Budget 2018

MANIAN & RAO

CHARTERED ACCOUNTANTS

Foreward

The Union Budget 2018-19 holds special significance being last full budget of the current government before 2019 general elections and the first budget post implementation of GST. The budget focusses on strengthening agriculture and rural economy, provision of good health care to economically less privileged, taking care of senior citizens, infrastructure creation and working with the States to provide more resources for improving the quality of education in the country.

Continuing Government's path of fiscal reduction and consolidation, the Finance Minister projected a Fiscal Deficit of 3.3% of GDP for the year 2018-19. The Revised Fiscal Deficit estimates for 2017-18 were put at Rs. 5.95 lakh crore at 3.5% of GDP. He also proposed acceptance of key recommendations of the Fiscal Reform and Budget Management Committee to bring down Central Government's Debt to GDP ratio to 40%.

While the budget offered a very nominal relief to salaried individuals in the form of standard deduction in lieu of medical expenses reimbursement and transport allowance exemption, concessional corporate tax rate of 25% for domestic companies with turnover upto INR 250 Crores during FY 2017 is a welcome move. However, a marginal increase in the tax rate is proposed due to replacement of existing 3% of education cess by health and education cess @ 4%.

Turning to rationalization of Long Term Capital Gains (LTCG), the Finance Minister noted buoyancy in the equity market, as a result of reforms and incentives given so far. Shri Jaitley has proposed to tax such Long Term Capital Gains exceeding Rs. 1 lakh at the rate of 10 percent, without allowing any indexation benefit. However, all gains up to 31st January, 2018 will be grandfathered. The Finance Minister has also proposed to introduce a tax on distributed income by equity oriented mutual funds at the rate of 10 percent, to provide a level field across growth oriented funds and dividend distributing funds.

Government continues to take steps to align the domestic tax laws with OECD-BEPS Action Plans. Accordingly the ambit of 'business connection' is widened and a concept of significant economic presence has been introduced. From an indirect tax perspective, changes are restricted to Custom Duty and are primarily to reduce litigations and give impetus to Government's 'Make in India' initiative.

Let us now zoom in on key policy announcements in Union Budget 2018.

Happy Reading!!!

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	FY 2016-17 (Actuals) (INR In Crores)	FY 2017-18 (Budget Estimates) (INR In Crores)	FY 2017-18 (Revised Estimates) (INR In Crores)	FY 2018-19 (Budget Estimates) (INR In Crores)
1. **Revenue Receipts**	**1374203**	**1515771**	**1505428**	**1725738**
2. *Tax Revenue (Net to Centre)*	*1101372*	*1227014*	*1269454*	*1480649*
3. *Non-tax Revenue*	*272831*	*288757*	*235974*	*245089*
4. ***Capital Receipts***	***600991***	***630964***	***712322***	***716475***
5. *Recovery of Loans*	*17630*	*11933*	*17473*	*12199*
6. *Other Receipts*	*47743*	*72500*	*100000*	*80000*
7. *Borrowings and Other Liabilities*	*535618*	*546531*	*594849*	*624276*
8. **Total Receipts (1 + 4)**	**1975194**	**2146735**	**2217750**	**2442213**
9. **Total Expenditure (10 + 13)**	**1975194**	**2146735**	**2217750**	**2442213**
10. On Revenue Account of which	1690584	1836934	1944305	2141772
11. *Interest Payments*	*480714*	*523078*	*530843*	*575795*

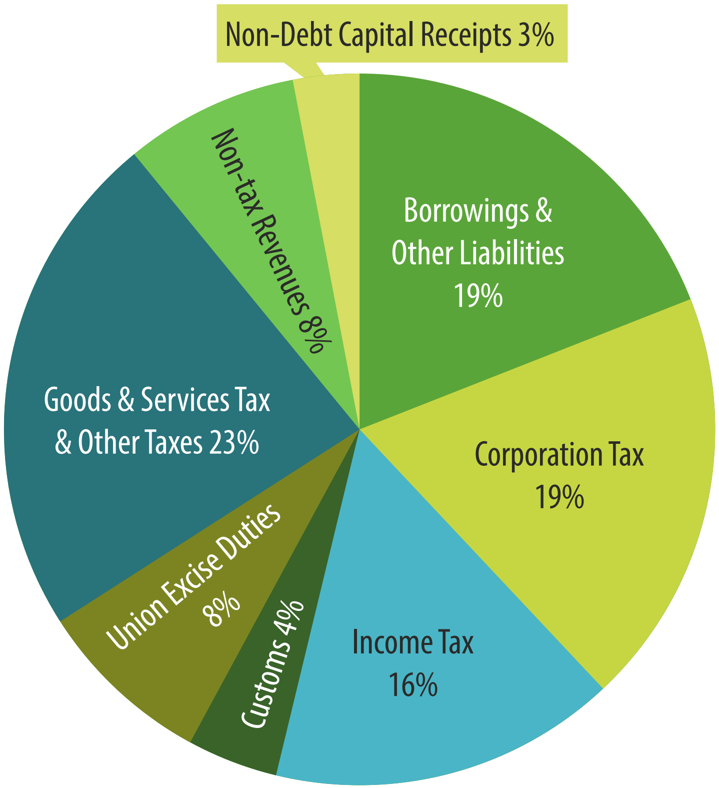
Budget at Glance

Budget Financials 2017-18

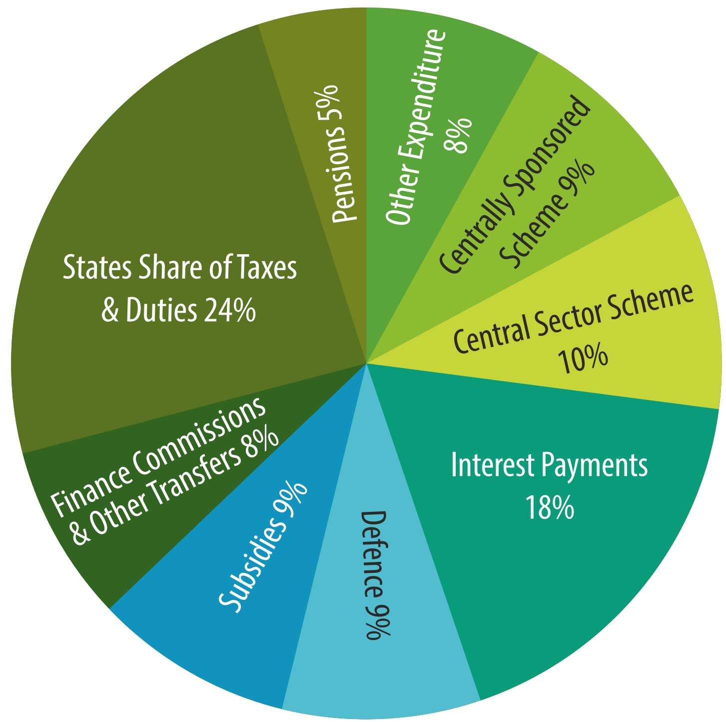
	FY 2016-17 (Actuals) (INR In Crores)	**FY 2017-18** (Budget Estimates) (INR In Crores)	**FY 2017-18** (Revised Estimates) (INR In Crores)	**FY 2018-19** (Budget Estimates) (INR In Crores)
12. *Grants in Aid for creation of capital assets*	*165733*	*195350*	*189245*	*195345*
13. On Capital Account	284610	309801	273445	300441
14. **Revenue Deficit (10 – 1)**	**316381 (2.1)**	**321163 (1.9)**	**438877 (2.6)**	**416034 (2.2)**
15. **Effective Revenue Deficit (14 – 12)**	**150648 (1.0)**	**125813 (0.7)**	**249632 (1.5)**	**220689 (1.2)**
16. **Fiscal Deficit [9-(1+5+6)]**	**535618 (3.5)**	**546531 (3.2)**	**594849 (3.5)**	**624276 (3.3)**
17. **Primary Deficit (16 – 11)**	**54904 (0.4)**	**23453 (0.1)**	**64006 (0.4)**	**48481 (0.3)**

Budget at Glance

Where the Rupee comes from



Where the Rupee goes



BUDGET 2018

Budget at Glance

Key Policy Announcements

The Union Budget 2018 focuses on strengthening agriculture and rural economy, better health care to economically weaker sections of society, providing benefits to senior citizens, infrastructure development and improving quality of education in the country.

Agriculture and rural economy

- Government to develop and upgrade rural markets into GrAMs. These e-NAM linked GrAMs exempted from APMC regulations will allow farmers to sell directly to consumers.
- With a view to realise better prices for farmers, the NITI Aayog, in discussion with the Central Government and State Governments will implement an appropriate mechanism.
- The Government will promote cluster-based development of agricultural commodities and regions.
- State Governments to put in place a mechanism under which distribution companies could purchase surplus solar power from farmers at reasonably remunerative rates.

Health, education and social protection

- "Revitalising Infrastructure and Systems in Education by 2022" to be launched to increase investment in research and related infrastructure in educational and health institutions.
- To improve the quality of education, the Government proposes to introduce digital means for imparting education and training teachers.
- Private sector participation, through Corporate Social Responsibility initiatives, is to be encouraged towards adopting health and wellness centres set up under the National Health Policy, 2017.
- National Health Protection Scheme to be launched for providing coverage of up to INR 500,000 per poor family per year for secondary and tertiary care.

Budget at Glance

MSMEs and employment

- The Government proposes to promulgate a framework to help MSMEs address issues of non-performing assets and stressed accounts.
- It is proposed to review the refinancing policy and eligibility criteria set up under MUDRA Yojana to help refinancing of Non-Banking Finance Companies.
- The Ministry of Finance is considering a policy framework, along with other institutional development measures, to facilitate the growth of Fintech companies in India.
- Policy announcements are expected for strengthening the regulatory framework to enable investments by AIFs in India.
- To give impetus to employment generation in the country, the following measures have been proposed:
  - The Government to contribute 12% in Employee Provident Fund for new employees in all sectors for a period of 3 years;
  - EPF contribution for women employees to be lowered to 8% for the first 3 years without any change in employer's contribution; and
  - Fixed term employment facility to be extended to all sectors.

Infrastructure and financial sector development

- Ten prominent tourist attractions to be developed further as iconic tourism destinations, with special focus on infrastructure and skill development, development of technology, attracting private investment, branding and marketing.
- Investment in seaplane activities to be encouraged with a view to promote tourism and emergency medical care.
- Proposal by SEBI to mandate large corporates to meet one-fourth of their funding needs through the bond market.
- Stamp duty regime on financial securities transactions to be reformed.
- Government to establish a unified authority for regulating all financial services in International Financial Service Centres to ensure a coherent and integrated regulatory framework for them.

Budget at Glance

- Continuing focus on the fast changing digital world, the NITI Aayog to initiate a national program on artificial intelligence, including research and development of its applications.
- For further investment in the digital ecosystem, the Department of Science & Technology to launch a Mission on Cyber Physical Systems to establish Centres of Excellence.
- Government to take measures to eliminate the use of cryptocurrencies in financing illegal activities or as part of payment systems.
- Government to introduce a policy for toll systems on "pay as you use" basis to promote electronic payments further.

Building institutions and improving public service delivery

- In the defence sector, the Government is proposing two defence industrial production corridors and a Defence Production Policy, 2018 to promote Make in India by public/ private sectors and MSMEs.
- National Logistics Portal to be developed by the Department of Commerce to bring together all stakeholders through a single window online marketplace.
- RBI Act to be amended to institutionalise an uncollateralised deposit facility, which would help the RBI manage excess liquidity.
- Government to review existing guidelines and introduce a coherent and integrated Outward Direct Investment Policy.
- Government to introduce a separate policy for hybrid instruments to help attract foreign investment in niche areas.
- REIT, InvITs and AIFs to be brought within the ambit of penalty provisions for non-compliance of listing/ de-listing conditions. In addition, investment advisors to be covered for non-compliance with SEBI regulations.

