

Budget 2016



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Budget at Glance



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Indirect Tax Proposals



Budget Estimates

Fiscal deficit in RE 2015-16 and BE 2016-17 retained at 3.9% and 3.5%.

Revenue Deficit target from 2.8% to 2.5% in RE 2015-16

Total expenditure projected at ₹19.78 lakh crore

Plan expenditure pegged at ₹5.50 lakh crore under Plan, increase of 15.3%

Non-Plan expenditure kept at ₹14.28 lakh crores

Plan / Non-Plan classification to be done away with from 2017-18.

Gross Tax receipts are estimated to be ₹16.31 lakh crore.

Devolution to the States is estimated to be ₹5.70 lakh crore.

Share of Central Government will be ₹10.54 lakh crore.

Non Tax Revenues for the next fiscal are estimated to be ₹3.23 lakh crore.



Income Tax

Personal Tax Rates

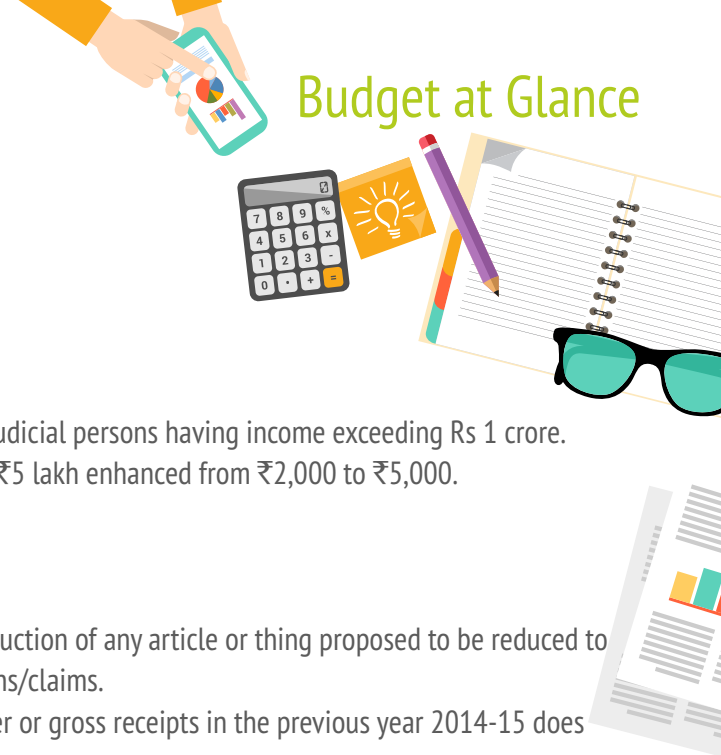
- The income tax rates for an individual remains unchanged.
- Increase in rate of surcharge from 12% to 15% for individuals, HUF, AOP, BOI and artificial judicial persons having income exceeding Rs 1 crore.
- Rebate of income tax under sec 87A for resident individuals with total income not exceeding ₹5 lakh enhanced from ₹2,000 to ₹5,000.

Corporate Tax Rates

- Corporate tax rates to remain the same except for the below:
 - Tax rate on newly set up domestic companies engaged solely in manufacture or production of any article or thing proposed to be reduced to 25% at the option of the company, subject to not claiming certain specified deductions/claims.
 - Tax rate proposed to be reduced to 29% for domestic companies whose total turnover or gross receipts in the previous year 2014-15 does not exceed ₹5 crore.
- MAT is reduced to 9% for any company being a unit of International Financial Services Centre located in an SEZ deriving income in foreign exchange.
- No MAT on foreign companies having no PE in India or having no registration requirement under any other law in India.
- No DDT while distributing income to REITs or Business trust registered with SEBI by SPV.
- No DDT on the companies being unit located in international financial services Centre in a SEZ.

Recognised Provident Fund / Superannuation Fund / National Pension Scheme

- Exemption on funds withdrawn from SAF in respect of contributions made on or after 1 April 2016 restricted to 40% of such contributions
- Exemption limit of employer's contribution to RPF on behalf of employee is equal to 12% of employee's salary or ₹150,000, whichever is less.
- Transfer of balance from RPF/SAF to NPS exempt from tax.



Income Tax

- Exemption limit for employer's contribution to superannuation has been enhanced from ₹100,000 to ₹150,000 p.a.

House Property

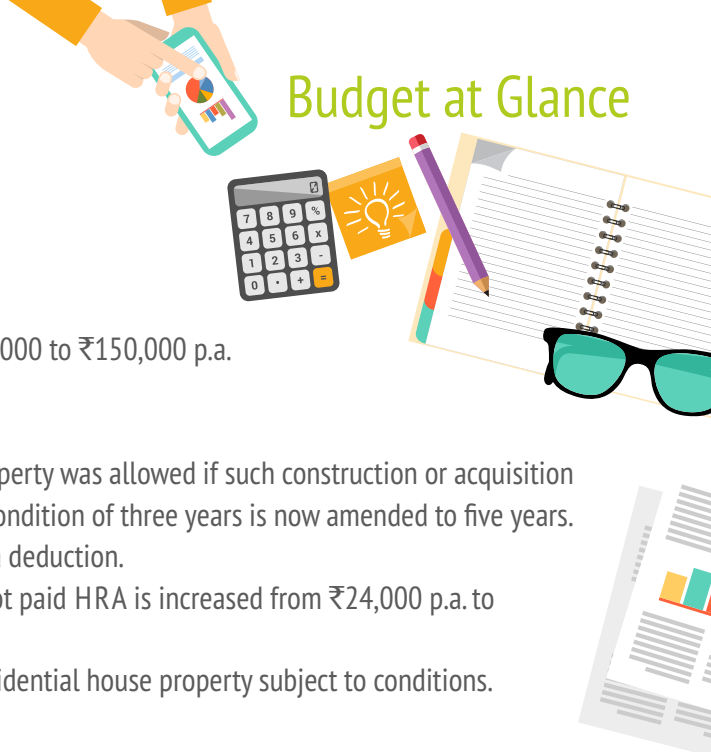
- Deduction on interest on loan taken for Construction or acquisition of self-occupied house property was allowed if such construction or acquisition was done within 3 years from the end of financial year during which the loan was taken. The condition of three years is now amended to five years.
- A sum equal to 30% of the unrealized rent which was earlier not allowed shall be allowed as a deduction.
- Deduction under 80GG of the income tax act in respect to rent paid by an individual if he is not paid HRA is increased from ₹24,000 p.a. to ₹60,000 p.a.
- Additional Deduction under sec 80EE up to ₹50,000 interest paid for loan taken for a new residential house property subject to conditions.

Capital Gains

- Deposit certificates issued under 'Gold Monetization Scheme 2015' will not be considered as capital assets. The interest thereon would also be exempt from tax.
- Gains from redemption of gold bonds issued by the Reserve Bank of India under 'Sovereign Gold Bonds Scheme 2015' shall not be subject to capital gains tax in the hands of the individual.
- Securities Transaction tax in case of 'Options' is proposed to be increased from 0.017% to 0.05%.
- Exemption from long term capital gains available when proceeds are invested in the Government's Start-up Funds.

Business Income

- Concessional taxation of 10% +applicable surcharge and cess on royalty income of an eligible assessee from patents developed and registered in India is introduced. Further no MAT will be applicable on such income.



Income Tax

- Deduction under Section 80JJAA of the Income Tax Act will be available to all assesses who are subject to statutory audit under the Act.
- Initial additional depreciation is to be allowed for assessee engaged in business of transmission of power.
- Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 01.04.2017.
- Benefit of deductions for Research under section 35(1) (iii) would be limited to 150% from 01.04.2017 and 100% from 01.04.2020.
- Sunset clause introduced under section 10AA for SEZ units that commence operations on or after 1 April 2020.
- Introduction of new equalization levy of 6% to address challenges of the “digital economy” on the amount of consideration received by non-resident for any specified services.
- Income arising to a foreign company which is subject to Equalisation Levy, exempt from tax.
- Three year tax holiday proposed for eligible start-ups.
- Deduction of 100% of profits and gains derived from the business of developing and building affordable housing projects approved by competent authority.

Other Incomes

- Additional tax at the rate of 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of ₹10 lakh per annum.

The Income Declaration Scheme 2016

- Immunity has been granted from further scrutiny under the income tax Act in cases where the tax payer declares domestic undisclosed income and pays 45% thereof (tax of 30%, surcharge of 7.5% and penalty of 7.5%). A window is available between 1 June 2016 and 30 September 2016 for such declaration.
- Penalty rates to be 50% of tax in case of under reporting of income and 200% of tax where there is misreporting of facts.



Income Tax

TCS and TDS

- Amendment in section 206C to include the following transactions:
 - The Seller shall collect tax at source at the rate 1% from purchaser on sale of motor vehicle of value exceeding ₹10 lakh.
 - TCS should also be collected in case of sale of goods in cash (other than bullion and jewelry) and in case of services of value exceeding ₹200,000 provided no tax has been withheld at source by buyer.
- The existing threshold limit for the deduction of tax at source are amended as under:

Present Section	Head	Existing Limit	Proposed Limit
194C	Payments to contractors	Aggregate annual limit of ₹75,000	Aggregate annual limit of ₹1,00,000
194D	Insurance Commission	₹20,000/-	₹15,000/-
194H	Commission on brokerage	₹5,000/-	₹15,000/-

Carry Forward and Set Off

- Loss from specified business (section 35AD defines specified business) will not be allowed to be carried forward and set-off if the income tax return is not filed within the prescribed due date.
- The amendment will take effect retrospectively from 1 April 2016.



Income Tax

Return of Income

- Any person who has filed a belated return can also file a revised return.
- A return filed without payment of self-assessment tax along with interest shall not be treated as a defective return.
- A person earning exempt income from sale of long term capital asset (shares and units etc.) required to furnish return of income within due date if the income without giving effect to such exemption exceeds the maximum amount which is chargeable to tax.
- For the purpose of carry forward of loss of specified business, a person would now be required to file a return of income within due date.



