

Budget 2017



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Budget at Glance



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	FY 2015-16 (Actuals) (Billion INR)(%)	FY 2016-17 (Budget Estimates) (Billion INR)	FY 2016-17 (Revised Estimates) (Billion INR)	FY 2017-18 (Budget Estimates) (Billion INR)
1. Revenue Receipts	11950.25	13770.22	14235.62	15157.71
2. Capital Receipts	5957.48	6010.38	5908.45	6309.64
3. Total Receipts (1 + 2)	17907.73	19780.60	20144.07	21467.35
4. Scheme Expenditure	7251.14	8019.66	8698.47	9450.78
5. Expenditure on other than schemes	10656.69	11760.94	11445.60	12016.57
6. Total Expenditure (4 + 5)	17907.83	19780.60	20144.07	21467.35
7. Revenue Account	15377.61	17310.37	17345.60	18369.34
8. Revenue Receipts	11950.25	13770.22	14235.62	15157.71
9. Revenue Deficit (7 – 8)	3427.36	3540.15	3109.98	3211.63
10. As a percentage of GDP	2.5%	2.3%	2.1%	1.9%
11. Fiscal Deficit [6 – (1 + recoveries of loans + other receipts)]	5327.91	5339.04	5342.74	5465.32



Income Tax

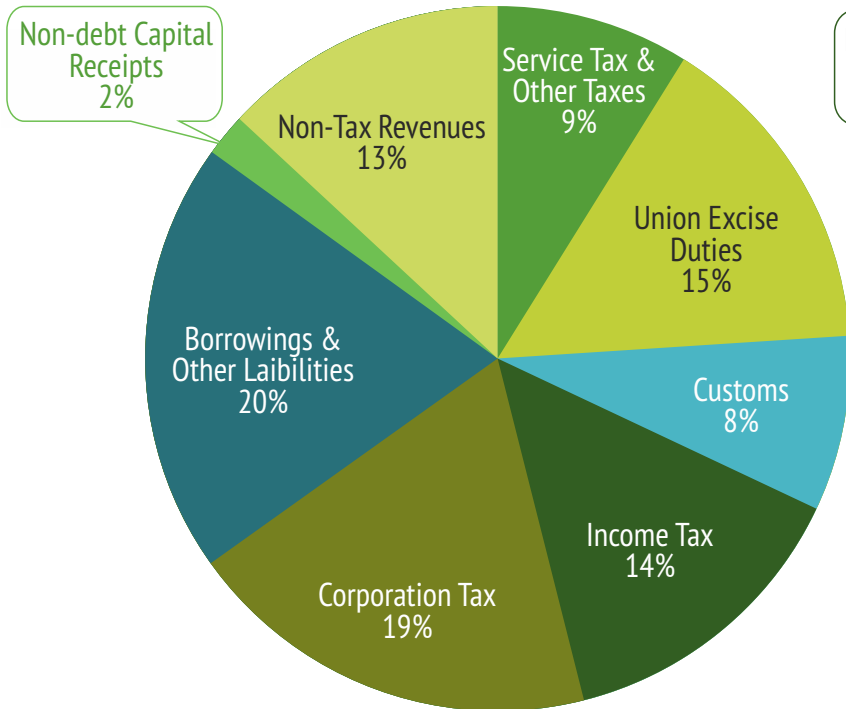
Budget Financials 2016-17

	FY 2015-16 (Actuals) (Billion INR)(%)	FY 2016-17 (Budget Estimates) (Billion INR)	FY 2016-17 (Revised Estimates) (Billion INR)	FY 2017-18 (Budget Estimates) (Billion INR)
12. As a percentage of GDP	3.9%	3.5%	3.2%	3.2%
13. Primary Deficit (11 – interest payments)	911.32	412.34	512.05	234.54
14. As a percentage of GDP	0.7%	0.3%	0.3%	1.0%

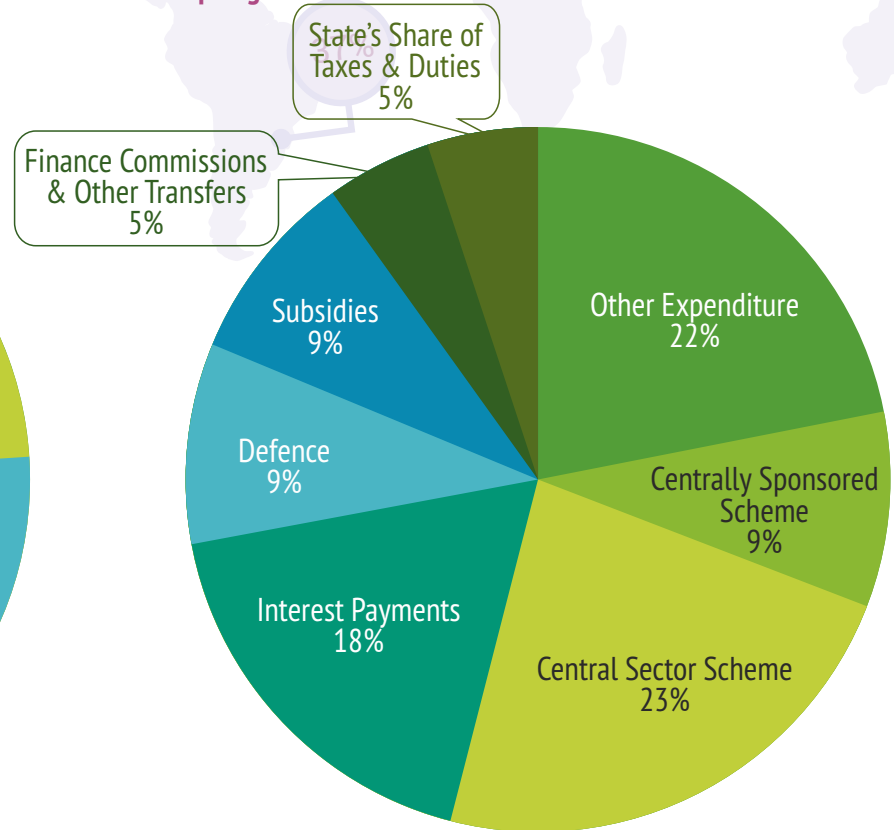


Income Tax

Where the Rupee comes from



Where the Rupee goes



Income Tax

Personal Tax Rates

- Existing rate of taxation for individual assesseees between income of Rs.2.5 Lakhs to 5 Lakhs reduced to 5% from the present rate of 10%.
- Surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs.50 lakhs and Rs.1 crore
- Rebate of Rs.2,500/- under section 87A will be available only if income is upto Rs.3.5 lakhs. Hence, there will be zero tax liability to people having annual income upto Rs.3 lakhs.

Corporate tax rates

- In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs.50 crores is reduced to 25%

House Property

- Monetary restriction of Rs.2 lakhs imposed for set off of loss from house property from other heads of income.

Capital Gains

- Period of holding has been reduced from 36 months to 24 months for calculation of LTCG in case of immovable property being land or building or both.
- The conversion of preference share of a company into its equity share shall not be regarded as transfer. Therefore, the period of holding of equity shares will include the period for which preference shares were held.
- The cost of acquisition of the shares of Indian company referred to in section 47(vic) in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company.
- Exemption from capital gain tax for persons holding land on 02.06.2014, the date on which the State of Andhra Pradesh was reorganised, and whose land is being pooled for creation of capital city of Andhra Pradesh under the Government scheme.

Income Tax

- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.
- The base year for indexation is proposed to be shifted from 01.04.1981 to 01.04.2001 for all classes of assets including immovable property.

Business income

- For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received.
- Allowability of Cash expenditure per day is reduced to Rs.10,000/- from Rs.20,000/-.
- Tax @ 6% u/s 44AD for Non-Cash Transaction.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs.1 crore to Rs.2 crores. Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of 10 lakhs to 25 lakhs or income from 1.2 lakhs to 2.5 lakhs.
- Eligible assessee engaged in an eligible business referred to in Section 44AD is liable to pay advance tax in a single instalment on or before 15th of March every financial year.

Dividend

- Scope of Dividend taxability is increased to ensure horizontal equality. Initially dividend in excess of Rs.10 lakhs was taxable for Individual, HUF and Firm. Now it is taxable for all assessee other than Domestic Company, Trust/Institution u/s 12AA and certain funds u/s 10(23C).

TCS and TDS

- Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit.



Income Tax

- Individual and HUF (not liable for Tax Audit) will be liable to deduct TDS on rent payment in excess of Rs.50,000/- per month or part of a month @ 5%.
- Extension of concessional rate for TDS on interest to External Commercial Borrowing upto 01.07.2020.
- Extension of concessional rate for TDS on interest on FII and QFI on investment in Government Securities and Rupee Denominated bonds upto 01.07.2020.
- Higher rate of TCS (twice of prescribed rates or 5%, whichever is more) in case of Non-furnishing of PAN for TCS (Resident only).

Carry forward and set off

- Minimum Alternate Tax credit and Alternate Minimum Tax credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present.
- For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues.
- The amount of Minimum Alternate Tax / Alternate Minimum Tax shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the difference between the amount of foreign tax credit (FTC) allowed against MAT/AMT and FTC allowable against the tax as per regular provisions of Act (Previously the difference was allowed to be carried forward).

Return of Income

- Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto Rs.5 lakhs other than business income.
- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period of filing of return. Also,



Income Tax

the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.

- AO can withhold refund if he is doubtful of recovery of revenue.

Deduction by start-ups

- The profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years

Provision for Bad-debts for Banks

- Limit for deduction of provision for bad and doubtful debts for scheduled domestic banks/ non-scheduled banks/ certain co-operative banks is proposed to be enhanced from 7.5% to 8.5% of total income computed before making deduction under this clause and Chapter VIA

Indirect Taxes

Excise Duty

There are no major changes to Central Excise since GST is likely to be implemented soon. The limited changes are largely towards incentivizing goods that promote digital economy and are primarily used in the renewable energy sector.

Service Tax

The effective rate of service tax remains unchanged. Further, no major changes made in service tax exemptions or legislative provisions.

Customs Duty

With GST on the anvil, the Finance Minister has not announced any significant change in Customs laws. While the general effective customs duty rate has remained unchanged, the Finance Minister has exempted import duties on specific products, inputs and raw materials to promote the “Digital India” and “Make in India” initiatives of the government.

CENVAT Credit

Time limit of three months from the date of receipt of application has been prescribed for approval of requests regarding transfer of unutilized cenvat credit lying in accounts in case of transfer of business.



Goods And Services Tax {GST}

- GST Council has finalized its recommendations on most issues based on consensus
- Extensive reach-out efforts to trade and industry for GST will commence from 1 April, 2017.



Direct Taxes



- I. Personal taxation
- II. Corporate taxation
- III. Taxation of profits and gains from business and profession
- IV. Capital Gains
- V. Tax incentives for start-ups
- VI. TDS and TCS Provisions
- VII. Assessment procedure, penalties and prosecution
- VIII. Misc. provisions



Personal Taxation

Rates of Taxes:

- Existing rate of taxation for individual assesses between income of Rs.2.5 Lakhs to 5 Lakhs reduced to 5% from the present rate of 10%. All other categories of tax payers in subsequent brackets will get a benefit of Rs.12,875/-.

This amendment will take effect from A.Y. 2018-19

Other tax slab rates remain unchanged.

Comparative chart of tax rates applicable to individuals are as follows:

Total Income	Existing Tax Rate (A.Y. 2017 – 2018)	Proposed Tax Rate (A.Y. 2018 – 2019)
Upto Rs.2,50,000**	NIL	NIL
Rs.2,50,000 to Rs.5,00,000	10%	5%
Rs.5,00,000 to Rs.10,00,000	20%	20%
Above Rs.10,00,000	30%	30%

**Basic exemption limit for resident individuals above 60 years but less than 80 years of age at any time during the F.Y. is Rs.3,00,000 and for resident individuals 80 years of age or more is Rs.5,00,000 (unchanged).



Personal Taxation

- Education Cess on income-tax and Secondary and Higher Education cess on income-tax shall continue to be levied at the rate of 2% and 1% respectively on the amount of the tax computed, inclusive of surcharge, in all cases.
- A surcharge of 10% on tax payable is proposed for individuals having an income of Rs.50 lakhs to Rs.1 crore. For assesses having taxable income exceeding Rs.1 Crore, surcharge to be levied at the rate of 15%.
- Maximum marginal tax rate (MMR) for individuals having income up to Rs.1 crore will change to 33.99% (from 30.9%). There is no change in the MMR of 35.54% for income above Rs.1 crore (wherein a surcharge of 15% applies).
- The rebate for the low income earners (under section 87A) is proposed to be Rs.2,500 and will be available only in case of income up to Rs.3.5 lakhs (earlier, Rs.5 lakhs).



Corporate Taxation

Rates of Taxes:

Foreign Company

Corporate tax rates remain unchanged at 40% (plus applicable surcharge and education cess). Effective tax rates remain unchanged as under:

Particulars	Taxable income less than or equals to INR 10 million	Taxable income greater than INR 10 million but less than or equals to INR 100 million	Taxable income greater than INR 100 million
Corporate Tax	40.00%	40.00%	40.00%
Surcharge	-	2.00%	5.00%
Corporate tax + surcharge	40.00%	40.80%	42.00%
Education cess thereon	3.00%	3.00%	3.00%
Effective tax rate	41.20%	42.02%	43.26%

Domestic Company

Corporate tax rate reduced to 25% (plus applicable surcharge and education cess) for domestic companies having total turnover/ gross receipts in the previous year (2015-16) not exceeding INR 500 million. In other cases, the tax rates remain unchanged at 30% (plus applicable surcharge and education cess). Effective tax rates are as under.

Corporate Taxation

For a domestic company having total turnover/ gross receipts in the previous year (2015-16) not exceeding INR 500 million:

Particulars	Taxable income less than or equals to INR 10 million	Taxable income greater than INR 10 million but less than or equals to INR 100 million	Taxable income greater than INR 100 million
Corporate Tax	25.00%	25.00%	25.00%
Surcharge	-	7.00%	12.00%
Corporate tax + surcharge	25.00%	26.75%	28.00%
Education cess thereon	3.00%	3.00%	3.00%
Effective tax rate	25.75%	27.55%	28.84%

Corporate Taxation

For a domestic company having total turnover/ gross receipts in the previous year (2015-16) exceeding INR 500 million:

Particulars	Taxable income less than or equals to INR 10 million	Taxable income greater than INR 10 million but less than or equals to INR 100 million	Taxable income greater than INR 100 million
Corporate Tax	30.00%	30.00%	30.00%
Surcharge	-	7.00%	12.00%
Corporate tax + surcharge	30.00%	32.10%	33.60%
Education cess thereon	3.00%	3.00%	3.00%
Effective tax rate	30.90%	33.06%	34.61%

MAT/AMT

Tax rates of both MAT and AMT remain unchanged at 18.5% (plus applicable surcharge and education cess).