Income Tax

Personal Tax Rates

- There has been no change in the individual tax rates.
- For the FY 2018-19, 'Education Cess on income tax' and 'Secondary and Higher Education Cess on income tax' shall be discontinued. A new cess, by the name of 'Health and Education Cess' shall be levied at the rate of 4% of income tax including surcharge wherever applicable.
- It is proposed to amend section 80D (i.e. deduction on health insurance) so as to raise the monetary limit of deduction from Rs.30,000/- to Rs.50,000/-
- It is proposed to amend the provisions of section 80DDB (i.e. deduction for medical treatment for specified ailments) of the Act so as to raise the monetary limit of deduction to Rs.1,00,000/- for both senior citizens and very senior citizens.
- Exemption of interest income on deposits held by senior citizens with banks and post offices to be increased from Rs.10,000/- to Rs.50,000/-.
- In order to provide relief to salaried taxpayers, it is proposed to allow a standard deduction of Rs.40,000/- in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses.
- In order to provide a level playing field to employee as well as non-employee subscribers of National Pension Scheme ('NPS'), it is proposed to amend clause (12A) of section 10 of the Act to extend the said benefit to all subscribers.

Corporate Tax Rates

- Income tax for domestic companies with annual turnover upto Rs.250 crores for FY 2016-17 is reduced to 25%.
- Education Cess on income tax' and 'Secondary and Higher Education Cess' on income tax shall be discontinued. A new cess, by the name of 'Health and Education Cess' shall be levied at the rate of 4% of income tax including surcharge wherever applicable.
- Deemed dividends also to be brought under the scope of dividend distribution tax under section 115-O.
- Where any income is distributed by a Mutual Fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.
- 100 percent deduction in respect of profit of Farm Producer Companies (FPC), having a total turnover upto Rs.100 Crore, subject to other conditions.

Income Tax

- It is proposed to provide that prosecution shall lie against companies for non-filing of return irrespective of the fact that whether any tax is payable or not.

Capital Gains

- Long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding Rs.1 Lakh
- It is proposed to amend the section 54EC so as to restrict the scope of the exemption to only capital gains arising from sale of long term capital asset, being land or building.

Business Income

- Payments exceeding Rs.10,000/- in cash in a day made by charitable or religious trusts or institutions shall be disallowed and the same shall be subject to tax. Further, in order to improve TDS compliance by these entities, it is proposed to provide that in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed.
- Any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business or employment shall be taxable as business income or under section 56 of the Act respectively.
- In the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to one thousand rupees per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher.
- The due date for filing Country-by-Country Reporting (CbCR) by an Indian ultimate holding company or an Indian alternate reporting entity is proposed to be extended to Twelve months i.e. 31 March of the following accounting year.

Income Tax

Others

- W.e.f. April 01, 2018, every person, not being an individual, which enters into a financial transaction of an amount aggregating to Rs.2.5 lakhs or more in a financial year shall be required to apply PAN. Even the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply for PAN.

Indirect Taxes

Excise Duty

There are no major changes to Central Excise since GST has been implemented. The proposed amendments are limited to changes in rate of duty of Motor spirit commonly known as petrol and high-speed diesel oil.

Customs

With the consolidation of Excise duty and Service tax under GST, the changes were expected to focus on the customs duty applicable on the import of goods in India and Central Excise duty applicable on motor spirits. Departing from the trend of several preceding years and to boost the 'Make in India' initiative, the Government has increased the customs duty on several products resulting in imported goods becoming more expensive. This is also to encourage the market players to manufacture locally. For instance, import of mobile phones including its accessories/ parts, furniture, footwear has become dearer.

In Addition, the Government has replaced the Custom Cess in the form of Education Cess (EC) and Secondary & Higher Education Cess (SHEC) levied at the rate of 3 per cent with 10 per cent Social Welfare Cess (SWS) to mobilise resources for financing education, housing and social security schemes. This would result in a marginal increase in cost of imported goods.

Overall, the Budget appears to aim at promoting the domestic manufacturing in India in order to increase employment generation in the country and consolidate the improvement of India's ranking in the Ease of Doing Business by the World Trade Organization.

Direct Taxes

I. Personal Taxation

II. Corporate Taxation

III. Profits and Gains From Business / Profession

IV. Capital Gains

V. Assessment Procedure, Penalties And Prosecution

VI. Misc. Provisions

Personal Taxation

Rates of Taxes:

The rates of Basic Tax, as well as the Basic Exemption Limits and income slabs have been kept unaltered for all Assessees other than Company.

However, in lieu of current Education Cess and Higher Education Cess on Income Tax, The Finance Minister has proposed a new Cess "Health and Education Cess" to be levied at the rate of 4% against earlier Cess of 3%; for all the Assessees. The applicable Basic Exemption and Income Slabs as well as basic tax rates, are given in the below Table:

Assessee	Basic exemption and Income Slabs for Financial Year 2018-19	
	Total Income	Tax Rate*
All Individuals, HUF, AOP and BOI (except those stated below)	Upto Rs.2,50,000/-	NIL
	Rs.2,50,001/- to Rs.5,00,000/-	5% of income above Rs.2,50,001/-
	Rs.5,00,001/- to Rs.10,00,000/-	Rs.12,500/- plus 20% of income above Rs.5,00,001/-
	Above Rs.10,00,000/-	Rs.1,12,500/- plus 30% of income above Rs.10,00,001/-
Individuals, being resident, and above 60 years upto the age of 80 years	Upto Rs.3,00,000/-	NIL
	Rs.3,00,001/- to Rs.5,00,000/-	5% of income above Rs.3,00,001/-
	Rs.5,00,001/- to Rs.10,00,000/-	Rs.10,000/- plus 20% of income above Rs.5,00,001/-
	Above Rs.10,00,000/-	Rs.1,10,000/- plus 30% of income above Rs.10,00,001/-

Personal Taxation

Assessee	Basic exemption and Income Slabs for Financial Year 2018-19	
	Total Income	**Tax Rate***
Individuals, being resident, and age 80 years above	Upto Rs.5,00,000/-	NIL
	Rs.5,00,001/- to Rs.10,00,000/-	20% of income above Rs.5,00,001/-
	Above Rs.10,00,000/-	Rs.1,00,000/- plus 30% of income above Rs.10,00,001/-

* Education cess and surcharge, as applicable.

Further, the rate of Surcharge for all other Assessee is kept unaltered (with marginal relief).

Deductions available to senior citizens in respect of health insurance premium and medical treatment:
It is proposed to amend section 80D (deduction allowed to an assesse, being an individual or a HUF, in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen) so as to raise this monetary limit of deduction from Rs.30,000/- to Rs.50,000/-.

In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.

Personal Taxation

Below table illustrates the deduction under Section 80D, as proposed:

Age of Individual	Deduction for Self and Family (Rs.)	Age of Parents	Deduction for Parents (Rs.)	Total Deduction (Rs.)
	(a)		(b)	(c)=(a)+(b)
Below 60 Years	25,000	Below 60 Years	25,000	50,000
Below 60 Years	25,000	Above 60 Years	50,000	75,000
Above 60 Years	50,000	Above 60 Years	50,000	1,00,000

These amendments will take effect from April 01, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Enhanced deduction to senior citizens for medical treatment of specified diseases:

It is proposed to amend the provisions of section 80DDB of the Act (deduction available to an individual and HUF with regard to amount paid for medical treatment of specified diseases in respect of very senior citizen and in case of senior citizens) so as to raise this monetary limit of deduction to Rs.1,00,000/- for both senior citizens and very senior citizens.

This amendment will take effect, from April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Personal Taxation

Higher deduction in respect of Interest income and increased threshold for TDS to Senior Citizens:

At present, a deduction upto Rs.10,000/- is allowed under section 80TTA to an assessee in respect of interest income from savings account. It is proposed to insert a new section 80TTB so as to allow a deduction of upto Rs.50,000/- in respect of interest income from deposits held by senior citizens. This benefit shall also be available for interest from all fixed deposits schemes and recurring deposit schemes. However, no deduction under section 80TTA shall be allowed in these cases.

It is also proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest income for senior citizens from Rs.10,000/- to Rs.50,000/-.

This amendment will take effect from April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Standard deduction on salary income:

It is proposed to allow a standard deduction upto Rs.40,000/- or the amount of salary received, whichever is less. