-time post-graduate programmes has been widened – earlier, only residential programs were exempted; however, all 2-year full-time post-graduate programmes would now be exempted.
- Exemption provided to services of transport of passengers provided by airlines to the government against viability gap funding (VGF)
- Exemption for services by way of carrying out any process amounting to manufacturing or production of goods (excluding liquor for human consumption)

shifted from Negative List to Mega Exemption Notification. There is no change in effective taxability.

- Exemption for intermediate production process as job worker has been restricted to cases where such process does not amount to manufacture. In case the process amounts to manufacture, exemption is already covered in another clause.
- Retrospective exemption, from 10 September 2004, to life insurance services provided by Army, Naval and Air Force Group Insurance Funds to members of defence forces.
- Retrospective exemption for payment of service tax on one-time upfront amount (premium, salami, cost price and development charge by whatever name called) for long-term lease of 30 years or more of industrial plots by State Government Industrial Development Corporation or Undertaking. The amendment is effective from 1 June, 2007 to 21 September, 2016. The following should be noted:
  - This change is line with a similar exemption issued from 22 September, 2016 onwards.
  - Refund is to be filed for service tax already collected. Application for refund is to be filed within a period of six months from the date of enactment of Finance Bill, 2017.
  - Retrospective amendments have been introduced for valuation of works contract where taxable value recovered from customer includes the value of land as well. In such cases, the amendment prescribes that the value for payment of service tax would not include the value of land.

## CUSTOMS DUTY



### Median rate remains unchanged to 10%

- Concepts of “beneficial owner”, “International courier terminal”, “foreign post office” introduced.
- Bill of entry for home consumption/ warehousing is to be filed by the end of next day (excluding holidays) from the date on which the vessel, aircraft or vehicle carrying the goods arrives at a customs station.
- Person-in-charge of a conveyance entering or departing from India is required to provide passenger and crew information in the specified format, manner and time to the proper officer.
- Period for payment of import duty has been prescribed as follows:
  - In case of self-assessment – on the date of presentation of bill of entry
  - In case of assessment, re-assessment or provisional assessment – within one day (excluding holidays) from the date on which the bill of entry is returned to the importer by the proper officer for payment of duty
- Facility for storage of imported goods in a public warehouse pending clearance has been extended to goods imported for warehousing before their removal.

Further, the revised provision does not allow storage of imported goods pending clearance in a private warehouse.

- For goods imported or exported by post, a label or declaration accompanying the goods shall no more be treated as entry for the purpose of Customs Act.
- A person, other than the applicant, who is party to a show cause notice that is pending/ settled by the Settlement Commission, shall also be allowed to make an application for settlement of cases.
- Settlement Commission has been empowered to rectify an error apparent on the face of record within three months from the date of passing order.

<b>Goods on which BCD rate exempted/ reduced</b>		
<b>Goods</b>	<b>Existing rate(%)</b>	<b>New rate (%)</b>
➤ Liquefied natural gas (LNG)	5	2.5
<ul style="list-style-type: none"> <li>➤ <i>Micro ATMs as per standards version 1.5.1;</i></li> <li>➤ <i>Fingerprint reader/ scanner;</i></li> <li>➤ <i>Iris scanner;</i></li> <li>➤ <i>Miniaturised POS card reader for mPOS (other than mobile phones or tablet computers);</i></li> <li>➤ <i>Parts and components for use in the manufacture of aforesaid goods.</i></li> </ul>	7.5	NIL
<ul style="list-style-type: none"> <li>➤ All items of machinery, including instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for               <ul style="list-style-type: none"> <li>a. initial setting up of fuel cell based system for generation of power or for demonstration purposes; or</li> <li>(b) balance of systems operating on bio-gas or bio-methane or by-product hydrogen</li> </ul> </li> </ul>	Varied rates	5
➤ Catalyst and resin for use in the manufacture of cast components of wind operated electricity generator, subject to actual user condition and nylon monofilament yarn	7.5	5
➤ Solar tempered glass or solar tempered (anti-reflective coated) glass for manufacture of solar cells/panels/modules, subject to actual user condition	5	NIL
➤ Hot rolled coils for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306	12.5	10

➤ Magnesium oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO) falling under 7225 11 00	10	5
➤ All parts used in the manufacture of LED lights or fixtures including LED Lamps	Varied rates	5
➤ All inputs used in the manufacture of LED (light emitting diode) driver or metal core printed circuit boards for LED lights and fixtures or LED Lamps	Varied rates	5
➤ o-Xylene , Nickel	2.5	NIL
➤ Medium quality terephthalic acid (MTA) and qualified terephthalic acid(QTA)	10	5
➤ Wattle extract	7.5	2.5
➤ Myrobalan fruit extract	7.5	2.5
➤ Vinyl polyethylene glycol	10	7.5
➤ CNC systems	10	2.5

<b>Goods on which BCD rate increased</b>		
<b>Goods</b>	<b>Existing rate (%)</b>	<b>New rate (%)</b>
➤ Cashew nut, roasted, salted or roasted and salted [20081910] – immediate effect	30	45
➤ Parts of filtering or purifying machinery and apparatus for liquids or gases – immediate effect, reverse osmosis membrane element for household type filters	7.5	10
➤ Co-polymer coated MS tapes/ stainless steel tapes for use in manufacture of telecommunication grade optical fibres or optical fibre cables	<i>NIL</i>	<i>10</i>

<b>Goods on which SAD exempted /reduced</b>		
<b>Goods</b>	<b>Existing rate (%)</b>	<b>New rate (%)</b>
➤ Catalyst and resin for use in the manufacture of cast components of wind operated electricity generator, subject to actual user condition	4	<i>Nil (valid till 30 June, 2017)</i>

<b>Goods on which SAD exemption withdrawn</b>		
<b>Goods</b>	<b>Existing rate (%)</b>	<b>New rate (%)</b>
➤ Populated PCBs for use in manufacture of mobile phones, subject to actual user condition	<i>Nil</i>	<i>2 (valid until 31 June, 2017, post which the rate would increase to 4%)</i>



<b>Goods on which export duty imposed</b>		
<b>Goods</b>	<b>Existing rate (%)</b>	<b>New rate (%)</b>
➤ Other aluminium ores, including laterite falling under tariff classification 2606 00 90, with immediate effect	0	15

## R&D CESS ACT

- R&D Cess Act is proposed to be repealed from 1 April, 2017. In such case, w.e.f April 2017, no R&D Cess would be paid on import of technology under a foreign collaboration.
- In such case, no adjustment from service tax would be required w.e.f 1 April, 2017.

## GOODS & SERVICE TAX ACT

- The Finance Minister reiterated the progress made on the GST front and also highlighted the momentum of the government to introduce GST at the earliest.
- The following were highlighted in relation to GST:
  - GST Council has finalized its recommendations on most issues based on consensus;
  - Preparation of IT system for GST is on schedule;
  - Extensive reach-out efforts to trade and industry for GST will commence from 1 April, 2017.

GST implementation well on track!



## Agriculture

- Rs 10 lakh crore as credit to farmers with 60 days' interest waiver
- NABARD fund to be increased to Rs. 40,000 crore
- Government will set up mini lab in Krishi Vigyan Kendras for soiling
- Irrigation corpus increased from Rs 20,000 crores to Rs 40,000
- Dairy processing infrastructure fund will be created initially with a corpus of Rs. 2000 crore



## Rural sector

- Government targets to bring 1 crore households out of poverty by 2019
- Over Rs 3 lakh crore spend for rural India. MGNREGA to double farmers' income
- Proposal to complete 1 crore houses for those without homes
- Allocating Rs. 19,000 crores for Pradhan Mantri Gram Sadak Yojana in 2017-18
- On track for achieving 100% rural electrification by March 2018.
- Swachh Bharat mission has made tremendous progress, sanitation coverage has gone up from 42% in Oct 13 to 60% now.

## Youth

- There will be a focus on 3,479 educationally-backward blocks
- Steps to create 5000 PG seats per annum

## Health Care

- Mahila Shakthi Kendras - Rs. 500 crore allocated.
- Nationwide scheme for pregnant women - Rs. 6000 each will be transferred.
- 7. 1.5 lakh health sub centres to be transformed into health wellness centre.
- For women and Kids - Rs. 1,84,632 cr. allocation investment
- Elimination of tuberculosis by 2025 targeted.
- Two new AIIMS in Jharkhand and Gujarat.
- Aadhaar-based smartcards for senior citizens to monitor health.



## Railways

- No Service charge while booked tickets with IRCTC
- Raksha coach with a corpus of Rs. 1 lakh crore for five years (for passenger safety)

- Unmanned level crossings eliminated by 2020
- 3,500 km of railway lines to be commissioned this year up from 2,800 km last year.
- SMS based clean my coach service started
- 2019 - bio toilets for all trains
- 500 stations to be made differently-abled friendly
- Shares of Railway PSE like IRCTC would be listed on stock exchanges.

Railways get Rs 1.31 lakh crore for development!

## Others

- Digital India - Bhim app will unleash mobile phone revolution - two new schemes to promote the app.
- Amendment is being proposed to RBI Act to enable issuance of electoral bonds that government will scheme. Donor can purchase these bonds from banks or post office via cheque or digital transactions. They can be redeemed only by registered political parties.

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<b>Act</b>	Income Tax Act 1961
<b>AAR</b>	Authority for Advance Ruling
<b>AOP</b>	Association of Persons
<b>AY</b>	Assessment Year
<b>BCD</b>	Basic Customs Duty
<b>BEPS</b>	Base erosion and profit shifting
<b>BOI</b>	Body of Individuals
<b>CENVAT</b>	Central Value Added Tax
<b>CBDT</b>	Central Board of Direct Taxes
<b>CPI</b>	Consumer Price Index
<b>DDT</b>	Dividend Distribution Tax
<b>FMV</b>	Fair Market Value
<b>GDP</b>	Gross Domestic Product
<b>HUF</b>	Hindu Undivided Family
<b>IMF</b>	International Monetary Fund
<b>LLP</b>	Limited Liability Partnership
<b>MAT</b>	Minimum Alternate Tax
<b>MGNREGA</b>	Mahatma Gandhi National Rural Employment Guarantee Act
<b>MMR</b>	Maximum Marginal Rate
<b>NPS</b>	New Pension Scheme
<b>NABARD</b>	National Bank for Agriculture and Rural Development
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PGBP</b>	Profit and Gains of Business or Profession
<b>STT</b>	Securities Transaction Tax
<b>TDS</b>	Tax Deducted at Source

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***“ Budget is more than just a series of numbers on a page, its an embodiment of our values”***

***PATKI & SOMAN***  
*Chartered Accountants*