Indirect Taxes

Excise Duty

- Standard rate of Excise duty is maintained at 12.5%
- Interest rate on delayed payment of duty reduced from 18% to 15%.
- Excise duty increased from 9% to 9.5% on refined gold bars manufactured from gold dore bar, gold ore or concentrate. Also, excise duty exemption under existing area based exemption on refined gold withdrawn in respect of new units or substantial expansion of existing units. Similar changes carried out in respect of refined silver where rate increased from 8% to 8.5%.
- Also there is an introduction of 1% duty on manufacture of articles of jewelry.
- Excise duty increased on various other products like branded readymade garments with MRP of ₹1,000 or above, charger, battery of mobiles, set-top box, etc.
- Monthly excise returns can be revised before end of the month in which the original was submitted by the due date.
- Duty exemption is to be given to ready mix concrete produced at the site of construction.

Service Tax

- Service tax rate of 14% and Swach Bharat Cess of 0.5% retained.
- Krishi Kalyan cess at the rate of 0.5% on the value of service proposed to be levied with effect from 1 June 2016
- Restoration of certain exemptions for infrastructure sector which were withdrawn with effect from 1 March 2015, subject to specified conditions.
- Rationalization of abatement rates and conditions thereof for availment of CENVAT credit.
- Taxability of services provided by Government or local authorities or governmental authorities expanded.
- Point of Taxation Rules to apply in case of new levy on services.
- Interest rates rationalized from 18% - 30% to uniform 15% in general cases and 24% in cases of non-payment of collected tax.



Indirect Taxes

- Normal period of limitation for issuance of the show cause notice has been proposed to be extended from 18 months to 30 months.
- Power to arrest proposed to be restricted only in cases involving non-payment of collected tax greater than ₹200 lakh.
- Annual return has been introduced.

CENVAT Credit

- Amendment in the definition of 'Capital Goods' and 'Inputs' to expand the ambit of CENVAT credit.
- Formula for reversal of CENVAT credit redrafted with the objective of simplifying and rationalizing the same
- Distribution of CENVAT credit to an outsourced manufacturing unit is now permitted.
- CENVAT credit of service tax paid on upfront charges for assignment of natural resources to be allowed over a period of right to use.
- Concept of common warehouse for inputs introduced on lines of first stage dealer.

Customs Duty

- Median rate of BCD retained at 10%.
- Effective peak rate of customs duty remains at 29.44%.
- Limitation period in cases not involving fraud, extended from one year to two years.
- Interest rate payable on delayed payment of customs duty reduced from 18% to 15%.
- New Baggage Rules 2016 introduced with simplification of procedures and ease of monetary limits.
- Indirect Tax Dispute Resolution Scheme 2016 introduced to bring down litigations pending at Commissioner (Appeal) level.



Direct Taxes

- I. Personal Taxation
- II. Rates And Taxes – Taxation Of Firm / LLP / Co Operative Society / Local Authority
- III. Corporate Taxation
- IV. Taxation Of Profits And Gains From Business And Profession
- V. Capital Gains
- VI. Tax Incentives For Incentives
- VII. TDS And TCS Provisions
- VIII. Country-By-Country Report And Master File
- IX. Assessment Procedure, Penalties And Prosecution
- X. Misc. Provisions





Personal Taxation

Rates of Taxes:

- Income-tax rates for individuals remain unchanged.
- Surcharge has been increased from 12% to 15% on income-tax for income exceeding ₹1 crore for individual, HUF, AOP, BOI or artificial judicial person.

This amendment will take effect from Financial Year 2016-17

There have been revision in the statutory limits under the following provisions:

Provision	Prior to Budget 2016	Post Budget 2016
Tax Rebate under section 87A for individuals with Total Income below ₹5 lakh	₹2000/-	₹5000/-
Statutory Limit with respect to section 80GG against rent paid by individuals who are not in receipt of House Rent Allowance	₹24,000/- pa	₹60,000/- pa

These amendments will take effect from 1st April 2017



Personal Taxation

Incentive for first-home buyers:

The existing provisions of Section 80EE of the Income-tax Act has been amended to incentivize first-home buyers availing home loans by providing additional deduction in respect of interest on loan taken for residential house property from any financial institution up to ₹50,000. The deduction shall be available for the financial year 2016-17 and subsequent years. The said deduction shall be allowed subject to the following conditions:

- The loan is sanctioned by the financial institution during the period from 1 April 2016 to 31 March 2017.
- The amount of loan sanctioned for acquisition of the residential house property does not exceed ₹35 lakh.
- The value of residential house property does not exceed ₹50 lakh.
- The assessee does not own any residential house property on the date of sanction of loan.
- The said deduction cannot be claimed under any other provision of the Income-tax Act.

This amendment will take effect from 1st April 2017

Extension in period for Completion of Construction:

Currently, deduction of interest on housing loan of ₹2,00,000 is available where the house property is treated as a self-occupied and it has been acquired or constructed with capital borrowed on or after the 1 April 1999 and such acquisition or construction is completed within three years from the end of the financial year in which capital was borrowed. The condition of three years is now amended to five years.

This amendment will take effect from 1st April 2017



Personal Taxation

Unrealised Rent and Arrears of Rent:

Existing provisions of sections 25A, 25AA and 25B relate to special provisions on taxation of unrealised rent allowed as deduction when realised subsequently, unrealised rent received subsequently and arrears of rent received respectively. Certain deductions are available thereon. It is proposed to simplify these provisions and merge them under a single new section 25A and bring uniformity in tax treatment of arrears of rent and unrealised rent. It is proposed to provide that the amount of rent received in arrears or the amount of unrealised rent realised subsequently by an assessee shall be charged to income-tax in the financial year in which such rent is received or realised, whether the assessee is the owner of the property or not in that financial year. It is also proposed that thirty per cent of the arrears of rent or the unrealised rent realised subsequently by the assessee shall be allowed as deduction.

This amendment will take effect from 1st April 2017

Provident Fund / Superannuation Fund / National Pension Scheme:

- It is proposed to amend section 10 of the Act so as to provide that in respect of the contributions made on or after the 1st day of April, 2016 by an employee participating in a superannuation fund, up to 40 % of the accumulated balance attributable to such contributions on withdrawal shall be exempt from tax.
- Any payment in commutation of an annuity purchased out of contributions made on or after the 1st day of April, 2016, which exceeds forty per cent of the annuity, shall be chargeable to tax.
- It is proposed to provide that any payment from National Pension System Trust to an employee on account of closure or his opting out of the pension scheme referred to in Section 80CCD, to the extent it does not exceed forty percent of the total amount payable to him at the time of closure or his opting out of the scheme, shall be exempt from tax. However, the whole amount received by the nominee, on death of the assessee shall be exempt from tax.





Personal Taxation

- Exemption limit of employer's contribution to Recognised Provident Fund on behalf of employee is equal to 12% of employee's salary or ₹1,50,000, whichever is less.
- Exemption limit of employer's contribution to an approved Superannuation Fund increased from ₹1,00,000 to ₹1,50,000.
- Any payment from an approved superannuation fund by way of transfer to the account of the employee under NPS referred to in section 80CCD and notified by the Central Government shall be exempt from tax.

These amendments will take effect from 1st April 2017





Rates Of Taxes - Taxation Of Firm / LLP / Co Operative Society / Local Authority

Rates of Taxes:

Tax rate, cess and surcharge in respect of Firm, Limited Liability Partnership, Co-Operative Society and Local Authority remain unchanged.

Corporate Taxation

Rates of Taxes:

- In case of domestic company, the rate of Income-tax shall be 29% of the total income if the total turnover or gross receipts of the company in the Financial Year 2014-15 does not exceed Rs. 5 crore and in all other cases the rate of Income tax shall be 30% of the total income.
- In order to provide relief to newly setup domestic companies engaged solely in the business of manufacture or production of article or thing, it is proposed to amend the Act by way of insertion of new section 115BA, to provide that the income-tax payable in respect of the total income of a domestic company for any financial year relevant to the assessment year beginning on or after the 1st day of April, 2017 and not claiming any tax incentives shall be computed @ 25% at the option of the company.
- The income tax rates for foreign companies and the surcharge and cess rates for domestic and foreign companies remain unchanged.

These amendments will take effect from Financial Year 2016-17

The Effective Tax rates are summarised in **Appendix**

Place of Effective management (POEM) deferred by one year:

Applicability of POEM based residence test deferred by one year. The same will now be applicable from 1 April 2017. The Government will meanwhile





Corporate Taxation

provide a transition mechanism for foreign companies who have not earlier been assessed to tax in India under such POEM based residency rule.

Taxation of Offshore Funds:

- To facilitate location of fund managers of off-shore funds in India, section 9A was introduced in Finance Act 2015. The section provides any fund management activity carried out in India through an 'eligible fund manager' acting on behalf of an 'eligible investment fund' should not constitute business connection in India of the said fund and such fund shall also not be regarded as a resident in India.
- With a view to rationalizing the regime and to address the concerns of the industry, it is now proposed to modify the conditions for qualifying as an 'eligible investment fund' to include not only those entities that are tax resident in a country with which India has a DTAA but also those established or incorporated or registered in a country or specified territory notified by the Central Government. Further, it is proposed that the earlier condition of the fund not carrying on or controlling or managing, directly or indirectly, any business in India or from India, is now restricted only to any business in India.

This amendment will take effect from 1st April, 2017

International Financial Services Centre (IFSC):

In order to promote International Financial Services Centre, following benefits are introduced:

- Exemption from long term capital gains on transaction in foreign currency on recognized stock exchange in IFSC even when Securities Transaction Tax (STT) is not paid.
- Applicability of concessional rate of MAT at 9% on units in IFSC deriving its income wholly in convertible foreign exchange.
- Exemption on dividends distributed by units located in IFSC (deriving their income wholly in convertible foreign exchange) in the hands of company paying the dividend as well as shareholders.





Corporate Taxation

These amendments will take effect from 1st April, 2017

- Exemption from STT and Commodities Transaction Tax (CTT) on transactions undertaken in foreign currency on recognized stock exchange/recognized association in IFSC .

This amendment will take effect from 1st June, 2016

Exemption of Income of Foreign Company from storage and sale of crude oil stored as part of strategic reserves:

It is proposed that any income, accruing or arising to a foreign company on account of storage of crude oil in a facility in India, or on account of its sale therefrom to any person resident in India, shall be exempt from taxation if such storage or sale is in pursuance of an agreement or arrangement with Central Government that is notified.

This amendment will take effect from assessment year 2016-17.

Exemption in respect of certain activity related to diamond trading in “Special Notified Zone”:

In order to facilitate the Foreign Mining Companies to undertake activity of display of uncut diamond (without any sorting or sale) in the special notified zone, it is proposed to amend section 9 of the Act to provide that in the case of a foreign company engaged in the business of mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and un-assorted diamonds in a Special Zone notified by the Central Government in the Official Gazette in this behalf.

This amendment will take effect retrospectively from 1st April, 2016





Taxation Of Profits And Gains From Business And Profession

Royalty on use of Patents:

- It is proposed to insert new section 115BBF to provide that where the total income of the eligible assessee, includes any income by way of royalty in respect of a patent developed and registered in India, then such royalty shall be taxable at the rate of ten per cent (plus applicable surcharge and cess) on the gross amount of royalty.
- No expenditure or allowance in respect of such royalty income shall be allowed under the Act.
- For the purpose of this section an eligible assessee means a person resident in India, who is the true and first inventor of the invention and whose name is entered on the patent register as the patentee in accordance with Patents Act, 1970 and includes every such person, being the true and the first inventor of the invention, where more than one person is registered as patentee under Patents Act, 1970 in respect of that patent.

This amendment will take effect from 1st April, 2017

Increase in threshold limit for persons having income from profession:

It is proposed to increase the threshold limit of total gross receipts, specified under section 44AB for getting accounts audited, from twenty five lakh rupees to fifty lakh rupees in the case of persons carrying on profession.

This amendment will take effect from 1st April, 2017

Time limit for carry forward and set off of losses under section 73A

For the purpose of carry forward of loss of specified business referred in 35AD, a person would now be required to file a return of income within due date.

This amendment will take effect retrospectively from 1st April, 2016





Taxation Of Profits And Gains From Business And Profession

Presumptive Taxation:

- Limit for Presumptive taxation scheme under section 44AD of the Act which is available to non-corporate assesses has been increased to ₹2 crore. Further, it is proposed that such tax payers can pay advance tax by 15th March of the financial year.
- It is also proposed that the expenditure in the nature of salary, remuneration, interest etc. paid to the partner as per section 40(b) shall not be deductible while computing the income under section 44AD as the said section 40 does not mandate for allowance of any expenditure but puts restriction on deduction of amounts, otherwise allowable under section 30 to 38.
- Presumptive taxation scheme extended to professionals specified in section 44AA(1) of the Act with gross receipts up to ₹50 lakh with the presumption of profit being 50% of the gross receipts.
- It is also proposed that where an eligible assessee declares profit for any financial year in accordance with the provisions of section 44AD and he declares profit for any of the five consecutive assessment years relevant to the financial year succeeding such financial year not in accordance with the provisions of section 44AD(1), he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the financial year in which the profit has not been declared in accordance with the provisions of section 44AD(1).

These amendments will take effect from 1st April 2017.

Taxation of non-compete fee:

- Currently, non-compete fee received/ receivable by an assessee for not carrying out any activity in relation to any business is taxed as 'business income'. However, non-compete fee received/ receivable in relation to any profession is not covered.
- Now, the non-compete received/ receivable by an assessee in relation to any profession will also be taxed as business income.
- Further, the receipts for transfer of right to carry on any profession, which are chargeable to tax as capital gains will not be taxed as business income





Taxation Of Profits And Gains From Business And Profession

and in computing such capital gains, the cost of acquisition and cost of improvement will be taken as Nil.

This amendment will take effect from 1st April 2017.

Applicability of Minimum Alternate Tax (MAT) on foreign companies for the period prior to 1 April 2015:

It is proposed to make MAT not applicable to a foreign company with effect from 1 April 2001 in the following case:

- Foreign company is a resident of a country with which India has entered into a DTAA and the foreign company does not have a PE in India.
- Foreign company is a resident of a country with which India has not entered into a DTAA and the foreign company is not required to seek registration under any law for the time being in force relating to foreign companies.

This amendment is proposed to be made effective retrospectively from the 1st day of April, 2001

Deductions Available In Respect Of Profits And Gains From Business / Profession

Phase-out of Incentives:

Various incentives under the Act are proposed to be phased out in the manner as tabulated below in Table 1 and Table 2 so as to reduce the corporate tax from 30% to 25% over the next four years (as proposed by the Finance Minister in his Budget Speech 2015)





Taxation Of Profits And Gains From Business And Profession

Table 1: Proposed Phase out plan of Incentives (Profit linked deductions/weighted deduction) available under the Act:

S. No.	Section / Provision	Incentive Currently Available in the Act	Proposed Phase out Measures / Amendment
1.	10AA- Special provision in respect of newly established units in Special economic zones (SEZ).	Profit linked deductions for units in SEZ for profit derived from export of articles or things or services	No deduction shall be available to units commencing manufacture or production of article or thing or start providing services on or after 1st day April,2020. (from financial year 2020-21 onwards).
2.	35AC-Expenditure on eligible projects or schemes.	Deduction for expenditure incurred by way of payment of any sum to a public sector company or a local authority or to an approved association or institution, etc. on certain eligible social development project or a scheme.	No deduction shall be available with effect from 1.4.2017 (i.e from financial year 2017-18 and subsequent years).
3.	35CCD-Expenditure on skill development project.	Weighted deduction of 150% on any expenditure incurred (not being expenditure in the nature of cost of any land or building) on any notified skill development project by a company.	Deduction shall be restricted to 100% from 01.04.2020 (i.e. from financial year 2020-21 onwards).



Taxation Of Profits And Gains From Business And Profession

S. No.	Section / Provision	Incentive Currently Available in the Act	Proposed Phase out Measures / Amendment
4.	Section 80IA; 80IAB, and 80IB - Deduction in respect of profits derived from: (a) development, operation and maintenance of an infrastructure facility (80-IA) (b) development of special economic zone (80-IAB) © production of mineral oil and natural gas [80-IB(9)]	100% profit linked deductions for specified period on eligible business carried on by industrial undertakings or enterprises referred in section 80IA; 80IAB, and 80IB.	No deduction shall be available if the specified activity commences on or after 1st day April, 2017. (i.e from financial year 2017-18 and subsequent years).





Taxation Of Profits And Gains From Business And Profession

Table 2: Proposed Phase out plan of Incentives (Accelerated Depreciation /weighted deduction) available under the Act:

S. No.	Section / Provision	Incentive Currently Available in the Act	Proposed Phase out Measures / Amendment
1.	32 read with rule 5 of Income-tax Rules, 1962- Accelerated Depreciation.	Accelerated depreciation is provided to certain Industrial sectors in order to give impetus for investment. The depreciation under the Income-tax Act is available up to 100% in respect of certain block of assets.	To amend the new Appendix IA read with rule 5 of Income-tax Rules, 1962 to provide that highest rate of depreciation under the Income-tax Act shall be restricted to 40% w.e.f 01.4.2017. (i.e from financial year 2017-18 and subsequent years). The new rate is proposed to be made applicable to all the assets (whether old or new) falling in the relevant block of assets.
2.	35(1)(ii)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 175% of any sum paid to an approved scientific research association which has the object of undertaking scientific research. Similar deduction is also available if a sum is paid to an approved university, college or other institution and if such sum is used for scientific research.	Weighted deduction shall be restricted to 150% from 01.04.2017 to 31.03.2020 (i.e.from financial year 2017-18 to financial year 2019-20) and deduction shall be restricted to 100 per cent from 01.04.2020 (i.e. from financial year 2020-21 onwards).



Taxation Of Profits And Gains From Business And Profession

S. No.	Section / Provision	Incentive Currently Available in the Act	Proposed Phase out Measures / Amendment
3.	35(1)(ia)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 125% of any sum paid as contribution to an approved scientific research company.	Deduction shall be restricted to 100% with effect from 01.04.2017 (i.e. from financial year 2017-18 and subsequent years).
4.	35(1)(ii)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 125% of contribution to an approved research association or university or college or other institution to be used for research in social science or statistical research.	Deduction shall be restricted to 100% with effect from 01.04.2017 (i.e. from financial year 2017-18 and subsequent years).
5.	35(2AA)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 200% of any sum paid to a National Laboratory or a university or an Indian Institute of Technology or a specified person for the purpose of approved scientific research programme.	Weighted deduction shall be restricted to 150% with effect from 01.04.2017 to 31.03.2020 (i.e. from financial year 2017-18 to financial year 2019-20). Deduction shall be restricted to 100% from 01.04.2020 (i.e. from financial year 2020-21 onwards).



Taxation Of Profits And Gains From Business And Profession

S. No.	Section / Provision	Incentive Currently Available in the Act	Proposed Phase out Measures / Amendment
6.	35(2AB)- Expenditure on scientific research.	Weighted deduction of 200% of the expenditure (not being expenditure in the nature of cost of any land or building) incurred by a company, engaged in the business of bio-technology or in the business of manufacture or production of any article or thing except some items appearing in the negative list specified in Schedule-XI, on scientific research on approved in-house research and development facility.	Weighted deduction shall be restricted to 150% from 01.04.2017 to 31.03.2020 (i.e. from financial year 2017-18 to financial year 2019-20). Deduction shall be restricted to 100% from 01.04.2020 (i.e. from financial year 2020-21 onwards).
7.	35AD- Deduction in respect of specified business.	In case of a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertiliser and hospital weighted deduction of 150% of capital expenditure (other than expenditure on land, goodwill and financial assets) is allowed.	In case of a cold chain facility, warehousing facility for storage of agricultural produce, hospital, an affordable housing project, production of fertilizer, deduction shall be restricted to 100% of capital expenditure w.e.f. 01.4.2017 (i.e. from financial year 2017-18 onwards).
8.	35CCC- Expenditure on notified agricultural extension project.	Weighted deduction of 150% of expenditure incurred on notified agricultural extension project.	Deduction shall be restricted to 100% from 1.4.2017 (i.e from financial year 2017-18 onwards).





Taxation Of Profits And Gains From Business And Profession

Tax Incentive under 80JJAA

- The existing provisions of Section 80JJAA provide for a deduction of thirty percent of additional wages paid to new regular workmen in a factory for three years. The provisions apply to the business of manufacture of goods in a factory where 'workmen' are employed for not less than three hundred days in a financial year. Further, benefits are allowed only if there is an increase of at least ten percent in total number of workmen employed on the last day of the preceding year.
- With a view to extend this employment generation incentive to all sectors, it is proposed that Section 80JJAA would apply to all assesseees who are subject to tax audit under the Act.
- It is proposed to provide that the deduction under the said provisions shall be available in respect of cost incurred on any employee whose total emoluments are less than or equal to twenty five thousand rupees per month, subject to conditions.
- It is further proposed to relax the norms for minimum number of days of employment in a financial year from 300 days to 240 days and also the condition of ten per cent increase in number of employees every year is proposed to be done away with so that any increase in the number of employees will be eligible for deduction under the provision.
- It is also proposed to provide that in the first year of a new business, thirty percent of all emoluments paid or payable to the employees employed during the financial year shall be allowed as deduction.

This amendment will take effect from 1st April, 2017

Extending benefit of initial additional depreciation to power sector:

The benefit of additional depreciation of 20% under section 32(1)(iii) which was hitherto available only to power generation and distribution assesseees is now extended to assesseees engaged in the business of transmission of power with effect from 1st April, 2017.

This amendment will take effect from 1st April, 2017





Taxation Of Profits And Gains From Business And Profession

Incentive for promoting Housing:

It is proposed to amend the Income-tax Act so as to provide for 100% deduction of the profits of an assessee developing and building affordable housing projects if the housing project is approved by the competent authority before the 31st March, 2019 subject to certain conditions.

This amendment will take effect from 1st April, 2017

Deduction in respect of provision for bad and doubtful debts in case of Non-Banking Financial Companies:

It is proposed to amend section 36(1)(viiia) so as to provide deduction from total income (computed before making any deduction under this clause and Chapter VI-A) on account of provision for bad and doubtful debts to the extent of 5% of the total income in case of NBFCs.

This amendment will be effective from 1st April 2017.

Rationalisation of scope of tax incentive under section 32AC:

- The existing provision of sub-section (1A) in section 32AC of the Act provides for investment allowance at the rate of 15% on investment made in new assets (plant and machinery) exceeding ₹25 crore in a previous year by a company engaged in manufacturing or production of any article or thing subject to the condition that the acquisition and installation has to be done in the same previous year. This tax incentive is available up to 31.03.2017.
- The dual condition of acquisition and installation causes genuine hardship in cases in which assets having been acquired could not be installed in same previous year.
- It is proposed to amend the sub-section (1A) of section 32AC so as to provide that the acquisition of the plant & machinery of the specified value has to be made in the previous year. However, installation may be made by 31.03.2017 in order to avail the benefit of investment allowance of 15%. It is





Taxation Of Profits And Gains From Business And Profession

further proposed to provide that where the installation of the new asset is in a year other than the year of acquisition, the deduction under this sub-section shall be allowed in the year in which the new asset is installed.

This amendment will take effect retrospectively from 1 April 2016.

Extension of scope of section 43B to include certain payments made to Railways:

Section 43B of the Act (Expenses allowed to be claimed on payment basis), is proposed to be amended so as to expand its scope to include payments made to Indian Railways for use of Railway assets.

This amendment will take effect from 1st April 2017.

Clarity on deduction of Spectrum Fee:

It is proposed to introduce a section providing for deductibility of spectrum fee for Tele communication services on following lines:

- Capital expenditure incurred and actually paid for acquisition of any right to use spectrum to be equally amortized over the period of right to use of spectrum.
- In case where spectrum is transferred, the amount of loss/profit to be treated as expense/income in the year of transfer.
- Unallowed expenses in the case where part of the spectrum has been transferred would be amortized over the remaining period of right retained.
- In case of an amalgamating company transferring spectrum to an Indian amalgamated company under a scheme of amalgamation, these provisions shall apply mutatis mutandis to the amalgamated company.

This amendment will take effect from 1st April 2017.





Capital Gains

Sovereign Gold Bond Scheme, 2015:

The Government of India has introduced the Sovereign Gold Bond Scheme with the aim of reducing the demand for physical gold so as to reduce the outflow of foreign exchange on account of import of gold. Accordingly, with a view to providing parity in tax treatment between physical gold and Sovereign Gold Bond, it is proposed to amend 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. It is also proposed to amend 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 assesseees.

This amendment will take effect from 1st April 2017.

Gold Monetization Scheme, 2015:

- The Gold Monetization Scheme, 2015 has since been introduced by the Government of India. With a view to extend the same tax benefits to the scheme as were available to the Gold Deposit Scheme, 1999 it is proposed to amend section 2(14), so as to exclude Deposit Certificates issued under Gold Monetisation Scheme, 2015 notified by the Central Government, from the definition of capital asset and thereby to exempt it from capital gains tax.
- It is proposed to amend clause section 10(15) so as to exempt the interest on Deposit Certificates issued under the Gold Monetization Scheme, 2015 from income tax.

This amendment will be effective retrospectively from 1st April, 2016





Capital Gains

Rupee Denominated Bond:

The Reserve Bank of India has recently permitted Indian corporates to issue rupee denominated bonds outside India as a measure to enable the Indian corporates to raise funds from outside India. Accordingly, with a view to provide relief to non-resident investor who bears the risk of currency fluctuation, it is proposed to amend section 48 of the Act so as to provide that the capital gains, arising in case of appreciation of rupee between the date of issue and the date of redemption against the foreign currency in which the investment is made shall be exempt from tax on capital gains.

This amendment will take effect from 1st April 2017.

Consolidation of 'plans' within a 'scheme' of mutual fund:

It is proposed to extend the tax exemption available on merger or consolidation of mutual fund schemes to merger or consolidation of different plans in a mutual fund scheme. Section 47 will be amended accordingly.

This amendment will take effect from 1st April 2017.

Rationalisation of section 50C in case sale consideration is fixed under agreement executed prior to the date of registration of immovable property:

With respect to section 50C, It is proposed that in case date of agreement fixing amount of consideration for transfer of immovable property and date of registration are not same, it is proposed that the stamp duty value as on date of agreement to be full value of consideration for such transfer provided that consideration is paid by way of an account payee cheque/bank draft/electronic clearing before the date of agreement.

This amendment will take effect from 1st April 2017.





Capital Gains

Rationalisation of conversion of a Company into Limited Liability Partnership (LLP):

In order to avail benefit of tax neutral conversion of a private limited company or unlisted public company into a Limited Liability Partnership, additional condition to be satisfied:

- The value of total assets in the books of account of the company in any of the three previous years preceding the financial year in which conversion takes place, should not exceed ₹5 crores.

This amendment will take effect from 1st April 2017.





Tax Incentives For Start Ups

Incentive with respect to profits of Start-ups:

With a view to providing an impetus to start-ups and facilitate their growth in the initial phase of their business, it is proposed to provide a deduction of 100% 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 of 100% deduction of the profits derived from such business shall be available to an eligible start-up which is setup before 01.04.2019.

This amendment will take effect from 1st April, 2017

Incentive for Investment in Start-up Fund:

It is proposed to insert a new Section 54EE to provide exemption from capital gains tax if the long term capital gains proceeds are invested by an assessee in units of such specified fund, as may be notified by the Central Government created to promote the start-up ecosystem, subject to the condition that the amount remains invested for three years failing which the exemption shall be withdrawn. The investment in the units of the specified fund shall be allowed up to ₹50 lakh.

This amendment will take effect from 1st April 2017.

Incentive for Investment in the shares of an eligible Start-up:

- The existing provisions of section 54GB provide exemption from tax on long term capital gains in respect of the gains arising on account of transfer of a residential property, if such capital gains are invested in subscription of shares of a company which qualifies to be a small or medium enterprise under the Micro, Small and Medium Enterprises Act, 2006 subject to other conditions specified therein.





Tax Incentives For Start Ups

- With an objective to provide relief to an individual or HUF willing to setup a start-up company by selling a residential property to invest in the shares of such company, it is proposed to amend section 54GB so as to provide that long term capital gains 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 fifty per cent 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.
- The existing provision of section 54GB requires that the company should invest the proceeds in the purchase of new asset being new plant and machinery but does not include, inter-alia, computers or computer software.
- With a view to avoid the incidence of the aforesaid condition on start-ups where computers or computer software form the core asset base owing to nature of business activity, it is proposed to amend section 54GB so as to provide that the expression "new asset" includes computers or computer software in case of technology driven start-ups so certified by the Inter-Ministerial Board of Certification notified by the Central Government in the official Gazette

This amendment will take effect from 1st April 2017.





TDS And TCS Provisions - Tax Deducted at Source (TDS)

Payments made by Investment Funds to its Investors:

- In order to rationalise the TDS regime in respect of payments made by the investment funds to its investors, it is proposed to amend section 194LBB to provide that the person responsible for making the payment to the investor shall deduct income-tax under section 194LBB at the rate of ten per cent where the payee is a resident and at the rates in force where the payee is a
- non-resident (not being a company) or a foreign company. Further, it is proposed to amend section 197 to include section 194LBB in the list of sections for which a certificate for deduction of tax at lower rate or no deduction of tax can be obtained.

This amendment will take effect from 1st June 2016.

Exemption from requiring of furnishing PAN to certain non-residents:

In order to reduce compliance burden, section 206AA is proposed to be amended to provide that the non-furnishing of PAN would not attract TDS at 20% in case of non-residents (other than a company) or a foreign company in respect of any payments, other than interest on bonds, subject to such conditions as may be prescribed.

This amendment will take effect from 1st June 2016.

Following are the amendments with respect to TDS provisions:



TDS And TCS Provisions - Tax Deducted at Source (TDS)

Following are the amendments with respect to TDS provisions:

Present Section	Head	Existing Threshold Limit	Proposed Threshold Limit
192A	Payment of accumulated balance due to an employee	₹30,000/-	₹50,000/-
194BB	Winning from Horse race	₹5,000/-	₹10,000/-
194C	Payment to Contractors	Aggregate annual limit of ₹75,000/-	Aggregate annual limit of ₹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 tickets	₹1,000/-	₹15,000/-
194H	Commission or Brokerage	₹5,000/-	₹15,000/-



TDS And TCS Provisions - Tax Deducted at Source (TDS)

Following are the amendments with respect to TDS provisions:

Present Section	Head	Existing Rate	Proposed Rate
194DA	Payment in respect of Life Insurance Policy	2%	1%
194EE	Payment in respect of NSS Deposits	20%	10%
194D	Insurance Commission	10%	5%
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or Brokerage	10%	5%

Section 194K (Income in respect of Units) and section 194L (Payment of Compensation on acquisition of Capital Asset) are proposed to be omitted.

These amendments will take effect from 1st June, 2016.

Enabling of Filing of Form 15G/15H for rental payments:

It is proposed to amend the provisions of section 197A for making the recipients of payments referred to in section 194-I (TDS on Income by way of Rent) also eligible for filing self-declaration in Form no 15G/15H for non-deduction of tax at source in accordance with the provisions of section 197A.

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





TDS And TCS Provisions - Tax Collected at Source (TCS)

Amendment in section 206C to include the following transactions:

- The Seller shall collect tax at source at the rate 1% from purchaser on sale of motor vehicle of value exceeding ₹10 lakh.
- TCS should also be collected in case of sale of goods in cash (other than bullion and jewellery) and in case of services of value exceeding ₹2,00,000 provided no tax has been withheld at source by buyer.

These amendment will take effect from 1st June 2016.





Country-By-Country Report And Master File

In order to implement the international consensus on Action 13 of the Organisation for Economic Cooperation and Development's (OECD's) Base Erosion and Profit Shifting (BEPS) project, the Finance Bill 2016 proposes to introduce the Country by Country (CbC) reporting requirement and the concept of master file in the Indian Income Tax Act, 1961.

The core elements of the concept have been proposed by the Bill and the remaining provisions will be detailed in the Income Tax Rules.

The provisions relating to CbC reporting requirement as proposed by the Bill are as follows:

- The provisions will be effective 1 April 2017 and will apply from Financial Year 2016-17.
- The reporting provisions shall apply to an international group (a group that operates in two or more jurisdictions) having consolidated revenues exceeding the prescribed threshold.
- If the parent entity of an international group is resident in India, it is required to furnish the CbC report in respect of the group by the due date of furnishing of return of income for the relevant Financial Year. Accordingly, an Indian parent company will need to furnish the first CbC report by 30 November 2017 for the Financial Year 2016-17.
- An entity in India of an international group having an overseas resident parent is required to provide the details of the country of residence of the parent by the prescribed date to the prescribed Indian tax authority.
- An Indian entity belonging to an international group with an overseas parent shall be required to furnish the CbC report to the prescribed authority if the parent entity of the group is resident:
 - i. in a country with which India does not have an arrangement for exchange of the CbC report; or
 - ii. there is a systematic failure of the country in exchanging the said information with India even though there is an agreement; and
 - iii. this fact has been intimated to the entity by the prescribed authority





Country-By-Country Report And Master File

- The CbC report would be furnished in the prescribed manner and form and will contain (in line with the OECD template) aggregate information in respect of revenue, profit & loss before Income-tax, amount of Income-tax paid and accrued, details of capital, accumulated earnings, number of employees, tangible assets (other than cash or cash equivalent) in respect of each country or territory; along with details of each constituent's residential status, nature and details of main business activity as well as any other information as may be prescribed.
- In cases where more than one entity of an overseas parent group are present in India, the group can nominate (in writing to the prescribed authority) the entity that shall furnish the report on behalf of all the Indian entities.
- The prescribed authority may call for necessary documents and information from the entity furnishing the report for the purpose of verifying the accuracy of the same.
- For non-furnishing of the CbC report by an entity which is obligated to do so, a graded penalty structure applies that ranges from ₹5,000 to ₹50,000 per day.
- In case of inaccurate furnishing of information or furnishing of inaccurate information in response to notice by the prescribed authority, a penalty of ₹5,00,000 may also be levied.
- A parent entity means the entity holding an interest (directly or indirectly) in the other entities of the group such that it is required to prepare a consolidated financial statement of the group.

The Memorandum to the Finance Bill provides that rules for the requirement for maintenance of master file would be prescribed which would be as mandated under OECD BEPS Action 13.

For non-furnishing of the information and documents on the prescribed due date penalty of ₹500,000 is prescribed.

This amendment will take effect from 1st April, 2017





Assessment Procedure, Penalties And Prosecution

Providing Time Limit for disposing applications made by the assessee:

- It is proposed to amend section 220 to provide that an order accepting or rejecting application of an assessee shall be passed by the concerned Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner within a period of 12 months from the end of the month in which such application is received.
- It is further proposed to amend section 273A and section 273AA to provide that an order accepting or rejecting the application of an assessee shall be passed by the Principal Commissioner or Commissioner within a period of 12 months from the end of the month in which such application is received.
- It is also proposed to provide that no order rejecting the application of the assessee under section 220 or 273A, 273AA shall be passed without giving the assessee an opportunity of being heard. However, in respect of applications pending as on 1st day of June, 2016, the order under said sections shall be passed on or before 31st May, 2017.

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

Automation of various processes and paperless assessment:

In order to put in a place a framework of automated paperless assessments and related procedures, amendment is made to provide that notices and documents can be issued either in paper form or electronic form. It has been proposed to define the term 'hearing' to include communication of data and documents through electronic mode.

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





Assessment Procedure, Penalties And Prosecution

Processing under section 143(1) be mandated before assessment:

Processing of Return of Income under section 143(1) is being made mandatory before making an assessment under section 143(3)

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

Amended Timelines for assessment, reassessment, recomputation and Assessments in Search Cases:

The Timelines for assessment, reassessment, recomputation and Assessments in Search Cases are proposed to be amended with effect from 1st June, 2016.

Rationalisation of provisions relating to Appellate Tribunal:

- In line with the decision of the Government to minimise litigation, it is proposed to omit sub-sections (2A) and (3A) of section 253 to do away with the filing of appeal by the Assessing Officer against the order of the DRP. Consequent amendments are proposed to be made to sub-section (3A) and (4) of the said provision also.

This amendments will take effect from 1st June, 2016.

- It is also proposed to provide that in cases where Department is already in appeal against the directions of DRP under sub-section (2A) of the section 253 (as it stood before the amendment of the Finance Act, 2016), no fee shall be payable.

This amendment will take effect retrospectively from 1st July, 2012.





Assessment Procedure, Penalties And Prosecution

- It is proposed to amend sub-section (2) of section 254 to provide that the Appellate Tribunal may rectify any mistake apparent from the record in its order at any time within six months from the end of the month in which the order was passed against the existing time limit of four years from the date of order.

This amendments will take effect from 1st June, 2016.

- Section 255(3) stands amended to provide that a single member bench may dispose off a case where the Total income as computed by the Assessing Officer does not exceed fifty lakhs as against the existing limits of fifteen lakh rupees.

This amendments will take effect from 1st June, 2016.

Rationalization of Penalty Provisions:

- It is proposed that section 271 shall not apply to and in relation to any assessment for the assessment year commencing on or after the 1st day of April, 2017 and subsequent assessment years and penalty be levied under the newly inserted section 270A with effect from 1st April, 2017. The new section 270A provides for levy of penalty in cases of under reporting and misreporting of income.
- Penalty @ 50% of tax payable is applicable in case of under reporting and @ 200% in case of misreporting.
- Specified situations proposed where adjustment to taxable income will not be regarded as occasioned due to under reporting of income.

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





Assessment Procedure, Penalties And Prosecution

- Rate of Penalty u/s 271AAB on undisclosed income amended to 60% of such income from the existing 30%-90%
- It is proposed to amend section 272A(1) to further include levy of penalty of ₹10,000/- for each default or failure to comply with a notice issued under 142(1) or 143(2) or failure to comply with a direction issued u/s 142(2A). Also, such penalty would be levied by the income tax authority issuing such notice or direction.

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

Provision for Bank Guarantee under section 281B:

- Under the existing provisions of section 281B the Assessing Officer may provisionally attach any property of the assessee during the pendency of assessment or reassessment proceedings, for a period of six months with the prior approval of the income- tax authorities specified therein, if he is of the opinion that it is necessary to do so for the purpose of protecting the interests of the revenue. Such attachment of property is extendable to a maximum period of two years or sixty days after the date of assessment order, whichever is later.
- It is proposed that the Assessing Officer shall revoke provisional attachment of property made under sub-section (1) of the aforesaid section in a case where the assessee furnishes a bank guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.
- The provisions relating to Valuation of fair market value of property, invocation of Bank Guarantee, renewal of Bank Guarantee and release of guarantee have also been inserted.

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





Assessment Procedure, Penalties And Prosecution

Extension of time limit to Transfer Pricing Officer in certain cases:

It is proposed to amend section 92CA(3A) to provide that where assessment proceedings are stayed by any court or where a reference for exchange of information has been made by the competent authority, the time available to the Transfer Pricing Officer for making an order after excluding the time for which assessment proceedings were stayed or the time taken for receipt of information, as the case may be, is less than sixty days, then such remaining period shall be extended to sixty days.

The amendment will take effect from 1st June, 2016.

Assumption of jurisdiction of Assessing Officer:

It is proposed to amend section 124(3) to specifically provide that cases where search is initiated under section 132 or books of accounts, other documents or any assets are requisitioned under section 132A, no person shall be entitled to call into question the jurisdiction of an Assessing Officer after the expiry of one month from the date on which he was served with a notice under section 153A(1) or section 153C(2) or after the completion of the assessment, whichever is earlier.

This amendment will take effect from the 1st day of June, 2016.

Increase in scope of “deemed” cases of income escaping assessment:

Now Assessing officer has power to re-open cases on the basis of information or documents received from the prescribed income-tax authority after processing, where it is noticed that either a return of income has not been filed or where return has been filed, such income has been understated or excess loss/deduction/allowance has been claimed.

This amendment will take effect from the 1st day of June, 2016





Misc. Provisions

Taxation of Income by way of dividend:

Tax on dividend income received by resident Individual, Hindu Undivided Family (HUF) or Firm in excess of ₹10 lakh

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

Change in Securities Transaction tax in case where option is not exercised:

Securities Transaction Tax on sale of an option which is not exercised increased from 0.017% to 0.05%

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

Levy of tax where the charitable institution ceases to exist or converts into a non-charitable organisation:

It is proposed to amend the provisions of the Act and introduce a new Chapter to provide for levy of additional income-tax at maximum marginal rate in case of conversion into, or merger with, any non-charitable form or on transfer of assets of a charitable organisation on its dissolution to a non-charitable institution.

This amendments will take effect from 1st June, 2016.

Tax on distributed income to shareholder:

Section 115QA shall apply to any buy back of unlisted share undertaken by the Company in accordance with the provisions of the law relating to Companies and not necessarily restricted to section 77A of the Companies Act, 1956. Rules would be framed to provide for the manner of determination





Misc. Provisions

of amount of distributed income.

This amendment will be effective from 1 June 2016.

Equalisation Levy:

- An equalisation levy of 6 % of the amount of consideration for specified services in excess of one lakh rupees in any financial year received or receivable by a non-resident not having permanent establishment ('PE') in India, from a resident in India who carries out business or profession, or from non-resident having permanent establishment in India shall be levied. "Specified Services" has been defined to mean online advertising or any provision for digital advertising space or any other facility or service for the purpose of online advertisement, or any other service as may be notified by the Central Government
- It is also proposed that corresponding expenses in the nature of such consideration shall be deductible only if such levy is deducted and deposited with the Government on or before the due date of filing tax return for that year. Payment on a subsequent date will enable claiming the deduction in such other year of payment.

Central Government shall notify the date from which Chapter of "Equalisation Levy" shall come into force.

Rationalisation of section 56 of the Income-tax Act:

Shares received by an individual or HUF as a consequence of demerger or amalgamation shall not attract the provisions of section 56(2)(vii).

This amendment will take effect from 1st April, 2017





Misc. Provisions

Exemption from Dividend Distribution Tax (DDT) on distribution made by an SPV to Business Trust:

It is proposed to provide exemption from Dividend Distribution Tax (DDT) in respect of distributions made to the Business Trust by the Special Purpose Vehicle (SPV) in which the Trust holds 100% of the share capital, subject to certain exceptions. Dividend shall continue to be exempt from tax in the hands of business trust and its investors.

This amendment will take effect from 1st June, 2016

The Income Declaration Scheme, 2016

Immunity has been granted from further scrutiny under the income tax Act in cases where the tax payer declares domestic undisclosed income (subject to conditions) and pays 45% thereof (tax of 30%, surcharge of 7.5% and penalty of 7.5%). A window is available between 1 June 2016 and 30 September 2016 for such declaration.

Direct Tax Dispute Resolution Scheme, 2016

Finance Bill 2016 has proposed a scheme to reduce backlog of pending cases before the Commissioner of Income Tax (Appeals) or the Commissioner of Wealth Tax (Appeals) as on 29 February 2016. The scheme covers two scenarios of tax disputes:

- First, where the tax dispute is related to normal 'tax arrears' where an appeal is pending before the Commissioner of Income Tax (Appeals).
- Second, where the tax dispute is for 'specified tax' i.e. where liability arose due to retrospective tax amendments.

The features of the proposed scheme in the first scenario mentioned above are listed below:



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- The pending appeal could be against an assessment order or a penalty order;
- The declarant under the scheme is required to pay tax at the applicable rate plus interest upto the date of assessment;
- Where the tax in dispute is less than ₹10 lakh, no penalty will be levied;
- Where the tax in dispute exceeds ₹10 lakh or appeal is against penalty order, 25% of minimum penalty shall be required to be paid alongwith interest.
- Consequent to such declaration, the appeal pending before the Commissioner of Income Tax (Appeals) or the Commissioner of Wealth-tax (Appeals) shall be deemed to be withdrawn.
- The declarant under this scheme will get immunity from prosecution or penalty proceedings for any offence under the Income-tax Act.

The features of proposed scheme in the second scenario (specified tax) mentioned above are listed below:

- The declarant has to withdraw any writ petition or any appeal if filed and submit the proof of the same.
- The declarant under this scheme will be required to furnish an undertaking in the specified manner so as to waive the right to seek or pursue any remedy under any law, by statue or under an agreement, whether for protection of investment or otherwise;
- The declarant under the scheme shall get immunity from imposition of penalty;
- The declarant under the scheme shall get waiver of interest;

In case the declarant violates any condition of the scheme, it shall be presumed as if the declaration was never made. The declarant under this scheme shall get immunity from institution of prosecution proceedings.





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The following cases shall not be eligible for the scheme:

- Where prosecution has been initiated before 29 February 2016;
- Where a search or survey has been conducted and declaration is in respect of tax arrears;
- Where there is undisclosed foreign income and assets.
- Where any information has been received under Exchange of Information under various Double Taxation Avoidance Agreements in respect of such undisclosed income;

Persons who are covered under Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988, Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;

Securitisation trust and its investors

- As per the existing tax regime, the income distributed by securitization trust is subject to distribution tax and no tax is levied on distributed income in the hands of investor.
- New taxation regime introduced by extending the tax pass through status to certain specified SPVs.
- Further, income of trust to continue to be exempt and income received by Investor from the trust shall be taxable in the hands of investor in the same manner if the investor would have invested directly.

This amendment will take effect from 1st June, 2016





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Exemption of Central Government subsidy or grant or cash assistance etc. towards corpus of fund established for specific purposes from the definition of Income:

Section 2(24) (Definition of Income) is proposed to be amended to provide that the subsidy or grant by the Central Government for the purpose of the Corpus of a trust or institution established by the Central Government or State Government shall not form part of income.

This amendment will take effect from 1st April, 2017

Clarification regarding set-off of losses against deemed undisclosed income:

Section 115BBE is amended to expressly provide that no set off of any loss shall be allowable in respect of undisclosed income under section 68 or section 69 or section 69A or section 69B or section 69C or section 69D.

This amendment will take effect from 1st April, 2017

Filing of return of income

- It is proposed that every person whose income, without giving effect to income exempt under section 10(38), exceeds maximum amount not chargeable tax shall furnish return of income for the relevant assessment year within the due dates.
- It is proposed that time limit to file the belated return has been curtailed from one year from the end of relevant assessment year to the end of the relevant assessment year.
- It is proposed that that belated tax return can now be revised on or before expiry of one year from the end of relevant assessment year or before the completion of assessment, whichever is earlier.





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- It is further proposed to provide that return of income would not be regarded as defective merely because self-assessment tax and associated interests have not been paid within the statutory time limits.

This amendment will take effect from 1st April, 2017

Revision in Advance tax instalments under section 211:

The provisions of section 211 have been amended to provide that the advance tax instalment for all the assesses will now be as was hitherto applicable to Company assesses.

Due Date of Instalment	Current provisions (other than companies) Cumulative advance tax	New provisions (All assesses) Cumulative advance tax
15th June	NIL	15%
15th September	30%	45%
15th December	60%	75%
15th March	100%	100%

Charging of interest under section 234C:

Interest for deferment in payment of advance tax u/s 234C not to be chargeable in case of an assessee having income under the head "Profits and gains



Misc. Provisions

of business or profession” for the first time, subject to fulfilment of conditions specified therein.

This amendment will take effect from 1st June, 2016

Interest on refund under section 244A:

- In order to ensure the filing of return within due date, now the payment of interest on refund arising out of tax deducted at source, tax collected at source and advance tax in case of belated return from date of filing of return till date of grant of refund instead of 1 April of relevant assessment year.
- Now assessee is entitled to interest on any refund arising due to self-assessment tax paid from date of payment of tax or filing of return, whichever is later.
- The additional interest at the rate of 3% will be granted to the assessee in case where refund arising out of the order of Commissioner (Appeals)/ Tribunal/ High Court/ Supreme Court or revision order passed by CIT is not granted to the assessee within three months from the end of the month from receipt of order or further extended time by six months after approval from Principal Commissioner of Commissioner of income tax.

This amendment will take effect from 1st June, 2016

Amendment to section 14A – Disallowance of expenses related to exempt income:

Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.





Indirect Taxes

- I. Excise duty
- II. Service Tax
- III. CENVAT
- IV. Customs
- V. Cesses
- VI. Central Sales Tax
- VII. Goods and Service Tax





Excise

The standard rate of Excise duty is maintained at 12.5%.

Amendments In The Central Excise Act, 1944:

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

Amendments Involving Change In The Rate Of Duty

S. No.	Tax Base	Existing	Proposed
1.	Articles of Jewelry [excluding silver jewelry, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire] with a higher threshold exemption up to ₹6 crore in a year if the value of clearances during the previous FY is less than ₹12 crore. This will be applicable from 1st march 2016 and a threshold exemption will be given up to ₹50 lakhs provided the clearances during the FY 2014-15 is less than ₹12 crore.	NIL	1% with CENVAT credit on input services, or 12.5% with CENVAT credit on input goods and services
2.	1) Refined gold bars manufactured from gold dore bar, silver dore bar, gold ore or concentrate, silver ore or concentrate, copper ore or concentrate. 2) The excise duty exemption under the existing area based exemptions on refined gold is being withdrawn.	9%	9.5%



Excise

S. No.	Tax Base	Existing	Proposed
3.	1) Refined silver manufactured from silver ore or concentrate, silver dore bar, or gold dore bar. 2) The excise duty exemption under the existing area based exemptions on refined silver is being withdrawn.	8%	8.5%
4.	Aerated Beverages	18%	21%
5.	Refrigerated containers	12.5%	6%
6.	Branded readymade garments and made up articles of textiles of retail sale price of ₹1000 or more	Nil [without CENVAT credit] or 6%/12.5% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
7.	Tariff Value of readymade garments and made up articles of textiles	30% of retail sale price	60% of retail sale price
8.	PSF/PFY manufacture from plastic waste	2% without credit or 6% with input credit	2% without credit or 12.5% with input credit
9.	Rubber sheets for soles of Footwear	12.5%	6%
10.	Abatement rate for footwear manufacture	25%	30%



Excise

S. No.	Tax Base	Existing	Proposed
11.	Aluminum foil disposable containers	2% without credit or 6% with input credit	2% without credit or 12.5% with input credit
12.	Electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump	12.5%	6%
13.	Clean Energy Cess / Clean Environment Cess on coal, lignite or peat produced or extracted as per traditional and customary rights enjoyed by local tribals without any license or lease in the State of Nagaland	₹200 per tonne	NIL

Apart from the above mentioned rate changes, there is also a reduction in Excise duty rate for the following items:-

- Kerosene, benzene etc
- Parts of railway or tramway locomotives
- Ready mix concrete manufactured on the site of construction
- Disposable sterilized dialyzer and micro barrier of artificial kidney
- Parts of hybrid electric vehicles
- Parts of electronic items such as adapters, chargers, modems, setup boxes etc. However exemption on any Charger / adapter, battery and wired headsets / speakers for supply to mobile phone manufacturers as original equipment manufacturer has been withdrawn and the new rate of tax is:-
 - 1) 2% without CENVAT credit, or
 - 2) 12.5% with CENVAT credit.



Excise

- Excise duty exempted in respect of solar lamps, kits and tools for aircraft maintenance/ overhauling, parts for specified IT products, inputs, parts and components, subparts for manufacture of mobile phone accessories, specified disposable dialysis instruments with effect from 1 March 2016.
- Also Excise Duty is to be levied on Retail Sale Price [RSP] based assessment for the following:-
 - a) All goods pertaining to soap and oil, which were exempted earlier, falling under heading 3401 and 3402 [with abatement rate of 30%],
 - b) Aluminum foils of a thickness not exceeding 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%].





Excise

Non Tariff Amendments

- 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 ₹4500 PMT to 20% ad valorem OIDB Cess. The amendment in the Act will be effective from the date of assent to the Finance Bill, 2016.
- Centralized registration and other simplified Excise compliance procedures for jewelry manufacturers introduced with effect from 1 March 2016
- Rate of interest under section 11AA on delayed payments of duty is reduced from 18% to 15% with effect from 01.04.2016
- Number of Excise returns reduced from 27 to 13 with effect from 1 April 2016, that is, one annual and 12 monthly returns. This annual return will have to be filed by service tax assesses also, above a certain threshold, taking total number of returns to three in a year for them.
- In cases where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away with.
- In case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.
- Provision for revision of Central Excise returns introduced with effect from 1 April 2016.
- E-filing of annual returns proposed
- Withdrawal of prosecution in cases involving duty of less than ₹5 lakhs and pending for more than 15 years proposed
- Single registration for multiple premises of same manufacturer located in close proximity is permitted subject to conditions, with effect from 1 March 2016
- The existing Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001 are being substituted with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016.





Service Tax

Krishi Kalyan Cess

- A provision is made to levy Krishi Kalyan cess at 0.5% on all taxable services with effect from 1st June 2016.
- This will increase the effective rate of service tax from 14.5% to 15%.

Broadening of the tax base

S. No.	Tax Base	Existing	Proposed
1.	Exemption on services provided by- (i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and (ii) a person represented on an arbitral tribunal to an arbitral tribunal, is being withdrawn with effect from 1st April, 2016 and Service Tax is being levied under forward charge.	Reverse Charge Mechanism	14%
2.	Exemption on 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 with effect from 1st March, 2016	NIL	5.6%
3.	Exemption on the services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn with effect from 1st April, 2016.	NIL	14%
4.	The Negative List entry that covers 'service of transportation of passengers, with or without accompanied belongings, by a stage carriage' is being omitted with effect from 1st June, 2016. Service Tax is being levied on transportation of passengers by air conditioned stage carriage with effect from 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.	NIL	5.6%



Service Tax

Presently, only support services provided by the Government or local authorities to business entities are taxable under reverse charge mechanism. With effect from 01.04.2016, the liability to pay service tax on any service (excluding renting of immovable property and services by department of post, life insurance and agency service, service in relation to aircraft or vessel and transport of goods or passengers) provided by Government or local authorities to business entities having turnover exceeding Rs. 10 lakh in the previous financial year shall be on the service recipient under reverse charge basis.

New Exemptions

S. No.	Tax Base	Existing	Proposed
1.	Services by way of construction etc. in respect of- (I) Housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY); (ii) Low cost houses up to a carpet area of 60 square metres in a housing project under “Affordable housing in Partnership” component of PMAY, (iii) 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 with effect from 1st March, 2016	5.6%	NIL
2.	The service of life insurance business provided by way of annuity under the National Pension System.	3.5%	NIL
3.	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 1 st April, 2016.	3.5%	1.4%



Service Tax

Also, the following services are exempted from 1st April 2016

- Services provided by Employees' Provident Fund Organisation (EPFO) to employees
- Services provided by Insurance Regulatory and Development Authority (IRDA) of India
- The regulatory services provided by Securities and Exchange Board of India (SEBI)
- The 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
- Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination
- Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubates
- Services provided by way of skill/vocational training by training partners under Deen Dayal Upadhyay Grameen Kaushalya Yojana
- Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship
- 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 ₹1 lakh to ₹1.5 lakh charged per event.

Relief Measures

- Zero rate the services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India with effect from 1 st March, 2016, and
- Impose service tax on the services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India with effect from 1 st March, 2016.
- Allow refund of Service Tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for the





Service Tax

export of the said goods. This amendment is being made effective from the date of application of the parent notification (i.e. 1st July 2012).

- The benefit of Quarterly payment of Service tax is being extended to One Person Company and HUF from 1st April 2016.
- The facility of payment of Service Tax on receipt basis is being extended to 'One Person Company' (OPC) with effect from 1st April, 2016.
- Services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government during the period from the 1st July, 2012 to 29th January, 2014 are being exempted from Service Tax with consequential refunds.
- Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) are being exempted from Service Tax with effect from 1st March, 2016.
- The services provided by mutual fund agent/distributor to a mutual fund or asset management company, are being made taxable under forward charge with effect from 1st April, 2016. The rate of charge will remain 14%.

Interest rate under service tax rationalized

S. No.	Tax Base	Proposed Rate
1.	Assesse, whose value of taxable services in the preceding year/years covered by the notice is less than ₹60 Lakhs	12%
2.	Service Tax collected but not deposited to the exchequer	24%
3.	All other cases	15%



Service Tax

Abatements

- Input credit is allowed on all the following Abated services with the abatement rate remaining the same
 - i. Transport of passengers by rail
 - ii. Transport of goods, other than in containers, by rail
 - iii. Transport of goods by vessel
 - iv. Transport of goods in containers by rail at a reduced abatement rate of 60%.
- The abatement rate in respect of services by a tour operator in relation to packaged tour and other than packaged tour is being rationalized at 70%.
- 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. However 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
- All of the above changes relating to abatement will come into effect from 1st April 2016.

Reduced litigation and certainty provided in taxation.

- Any activity carried out by a lottery distributor or selling agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner of the State Government as per the provisions of the Lotteries (Regulation) Act, 1998 (17 of 1998), is leviable to Service Tax.
- 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 with effect from 1st April, 2016.





CENVAT

- Definition of Capital Goods amended with effect from 1 April 2016 to include: – any equipment or appliances used in office located within a factory and – goods used outside the factory of the manufacturer of final products for pumping of water for captive use within the factory
- Definition of input has been amended to include: – all goods used for pumping of water for captive use within the factory and – all capital goods which have a value up to ₹10,000 per piece

Amendments in CENVAT credit rules for procedural ease.

- Amendments relating to apportionment of credit between exempted and non-exempted final products / services.
- These amendments will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.
- Notification No. 27/2012 – C.E. (N.T.) dated 18.06.2012 is being amended with effect from 1st March, 2016 – This is to change the time limit for filling application for refund of CENVAT Credit under Rule 5 of the CENVAT Credit Rules, 2004. In case of export of services, the limit is 1 year from the date of:-
 - i. Receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or
 - ii. Issue of invoice, where payment, for the service has been received in advance prior to the date of issue of the invoice.
- Banks and financial institutions can now reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal.
- CENVAT credit of service tax paid will be allowed on amount charged for assignment of government or any other person of a natural resource, over such period of time as the period for which the rights have been assigned. (this amendment shall come into effect from 1st April, 2016)
- CENVAT credit shall not be utilised for payment of infrastructure cess leviable with effect from 1 March 2016
- Annual return to replace filing of information relating to principal inputs
- CENVAT credit shall be allowed to a manufacturer where jigs, fixtures, molds and dyes or tools are sent by such manufacturer to another manufacturer or job worker without bringing the said goods to his own premises.





Customs

Policy Changes

- Median rate of BCD retained at 10%.
- Effective peak rate of customs duty remains at 29.44%.

The following changes will be effective from 1 March 2016, unless otherwise specified:

- Exemption from customs duty on import of bona fide gifts by post or by air freight has been increased from ₹10,000 to ₹20,000.
- BCD exemption withdrawn for certain defense machinery and equipment required by the Indian manufacturers for supply of goods to Indian Navy or Coast Guard.
- BCD exemption withdrawn on import of aircrafts, parts, engines arms, ammunitions, radars, torpedoes and other related products imported by government undertakings or government authorized undertakings.
- Export duty on various products such as iron ore lumps (below 58% Fe content), iron ore fines (below 58% Fe content) chromium ores and concentrates has been reduced/ eliminated.
- Exemption from SAD on populated PCBs required for manufacture of personal computers (laptop or desktop) has been withdrawn.
- Populated PCBs of mobile phone or tablet computer have been excluded from the purview of Nil SAD exemption and 2% SAD has been imposed subject to fulfilment of specified condition.
- BCD and SAD have been exempted on machinery, electrical equipment, other instruments and their parts (except populated PCB) falling under chapter 84, 85, 90 for fabrication of semiconductor wafer and Liquid Crystal Display, subject to actual user condition.
- BCD and SAD have been exempted on machinery, electrical equipment, other instruments and their parts (except populated PCBs) falling under chapter 84, 85, 90 for assembly, testing, marking and packaging of semiconductor chips, subject to actual user condition.
- BCD and CVD exemptions have been withdrawn on charger/ adapter, battery and wired headsets/ speakers for use in manufacture of mobile handsets including cellular phone.





Customs

- Concessional 5% BCD has been extended to cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers. Corresponding changes have also been made to Project Imports Regulations 1986.
- Import of air craft parts for repair or overhaul and export of repaired or overhauled parts of aircraft is now permitted under the Standard Exchange Scheme.
- Actual user condition introduced for allowing BCD exemption on import of Liquid Crystal Displays, Light Emitting Diode or Organic Light Emitting Diode panels for manufacture of television.
- Infrastructure cess (Excise duty) imposed on motor specific vehicles of heading 8703.
- BCD tariff rates of 211 specified tariff lines in Chapter 84, 85 and 90 have been changed from 7.5% to 10%. Out of this, the effective rate has increased from 7.5% to 10% for 96 tariff lines, whereas effective rate will remain same @ 7.5% for the remaining 115 tariff lines.

Changes In Rates Of Duty

The rates of Basic Customs duty have been modified in the following cases:

Tariff Item	From	To
Primary Aluminium	5%	7.5%
Zinc Alloys	5%	7.5%
Imitation Jewellery	10%	15%
Industrial Solar water heater	7.5%	10%



Customs

Along with the above mentioned items, there is an increase in rate in case of articles of rubber and in respect to certain Capital goods and part thereof contained in Chapters 84, 85 and 90.

The amendments involving increase in the duty rates will come into effect immediately

Other Proposals involving changes in Basic Customs Duty, Countervailing Duty, Special Additional Duty and Export Duty rates

The rates of BCD, CVD, SAD and Export duties are modified (Reduced/Increased) in case of Food processing, Mineral fuels and Mineral oils, Petroleum exploration and production, Chemicals and petrochemicals, Paper, paperboard and newsprint, Textiles, Electronics and hardware, Metals, gas and ceramics, jewellery, automobiles, capital goods, defence production, maintenance, repair and overhaul of aircrafts, ship repair units and several other products.

Few of the changes are detailed below:

Head	From	To
Cashew Nuts in shell	BCD - Nil	BCD - 5%
Cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers	BCD - 10%	BCD - 5%
Refrigerated Containers	BCD - 10%	BCD - 5%
Gold Dore Bars	CVD - 8%	CVD - 8.75%
Silver Dore	CVD - 7%	CVD - 7.75%



Customs

Misc. Provisions

The following changes will be effective from 1 April 2016:

- The existing Baggage Rules 1998 are being substituted with the Baggage Rules 2016 so as to simplify and rationalize multiple slabs of duty free allowance for various categories of passengers. Some of the key changes are as below:
 - Duty free baggage allowance permitted worth ₹50,000 (to an Indian person) and ₹15,000 (to a tourist of foreign origin) arriving in India from a country other than Nepal, Bhutan or Myanmar, irrespective of the duration of stay of such person abroad.
 - Duty free baggage allowance permitted worth ₹15,000 to a person arriving in India from Nepal, Bhutan or Myanmar, irrespective of the duration of stay of such person abroad.
- Corresponding changes have also been done in the Customs Baggage Declaration Regulations 2013 so as to prescribe filing of Customs declarations only for those passengers who carry dutiable or prohibited goods.
- Interest rate on delayed payment of Customs duty under Section 28AA has been reduced to 15% from the current 18%.
- The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 with a view to simplify the rules, including allowing duty exemptions to importer/ manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities. Need for additional registration is also being done away with.

The following changes will be effective on enactment of the Finance Bill:

- Normal period of limitation for issuance of the show cause notice increased from 1 year to 2 years.
- Provisions inserted to enable government to notify certain category of importers and exporters who shall be eligible for making deferred payment of customs duties.





Customs

- Enabling provisions inserted to allow Board to prescribe conditions for permitting transit of goods without payment of Customs duty.
- Concept of appointing warehousing stations under the Customs Act has been done away with.
- New class of special warehouses has been introduced for specific category of products, which require stringent physical control and monitoring by the customs officer.
- Importers clearing imported goods to warehouses shall now be required to submit bonds for an amount equal to thrice the duty amount involved as compared to current requirement of bond for twice the duty amount involved.
- Warehousing period permitted to 100% EOUs, EHTPs and STPs having permission to carry manufacturing or other operations under Section 65 of the Customs Act for inputs and capital goods has now been extended from 3 and 5 years respectively till their clearance from warehouse.
- Indirect Tax Dispute Resolution Scheme 2016 to be introduced from 1 June 2016 to bring down litigations pending at Commissioner (Appeal) level.



Cesses

Clean Energy Cess

- Clean energy cess is renamed as “Clean environment cess.”
- The effective rate of cess is increased from ₹200 per ton to ₹400 per ton.

Infrastructure Cess

- This cess is to be levied on motor vehicles.

S. No.	Particulars	Rate
1.	Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc	1%
2.	Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc	2.5%
3.	Other higher engine capacity motor vehicles and SUVs and bigger sedans	4%

Note:-

The following motor vehicles will be exempted from paying this cess:-

1. Three wheeled vehicles,
2. Electrically operated vehicles,
3. Hybrid vehicles,
4. Hydrogen vehicles based on fuel cell technology,
5. Motor vehicles which after clearance have been registered for use solely as taxi,



Cesses

6. Cars for physically handicapped persons and
7. Motor vehicles cleared as ambulances or registered for use solely as ambulance.

No credit of this Cess will be available, and credit of no other duty can be utilized for payment of this Infrastructure Cess

Oil Industries development cess

- The OI DB cess is changed from ₹4500 per metric ton to 20% ad valorem.
- This will be applicable from the date of assent to the finance bill 2016.





Indirect Taxes



Central Sales Tax

An explanation has been added under section 3 of Central Sales Tax Act to provide that

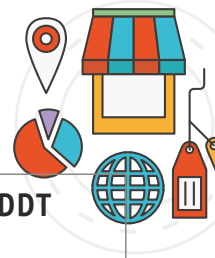
- If the gas that is sold or purchased, is carried through a common pipeline or common transport distribution system,
- And if the gas becomes co-mingled with any other gas that is present in the same carrier,
- And such existing gas is transported from a different state,
- Such sale or purchase of gas will be deemed to be a movement of goods from one state to another and will hence be liable to CST.

The amendment will come into effect from a date to be notified

Goods and Services Tax (GST)

Government to continue with the ongoing reform program and ensure passage of GST Bill.





Appendix

Particulars	Domestic Companies with Turnover less than ₹5 crore during F.Y 2014-15	Domestic Companies with Turnover greater than ₹5 crore during F.Y 2014-15	Newly set up Domestic Company	Foreign Companies	MAT (Regular)	MAT (IFSC)	DDT
Basic Tax Rate	29.00%	30.00%	25.00%	40.00%	18.50%	9.00%	17.65%
Effective tax rate where Total Income is less than ₹1 crore*	29.87%	30.90%	25.75%	41.20%	19.06%	9.27%	
Effective Tax Rate where Total Income is greater than ₹1 crore but less than ₹10 crore**	31.96%	33.06%	27.55%	42.02%	20.39%	9.92%	20.36%
Effective Tax Rate where Total Income is greater than ₹10 crore***	33.45%	34.61%	28.84%	43.26%	21.34%	10.38%	



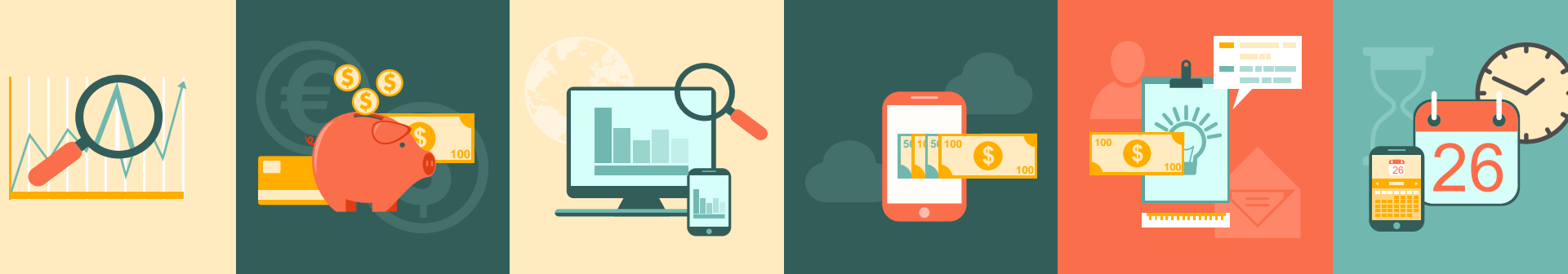
Appendix Continued...

* Effective Tax rate is computed Considering Education Cess @ 2% and Secondary Higher Education Cess @ 1% on Basic Tax Rate

** Effective Tax rate is computed Considering Surcharge, Education Cess @ 2% and Secondary Higher Education Cess @ 1% on Basic Tax Rate. Surcharge in case of Domestic Companies is 7% and in case of Foreign Companies is 2%.

*** Effective Tax rate is computed Considering Surcharge, Education Cess @ 2% and Secondary Higher Education Cess @ 1% on Basic Tax Rate.. Surcharge in case of Domestic Companies is 12% and in case of Foreign Companies is 5%.





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