Tax on dividends

Rate of DDT remains unchanged at 15% (plus applicable surcharge of 12% and education cess of 3%).

Non-corporate resident taxpayers earning more than INR 1 million of dividend to pay tax at 10% (plus applicable surcharge and education cess) in addition to the DDT paid by the company.

Corporate Taxation

Rationalisation of Provisions relating to tax credit for MAT & AMT:

It is proposed that the MAT credit and AMT credit could be carried forward up to 15 assessment years immediately succeeding the assessment years in which such credit becomes allowable. (Previously MAT credit and AMT credit could be carried forward only up to 10 assessment years).

This amendment will take effect from A.Y. 2018-19

Rationalisation of provisions of section 115JB in line with Indian Accounting Standard (Ind AS):

Under the existing provisions of section 115JB, book profit is computed by making certain prescribed adjustments to the net profit in the profit and loss account drawn up as per Indian GAAP.

Since Ind AS has been introduced and is applicable to certain companies and the book profit based on an Ind AS compliant financial statement is likely to be different from that based on existing Indian GAAP, the Finance Bill, 2017 has proposed introduction of certain provisions for computing book profit in case the financial statements of a company are prepared as per Ind AS.

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

Place of effective management (POEM)

No changes have been proposed with respect to the place of effective management (POEM) criteria for tax residency of foreign companies. Thus, the provisions pertaining to POEM under the Act would continue to be applicable with effect from 1 April, 2016, that is from FY 2016-17.

Corporate Taxation

The Central Board of Direct Taxation (CBDT) has recently issued Circular No. 6 of 2017, dated 24 January, 2017, laying down the final guidelines for the determination of the POEM of a foreign company. The final guidelines take forward the concept laid down in the draft guidelines for POEM determination based on the bifurcation of companies engaged in active business outside India and other companies. It further provides clarification on certain key areas. A few illustrations have also been provided to highlight the applicability of principles enumerated in the guidelines.

The Notification, as contemplated under section 115JH of the Act with respect to applicability of various provisions to a foreign company, which is treated as a resident on account of its POEM being in India, is still awaited.

General Anti-Avoidance Rules (GAAR)

No changes have been proposed in the General Anti-Avoidance Rules (GAAR) provisions. Thus, GAAR provisions under the Act would come into force with effect from 1 April, 2017, that is from FY 2017-18.

The CBDT has recently issued clarifications on the implementation of GAAR provisions vide Circular No. 7 of 2017, dated 27 January, 2017. While the clarifications address many areas, it would be preferable if the government presents illustrative cases for providing guidance on the overall applicability of GAAR provisions as were suggested in the 2012 Expert Committee Report.

Partnership firm / LLP

Tax rates remain unchanged. Effective tax rate of 30.9% if taxable income is less than INR 10 million and 34.61% if taxable income exceeds INR 10 million.

Taxation Of Profits And Gains From Business And Profession

Relief to builders for stock in trade for notional rental income:

In case of real estate developers or builders, Notional income on any unsold housing units held as stock in trade was taxable without having any income from it. In a step to provide relief to real estate developers or builder, exemption is provided to builders for the same if:-

- Property or part of it is not let out during the whole or any part of the year, and
- For a period of one year from the end of year in which completion certificate is received.

This amendment will take effect from A.Y. 2018-19.

Extension of scope of section 43D to Co-operative Banks

It is proposed that the Interest income in relation to certain categories of bad or doubtful debts received by co-operative banks other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier.

This amendment will take effect from A.Y. 2018-19.

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

It is proposed that interest on any loan or advances from a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank shall be allowed as deduction on the payment basis i.e. if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year. (Previously co-operative banks were not included)

This amendment will take effect from A.Y. 2018-19.

Taxation Of Profits And Gains From Business And Profession

Enhancement of deduction limit for provision for bad and doubtful debts for banks:

It is proposed to enhance the deduction limit for provision for bad and doubtful debts to 8.5% of amount of total income to scheduled bank (not being a bank incorporated by or under the laws of a country outside India) or a non-scheduled bank or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

This amendment will take effect from A.Y. 2018-19.

Disallowance of depreciation under section 32:

Expenditure incurred for acquisition of any asset in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost of such asset.

Judgement of Hon'ble SC in Aloo supply company so far as amortization was considered stands nullified.

(Previously there was no such disallowance if capital expenditure was incurred in cash)

This amendment will take effect from A.Y. 2018-19

Disallowance of capital expenditure under section 35AD on cash payment:

Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, no deduction shall be allowed in respect of such expenditure. (Previously there was no such disallowance if eligible expenditure was incurred in cash)



Taxation Of Profits And Gains From Business And Profession

This amendment will take effect from A.Y.2018-19.

Measures to discourage cash transactions:

It is proposed that any expenditure in respect of which payment or aggregate of payments made to a person in a day exceeds Rs.10,000 shall not be allowed as deduction.

Thus, the threshold of cash payments to a person in a day has been reduced from Rs.20,000/- to Rs.10,000/-.

This amendment will take effect from A.Y.2018-19.

Audit of Accounts Under Section 44AB:

- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs.1 crore to Rs.2 crores (Applicable from A. Y. 2017-18). Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of 10 lakhs to 25 lakhs or income from 1.2 lakhs to 2.5 lakhs (Applicable from A. Y. 2018-19).

Presumptive Taxation:

- It is proposed to amend section 44AD of the Act to reduce the existing rate of deemed total income of 8 per cent to 6 per cent in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year. Thus, there will be dual tax rates of 8% in respect of turnover received in cash and tax rate of 6% in respect of turnover received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account. This amendment will take effect from A.Y.2017-18.

Taxation Of Profits And Gains From Business And Profession

- An assessee who declares profits and gains in accordance with the provisions of sub-section (1) of section 44AD & sub-section (1) of section 44ADA shall also be liable to pay Advance Tax in one instalment on or before 15th of March.

This amendment will take effect from A.Y.2017-18.

Disallowance for non-deduction of tax from payment to resident in respect of Income from Other Sources:

To apply provisions of Section 40(a)(ia) in computing income chargeable under the head “income from other sources” as they apply in computing income chargeable under the head “profit and gains of business or Profession.”

Previously, disallowance for non-deduction of tax from payment to non-resident, now extended to resident also in Section 58 (i.e. reference made to Section 40(a)(ia) now).

This amendment will take effect from A.Y.2018-19.

Limitation of interest deduction in certain cases:

Related to interest expenses of more than one crore to associated enterprises (non-resident) claimed by an entity:

- Interest expenses claimed by any entity to its associates enterprises restricted to 30% of its EBITDA or interest paid or payable to associates enterprises whichever is less.
- Applicable to Indian Company or Permanent establishment of a foreign Company in India (Borrower)
- Debt issued to Non Resident or to a permanent establishment of a non-resident and which is an associated enterprise (includes guarantee also).
- Allow to carry forward of disallowed interest expenses for eight assessment years immediately succeeding the assessment year for which the

Taxation Of Profits And Gains From Business And Profession

disallowance was first made.

- Maximum allowance in subsequent years is to the extent of maximum allowable interest expenditure in that particular year.
- Exclude Banks and insurance business.

This amendment will take effect from A.Y. 2018-19.

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

Incentive for promoting Housing and real estate sector:

In section 80IBA 100% exemptions of profits was provided to developer for developing and building affordable housing projects as per specified conditions. The scope of exemptions has been expanded with amendments in current Finance Bill:-

- Now builder can complete the project within a period of five years (previous three years) from the date of approval of competent authority.
- Exemption was available to the builder who is engaged in development of units of 30 sq mtr and 60 sq mtr built up area. Now exemption is available for development of units of 30 Sq mtr and 60 Mtr on basis of CARPET AREA. Therefore, the proposed size of house got increased.
- Limits of 30 sq mtr in case of units located within distance of 25 KM from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai is removed, therefore in these units project of 60 sq mtr can be developed.
- “Carpet Area” means the net usable floor area of an apartment, excluding the area covered by the external walls, areas under services shafts, exclusive balcony or verandah area and exclusive open terrace area, but includes the area covered by the internal partition walls of the apartment.
- Explanation – For the purpose of this clause, the expression “exclusive balcony or verandah area” means the area of the balcony or verandah, as the case may be, which is appurtenant to the net usable floor area of an apartment, meant for the exclusive use of the allottee; and “exclusive open terrace area” means the area of open terrace which is appurtenant to the net usable floor area of an apartment, meant for the exclusive use of the allottee.

This amendment will take effect from A.Y. 2018-19.



Capital Gains

Immovable property being land or building:

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

This amendment will take effect from A.Y. 2018-19.

Conversion of Preference Shares to Equity Shares:

In order to provide tax neutrality to the conversion of preference share of a company into equity share of the same company, it is proposed to amend section 47 to provide that the conversion of preference share of a company into its equity share shall not be regarded as transfer. Therefore, corresponding amendment is made into section 2(42A) to include the period for which Preference Shares were held into period of holding of equity shares.

This amendment will take effect from A.Y. 2018-19.

Consolidated plan of Mutual Fund:

In case any units or unit of mutual fund plans got consolidated as per SEBI approval, then Transfer of Units from consolidating plan to Consolidated plan is exempt in hands of unit holder. Now to streamline the provisions amendment is made into section 2(42A) to include period for which consolidating plans are held in period of holding of consolidated plan of mutual fund. E.g. a person is holding two mutual funds A & B and both funds get consolidated into X fund, in this case period of holding of A & B will also be considered.

This amendment will take effect from A.Y. 2017-18.

Capital Gains

Exemption in Andhra on transfer of land owing to new state capital:

For formation of new state Capital “Amaravati”, government of Andhra Pradesh has acquired land from residents through Land Pooling Schemes. As per Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2014 the specified compensation is exempt from Income Tax. However, Income Tax doesn't provide such exemption till date. Therefore, exemption is provided for the same in this Finance Bill.

- Exemption is available only to Individual or HUF.
- Exemption will be available to assessee who owns land or building or both as on 02/06/2014.
- If a reconstituted plot or land is received by assessee in lieu of acquired land or building, it must be transferred within two years from end of financial year in which possession of such plot or land was handed over to him to avail exemption.

Further section 194 LA is also amended to exempt such transaction from TDS applicability. This amendment will take effect retrospectively from A.Y. 2015-16.

Taxability of Joint Development Agreement:

There were lot of disputes in past on the taxability of Capital Gain for owner in respect of Joint Development agreement (Collaboration Agreement). To settle all the disputes sub-section 5A to Section 45 is inserted.

As per this sub-section Capital Gain arising to Individual or HUF under a specified agreement will be subject to income tax in previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. Previously as per definition of transfer taxability arises on transfer of possession to the developer. Therefore, it is seen as welcome move to remove the genuine hardship.

Capital Gains

Consideration in this case will be stamp duty value of Land or building or both for his share increased by monetary consideration if any.

This amendment will take effect from A.Y. 2018-19.

Change in Base year for indexed Cost of Acquisition:

As the base year for computation of capital gains has become more than three decades old, assessee are facing genuine difficulties in computing the capital gains in respect of a capital asset, especially immovable property acquired before 01.04.1981 due to non-availability of relevant information for computation of fair market value of such asset as on 01.04.1981. Therefore, base year for the calculation of Cost of Acquisition and Cost of Improvement is changed to 01.04.2001.

This amendment will take effect from A.Y. 2018-19.

Capital Gain Exemption Bonds

At present LTCG exemption upto Rs. 50 lacs can be availed by investment in NHAI & RECI bonds within six months from date of transfer. Now exemption will also be available for purchase of other central government specified bonds.

This amendment will take effect from A.Y. 2018-19.

Extension of capital gain exemption to Rupee Denominated Bonds:

Any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer.



Capital Gains

Gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company to secondary holders as well, said appreciation of rupee shall be ignored for the purposes of computation of full value of consideration.

This amendment will take effect from A.Y.2018-19.

Exemption of long term capital gains tax:

It is proposed to provide that exemption under this section for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share is chargeable to Securities Transactions Tax under Chapter VII of the Finance (No 2) Act, 2004.

However, to protect the exemption for genuine cases where the STT could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc., it is also proposed to notify transfers for which the condition of chargeability to STT on acquisition shall not be applicable.

Finance Bill is silent on Off Market and ESOP transactions.

This amendment will take effect from A.Y.2018-19.

Special provision for determining full value of consideration for transfer of share other than quoted share:

Where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner. FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains".

This amendment will take effect from A.Y.2018-19.



Capital Gains

Clarification regarding the applicability of section 112:

It is clarified that the share of company in which public are not substantially interested sold by non-resident shall also be chargeable to tax at the rate of ten per cent for long term capital gain. Earlier, there was an uncertainty as to whether the provision of section 112(1)(c)(iii) is applicable to the transfer of share of a private company.

This amendment will take effect from A.Y. 2013-14.

Cost of acquisition of capital assets for entities where tax on accreted income paid:

Cost of acquisition of assets sold by a trust or institution which has paid tax on its accreted income u/s 115TD shall be deemed to be fair market value of the asset.

This amendment will take effect retrospectively from 01 June, 2016.

Tax Incentives For Start Ups

Relief for Carryforward and set off of loss to startups:

The existing provisions of section 79 of the Act, inter-alia provides that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year unless on the last day of the previous year the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by person who beneficially held shares of the company carrying not less than fifty-one per cent of the voting power on the last day of the year or years in which the loss was incurred.

In order to facilitate ease of doing business and to promote start up India, it is proposed to amend section 79 of the Act to provide that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested and being an eligible start-up as referred to in section 80 -IAC of this Act, loss shall be carried forward and set off against the income of the previous year, if all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of seven years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.

This amendment will take effect from A.Y.2018-19.

Extending the period for claiming deduction by start-ups:

It is proposed that deduction of amount equal to one hundred per cent of the profits and gains derived from eligible business of startups for three consecutive assessment years out of seven years beginning from the year in which such eligible start-up is incorporated. (Previously deduction of profits for three consecutive assessment years out of five years).

This amendment will take effect from A.Y.2018-19.



TDS and TCS Provisions

Tax Deducted at Source (TDS)

Commission to Insurance Agents:

Individuals and HUFs in respect of insurance commission received/receivable u/s 194D can now file self-declaration in Form.No.15G/15H for non-deduction of TDS if his total estimated income would be nil.

This amendment will take effect from 01 June, 2017.

Payment of rent by certain individuals or Hindu undivided family:

Individual and HUF (Not liable for Tax Audit) will be liable to deduct TDS on Rent Payment in excess of Rs.50,000/- per month or part of a month @ 5%. TDS will be deducted only once in a year at the time of last payment in previous year or last payment if premise is vacated during the year. Assessee need not apply for TAN in this case. In case landlord doesn't provide PAN number, then TDS @20% is required to be deducted, however total TDS to be deducted cannot exceeds the rent payable for last month or last month of tenancy.

This amendment will take effect from 1st June 2017.

TDS on payment against Joint Development Agreements:

TDS @ 10% is required to be deducted by developer on amount of money credited or paid by developer to resident in cash or cheque or ECS in lieu of Joint Development Agreement.

This amendment will take effect from 1st April 2017 (i.e.A.Y.2018-19).

TDS and TCS Provisions

Extension of concessional tax rate to ECB:

The existing provisions of section 194LC of the Act provide that the interest payable to a non-resident by a specified company on borrowings made by it in foreign currency from sources outside India under a loan agreement or by way of issue of any long-term (LT) bond including long-term infrastructure bond shall be eligible for concessional TDS of five per cent. Except LT Infra Bonds, for others window was going to expire on 01.07.2017 which is extended upto 01.07.2020.

This amendment will take effect from A.Y. 2018-19.

Scope of section 194 LC is also extended to Rupee Denomination Bonds issued to NRI by Indian companies in INR. This provision is applicable retrospectively from assessment year 2016-17.

Extension of concessional tax rate FII and QFI on investment in Govt Securities and Rupee Denominated bonds:

The income by way of interest to Foreign Institutional Investor or a Qualified Foreign Investor on a rupee denominated bond of an Indian company; or a Government security was liable to TDS at the rate of 5%. Exemption window was available till 01/07/2017, which is extended to 01/07/2020 by this finance bill.

This amendment will take effect from A.Y. 2018-19.

TDS in case Fees for professional or technical services under section 194J:

Rate of TDS has been reduced from 10% to 2% in case of payee, engaged only in the business of operation of call centre.

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

TDS and TCS Provisions

Tax Collected at Source (TCS)

Exemption from TCS under sub-section (1F) of section 206C in case of certain specified buyers:

It is proposed that TCS u/s 206C is not required to be collected on receipt of consideration for sale of a motor vehicle exceeding Rs.10 lakhs by Central Government, State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to Section 10(20); a public sector company which is engaged in the business of carrying passengers.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

TCS made at par with TDS in case of non furnishing of PAN:

In case of non-furnishing of PAN for TCS (in case of Resident only)

- Higher rate of TCS (twice of the prescribed rates or 5% whichever is more).
- No Credit of TCS as no certificate will be generated.
- Section 206CC is not applicable to Non-resident having no Permanent Establishment in India.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

Assessment Procedure, Penalties And Prosecution

Enable withholding of refund in certain cases:

For every assessment year commencing on or after the 1st day of April, 2017, where refund of any amount becomes due to the assessee under the provisions of section 143(1) and the Assessing Officer is of the opinion, having regard to the fact that a notice has been issued under sub-section (2) of section 143 in respect of such return, that the grant of the refund is likely to adversely affect the revenue, he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner or Commissioner, as the case may be, withhold the refund up to the date on which the assessment is made.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2017-18).

Interest on refund due to deductor:

Where refund of any amount becomes due to the deductor in respect of any amount paid to the credit of the Central Government under Chapter XVII-B, such deductor shall be entitled to receive, in addition to the said amount, simple interest thereon at the rate of 0.5% for every month or part of a month from the date on which claim for refund is made or in case order passed in appeal, from the date on which tax is paid, to the date on which refund is granted. Interest shall not be allowed for the period of delay in proceedings is attributable to the deductor.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

Amendments to the structure of Authority for Advance Rulings:

To promote ease of doing business, it has been decided by the Government to merge the Authority for Advance Ruling (AAR) for Income-Tax, Central Excise, Customs Duty and Service Tax.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

Assessment Procedure, Penalties And Prosecution

Expanded the scope of order appealable before the Appellate Tribunal:

It is proposed to expand the scope of the section to provide that the orders passed by the prescribed authority under sub-clauses (iv) and (v) of sub-section (23C) of section 10 shall also be appealable before the ITAT.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

Empowering CBDT to issue directions in respect of penalty for failure to deduct or collect tax at source:

It is proposed to insert reference of sections 271C and 271CA, so as to empower the CBDT to issue Directions or Instructions in respect of the said sections also.

This amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

Rationalisation of time limits for completion of assessment, reassessment and re-computation:

- It is proposed to provide that for the AY 2018-19, the time limit for making an assessment order under sections 143 or 144 shall be reduced from existing twenty-one months to eighteen months from the end of the assessment year, and for the AY 2019-20 and onwards, the said time limit shall be twelve months from the end of the assessment year in which the income was first assessable.
- It is further proposed to provide that the time limit for making an order of assessment, reassessment or re-computation under section 147, in respect of notices served under section 148 on or after the 1st April, 2019 shall be twelve months from the end of the financial year in which notice under section 148 is served.
- It is also proposed to provide that the time limit for making an order of fresh assessment in pursuance of an order passed or received in the financial

Assessment Procedure, Penalties And Prosecution

year 2019-20 and onwards under sections 254 or 263 or 264 shall be twelve months from the end of the financial year in which order under section 254 is received or order under section 263 or 264 is passed by the authority referred therein.

- It is also proposed to provide that where an order under section 250 or 254 or 260 or 262 or 263 or 264 requires verification of any issue by way of submission of any document by the assessee or any other person or where an opportunity of being heard is to be provided to the assessee, the time limit relating to fresh assessment provided in sub-section (3) shall apply to the order giving effect to such order.
- It is also proposed to provide that where a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or under section 148 has been issued prior to the 1st day of June, 2016 and the assessment or reassessment has not been completed by due date, such assessment or reassessment shall be completed in accordance with the provisions of section 153 as it stood immediately before its substitution by the Finance Act, 2016. (Two years from the end of the assessment year under section 143 and one year from the end of the financial year in which notice is served U/s 148).

Reducing the time for filing revised return:

It is proposed to provide that the time for furnishing of revised return shall be available upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

This amendment will take effect from A.Y. 2018-19.

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

It is proposed to provide that for search and seizure cases conducted in the financial year 2018-19, the time limit for making an assessment order under section 153A shall be reduced from existing twenty-one months to eighteen months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed. It is further proposed that for search and seizure cases conducted in the financial year



Assessment Procedure, Penalties And Prosecution

2019-20 and onwards, the said time limit shall be further reduced to twelve months from the end of the financial year in which the last of the authorizations for search under section 132 or for requisition under section 132A was executed. It is also proposed to provide that where a proceeding before the Settlement Commission abates under section 245HA, the period of limitation available under this section for assessment or reassessment shall after the exclusion of the period under sub-section (4) of section 245HA shall not be less than one year; and where such period of limitation is less than one year, it shall be deemed to have been extended to one year.

The amendment will take effect from 1st April, 2017 (i.e. A.Y. 2018-19).

Rationalisation of provisions of the Income Declaration Scheme, 2016

The existing provisions of Section 197© of the Finance Act, 2016 provide that where any income has accrued, arisen or been received or any asset has been acquired out of such income prior to commencement of the Income Declaration Scheme, 2016, and no declaration in respect of such income is made under the Scheme, then, such income shall be deemed to have accrued, arisen or received, as the case may be, in the year in which a notice under section 142(1) or 143(2) or 148 or 153A or 153C of the Income-tax Act is issued by the Assessing Officer, and provisions of the said Act shall apply accordingly.

In view of the various representations received from stakeholders citing genuine hardships if the said provision is made applicable, it is proposed to omit clause (c) of section 197 of the Finance Act, 2016.

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

Consequential Amendment after omit clause (c) of Section 197:

To protect the interest of the revenue in cases where tangible evidence(s) are found during a search or seizure operation (including 132A cases) and the same is

Assessment Procedure, Penalties And Prosecution

represented in the form of undisclosed investment in any asset, it is proposed that section 153A relating to search assessments be amended to provide that notice under the said section can be issued for an assessment year or years beyond the sixth assessment year already provided up to the tenth assessment year if:

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

Amended provisions of section 153A shall apply where search under section 132 is initiated or requisition under section 132A is made on or after the 1st day of April, 2017.

Mandatory furnishing of return by certain exempt entities:

Any person as referred to in clause (23AAA), Investor Protection Fund referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and any Board or Authority referred to in clause (29A) of section 10 shall also be mandatorily required to furnish a return of income.

This amendment will take effect from A.Y. 2018-19.

Fee for delayed filing of return:

If return is not filed within due dates u/s 139(1),

- a fee of 5000/- shall be payable, if the return is furnished after the due date but on or before the 31st day of December of the assessment year;
- a fee of 10,000/- shall be payable in any other case.



Assessment Procedure, Penalties And Prosecution

However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed Rs.1,000/-. Consequential changes made in Section 140A & Section 143(1) to take effect of Section 234F and Section 271F will not apply in respect of penalty for failure to furnish return of income from assessment year 2018-19.

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

Section 271J: If an accountant or a merchant banker or a registered valuer, furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder, the Assessing Officer or the Commissioner (Appeals) may direct him to pay a sum of 10,000/- for each such report or certificate by way of penalty.

Section 273B: if the person proves that there was reasonable cause for the failure referred to in the said section, then penalty shall not be imposable in respect of the proposed section 271J.

Note: No power to C I T to levy penalty u/s 271J.

This amendment will take effect from 1st April, 2017 (i.e.A.Y. 2018-19).

Powers of provisional attachment and to make reference to valuation officer in search cases:

Enabling provisions for provisional attachment of any property or valuation thereof by authorized officer during search or within 60 days from the date of last authorization executed by income tax authority with prior approval of Principal Director General or Director General or Principal Director or Director.

Reference may be made u/s 142A to a registered valuer also by the officer within 60 days of last panchnama who shall submit his report within 60 days of reference.

This amendment will take effect from 1st April, 2017 (i.e.A.Y. 2018-19).

Assessment Procedure, Penalties And Prosecution

Rationalisation of the provisions in respect of power to call for information:

Powers now given to Joint Director, the Deputy Director and the Assistant Director to call for the information even when no proceedings are pending before them to any place.

This amendment will take effect from 1st April, 2017 (i.e.A.Y.2018-19).

Extension of the powers to survey:

Powers to survey where any activity for charitable purpose is carried on are proposed to be given to an Income Tax Authority and further powers also to record statement of trustee, employees, the attending or helping carrying out of charitable activity.

This amendment will take effect from 1st April, 2017 (i.e.A.Y.2018-19).

Centralised issuance of notice and processing of information:

CBDT to frame a scheme for Centralised issuance of notice and processing of information and making available outcome of processing to the Assessing Officer.

Rationalisation of provisions of IDS and consequential changes to section 153A & 153C:

Section 197© of the finance Act, 2016 deleted retrospectively wef 01/06/2016. However, in case of search & seizure operations including 132A cases similar provisions can be invoked for relevant assessment years prior to six assessment year where search conducted or requisition made subject to the escaped income of Rs.50 lakhs or more represented in the form of assets in one or four years in aggregate.

Misc. Provisions

Restricting cash donations:

It is proposed that donation of any sum exceeding two thousand rupees made in cash shall not be allowed as deduction. (Previously donation exceeding Ten thousand rupees paid in cash were disallowed)

This amendment will take effect from A.Y. 2018-19.

Restricting cash transactions:

It is proposed to provide that no person shall receive an amount of Rs.3 lakhs or more,—

- in aggregate from a person in a day;
- in respect of a single transaction; or
- in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

It is further proposed that the said restriction shall not apply to : –

- Government,
- any banking company, post office, savings bank or co-operative bank
- Transactions of nature referred in Section 269SS
- Persons or class of persons central govt may notify.

On contravention, it is proposed to impose a penalty of sum equal to the amount received. The penalty shall be levied by Joint commissioner. However, the

Misc. Provisions

penalty shall not be levied if the assessee proves that there were good and sufficient reasons for such contravention.

Since the receipt of money exceeding Rs.3 lakhs is in contravention of Sec 269ST, a consequent omission of TCS @1% on cash sale of jewellery exceeding Rs.5 lakhs have been made.

This amendment will take effect from 1st April, 2017 (i.e. A.Y.2018-19).

Transparency in Electoral Funding:

It is proposed that the political parties have to fulfil the following additional conditions to avail the benefit of Section 13A:

- Parties will not receive donation of amount of Rs.2000/- or more otherwise through by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds.
- Party furnishes a return of income within the due date u/s 139(1)

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

Previously the political parties to avail benefits of Section 13, were not debarred from accepting donations in cash and could even avail the exemption even if the return was not filed.

This amendment will take effect from A.Y.2018-19.

Misc. Provisions

Scope of section 92BA of the Income-tax Act relating to Specified Domestic Transactions:

It is proposed that “specified domestic transaction” u/s 92BA shall not include any expenditure in respect of which payment has been made or is to be made to a person referred to in section 40A(2)(b). Due to this amendment, transaction limit of 20 crores will not include transactions with specified persons under section 40A(2)(b) for applicability of Domestic Transfer Pricing audit.

This amendment will take effect from A.Y. 2017-18.

Credit for foreign tax paid in cases of dispute:

Credit of tax which was under dispute shall be allowed for the year in which such income is offered to tax or assessed to tax in India for foreign taxes if subsequently such dispute is settled; and the assessee within six months from the end of the month in which the dispute is settled, furnishes to the Assessing Officer evidence of settlement of dispute and evidence of payment of tax.

This amendment will take effect from A.Y. 2018-19.

Widening scope of Income from other sources:

It is proposed that receipt of the sum of money or the property by any person (earlier it was only individual/HUF) without consideration or for inadequate consideration in excess of Rs.50,000/- shall be chargeable to tax in the hands of the recipient under the head “Income from other sources”.

It is also proposed to widen the scope of existing exceptions by including the receipt by certain trusts or institutions and receipt by way of certain transfers not regarded as transfer under section 47.

This amendment will take effect from A.Y. 2018-19.

Misc. Provisions

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

Current Situation: Corpus Donation given by exempt entities to another exempt entity out of current year receipt/income of such donor is considered application of income in the hands of donor trust but is not considered as income of the recipient trust.

Now, it shall not be treated as application of income in hand of donor trust or other exempted entities.

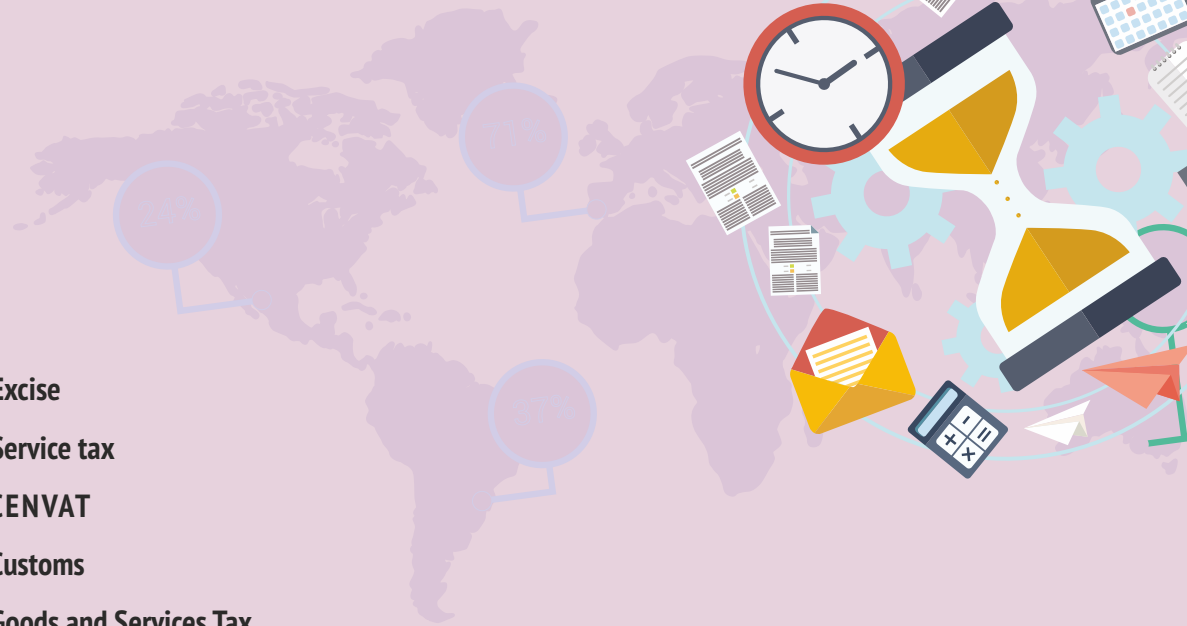
Exempt entities: Entities registered under Section 12AA or under Section 10(23C)(iv)/(v)/(vi)/(via).

This amendment will take effect from A.Y. 2018-19.

Direct Tax Proposals

Indirect Taxes

- I. Excise
- II. Service tax
- III. CENVAT
- IV. Customs
- V. Goods and Services Tax



Excise

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

Changes To Excise Act, 1944:

- Rate changes (effective from 2 February, 2017; applicable until 30 June, 2017)
- Excise duty on micro ATMs as per standards version 1.5.1, fingerprint reader/ scanner, iris scanner, miniaturised point-of-sale (POS) card reader for mPOS (other than mobile phones or tablet computers) and parts and components for use in the manufacture of such products has been exempted till 30 June, 2017.
- Excise duty rate on all parts for manufacture of LED lights or fixtures, including LED lamps has been reduced to 6% until 30 June, 2017.
- Exemption on POS devices and goods used for manufacture of POS devices has been extended by three months until 30 June, 2017.
- Excise duty rate on motor vehicles for transportation of more than 13 persons including the driver has been reduced to 12.5% with retrospective effect from 1 January, 2017.

Changes To Central Excise Rules

- Time limit of three months (further extendable by six months, subject to sufficient cause being shown) has been prescribed for deciding the remission of duty (effective 2 February, 2017).

Advance Ruling

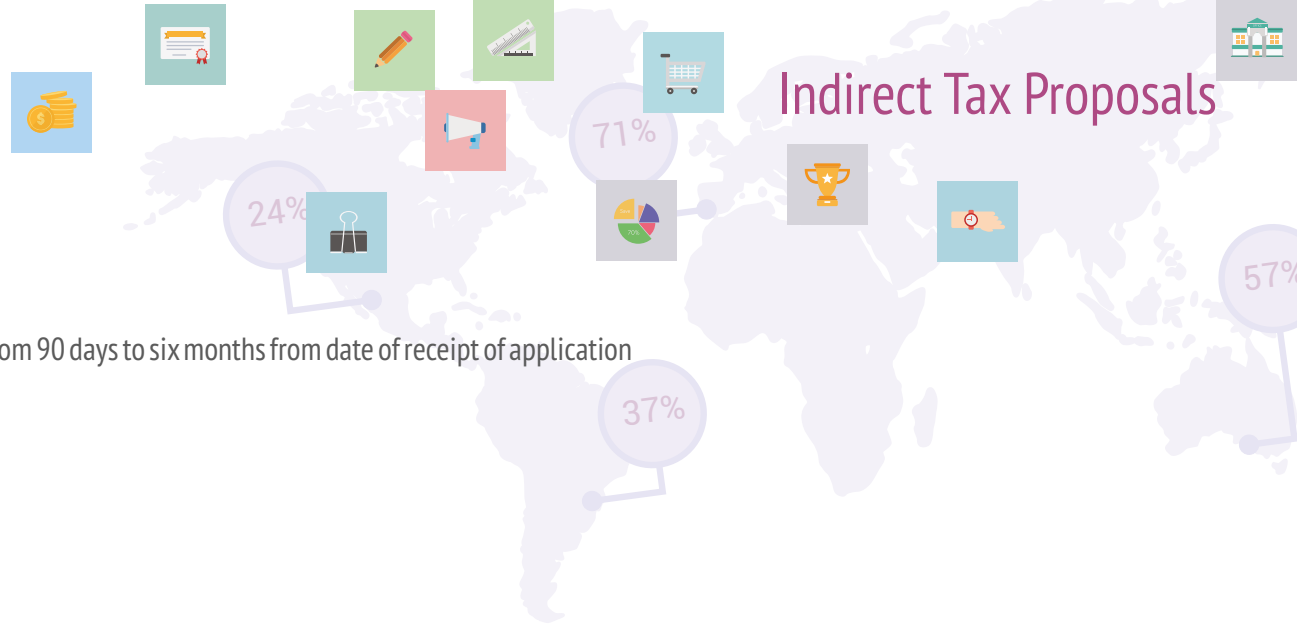
Changes made in provisions for advance ruling (for excise, customs and service tax). These include –

- Authority for advance ruling would be same as under Income Tax
- Fee for application of advance ruling increased to Rs. 10,000

Excise

- Time to pronounce ruling increased from 90 days to six months from date of receipt of application
- Existing cases shall stand transferred

Indirect Tax Proposals



Service Tax

The effective rate of service tax remains unchanged. Further, no major changes made in service tax exemptions or legislative provisions.

Changes in exemptions with effect from 2 February, 2017

- Scope of exemption for services provided by Indian Institutes of Management by way of 2 year full-time post-graduate programmes has been widened – earlier, only residential programs were exempted; however, all 2-year full-time post-graduate programmes would now be exempted.
- Exemption has been provided to services of transport of passengers provided by airlines to the government against viability gap funding (VGF), embarking or terminating from a Regional Connectivity Scheme Airport. Exemption is available up to one year from date of commencement of such airports.

Changes effective from date of enactment of Finance Bill, 2017

- Exemption from service tax for services by way of carrying out any process amounting to manufacturing or production of goods (excluding liquor for human consumption) shifted from Negative List to Mega Exemption Notification. There is no change in effective taxability. Exemption for intermediate production process as job worker has been restricted to cases where such process does not amount to manufacture. In case the process amounts to manufacture, exemption is already covered in another clause.

Changes effective from retrospective date

- Retrospective exemption to life insurance services provided by Army, Naval and Air Force Group Insurance Funds to members of defence forces. The amendment is effective from 10 September 2004.
- Retrospective exemption for payment of service tax on one-time upfront amount (premium, salami, cost price and development charge by whatever name called) for long-term lease of 30 years or more of industrial plots by State Government Industrial Development Corporation or Undertaking. The amendment is effective from 1 June, 2007 to 21 September, 2016. The following should be noted:

Service Tax

- This change is line with a similar exemption issued from 22 September, 2016 onwards.
- Refund is to be filed for service tax already collected. Application for refund is to be filed within a period of six months from the date of enactment of Finance Bill, 2017.
- Retrospective amendments have been introduced for valuation of works contract where taxable value recovered from customer includes the value of land as well. In such cases, the amendment prescribes that the value for payment of service tax would not include the value of land.

Indirect Tax Proposals

CENVAT

Time limit of three months from the date of receipt of application (further extendable by six months) has been prescribed for approval of requests regarding transfer of unutilized cenvat credit lying in accounts in case of transfer of business (e.g. on account of sale, merger, amalgamation or lease).

Indirect Tax Proposals

Customs

With GST on the anvil, the Finance Minister has not announced any significant change in Customs laws. While the general effective customs duty rate has remained unchanged, the Finance Minister has exempted import duties on specific products, inputs and raw materials to promote the “Digital India” and “Make in India” initiatives of the government.

Rate of duty

Median rate of Basic Custom Duty has been retained at 10%.

Changes to Customs Act, 1962

- Concept of “beneficial owner” has been introduced under Customs law to widen the ambit of definitions of importer and exporter.
- “International courier terminal” and “Foreign post office” are included in the definition of “Customs station.”
- Excess duty paid by importer in specified cases will be kept outside the ambit of unjust enrichment for the purpose of claiming refund.
- Bill of entry for home consumption/ warehousing is to be filed by the end of next day (excluding holidays) from the date on which the vessel, aircraft or vehicle carrying the goods arrives at a customs station. Charges as prescribed are to be levied in case of delayed presentation of bill of entry.
- Person-in-charge of a conveyance entering or departing from India is required to provide passenger and crew information in the specified format, manner and time to the proper officer. Penalty not exceeding INR 50,000 is to be prescribed for noncompliance.
- Period for payment of import duty has been prescribed as follows:
 - In case of self-assessment – on the date of presentation of bill of entry
 - In case of assessment, re-assessment or provisional assessment – within one day (excluding holidays) from the date on which the bill of entry is returned to the importer by the proper officer for payment of duty
- Facility for storage of imported goods in a public warehouse pending clearance has been extended to goods imported for warehousing before their

Customs

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

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

The above changes are effective from the date of enactment of Finance Bill, 2017.

Changes to Customs Tariff Act, 1975

- Exemption to three categories of non-actionable subsidies (such as for research activities, disadvantaged regions in exporting country and promotion of existing facilities to new environmental requirements) from the scope of anti-subsidy investigations has now been withdrawn.
- Extension of classification for all personal imports through courier service to Chapter 9804.

The above changes are effective from the date of enactment of Finance Bill, 2017.

Customs

Changes in customs duty rates

To provide a boost to the manufacturing and power sector and to, inter alia, address the issues of inverted duty structure, the following concessions are introduced:

Goods on which BCD rate exempted/reduced

Goods	Existing Rate (%)	New Rate (%)
Liquefied natural gas (LNG)	5	2.5
<ul style="list-style-type: none"> - Micro ATMs as per standards version 1.5.1; - Fingerprint reader/ scanner; - Iris scanner; - Miniaturised POS card reader for mPOS (other than mobile phones or tablet computers); - Parts and components for use in the manufacture of aforesaid goods. 	7.5	NIL
All items of machinery, including instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for (a) initial setting up of fuel cell based system for generation of power or for demonstration purposes; or (b) balance of systems operating on bio-gas or bio-methane or by-product hydrogen	Varied rates	5
Catalyst and resin for use in the manufacture of cast components of wind operated electricity generator, subject to actual user condition	7.5	5



Customs

Goods	Existing Rate (%)	New Rate (%)
Solar tempered glass or solar tempered (anti-reflective coated) glass for manufacture of solar cells/panels/modules, subject to actual user condition	5	NIL
Hot rolled coils for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306	12.5	10
Magnesium oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO) falling under 7225 11 00	10	5
All parts used in the manufacture of LED lights or fixtures including LED Lamps	Varied Rates	5
All inputs used in the manufacture of LED (light emitting diode) driver or metal core printed circuit boards for LED lights and fixtures or LED Lamps	Varied Rates	5
o-Xylene	2.5	NIL
Medium quality terephthalic acid (MTA) and qualified terephthalic acid(QTA)	10	5
Wattle extract	7.5	2.5
Myrobalan fruit extract	7.5	2.5
Vinyl polyethylene glycol	10	7.5

Customs

Goods on which BCD rate increased

Goods	Existing Rate (%)	New Rate (%)
Cashew nut, roasted, salted or roasted and salted [20081910] – immediate effect	30	45
Parts of filtering or purifying machinery and apparatus for liquids or gases – immediate effect	7.5	10
Co-polymer coated MS tapes/ stainless steel tapes for use in manufacture of telecommunication grade optical fibres or optical fibre cables	Nil	10

Goods on which SAD exempted / reduced

Goods	Existing Rate (%)	New Rate (%)
Catalyst and resin for use in the manufacture of cast components of wind operated electricity generator, subject to actual user condition	4	NIL (Valid Till 30/06/2017)

Goods on which SAD exemption withdrawn

Goods	Existing Rate (%)	New Rate (%)
Populated PCBs for use in manufacture of mobile phones, subject to actual user condition	NIL	2 (valid till 30th June, 2017, post which the rate would increase to 4%)

Customs

Export duty imposed on following goods

Goods	Existing Rate (%)	New Rate (%)
Other aluminium ores, including laterite falling under tariff classification 2606 00 90, with immediate effect	0	15

The above changes will be effective from 2 February, 2017

Limit for availing customs duty exemption on import of goods through postal parcels, packets and letters has been increased from “duty payable of INR 100” to “CIF value of Rs.1,000 per consignment.”

Exemption limit for duty-free imports (exempted from BCD, CVD and SAD] of buckles, “D” ring, eyes, rivets, studs, etc. imported by a manufacturer of leather footwear, synthetic footwear or other leather products for exports has been increased from 3% to 5% of the FOB value of goods exported during the preceding financial year.

The above changes will be effective from 2 February, 2017.

Goods And Services Tax {GST}

- GST Council has finalized its recommendations on most issues based on consensus
- Extensive reach-out efforts to trade and industry for GST will commence from 1 April, 2017.

Indirect Tax Proposals



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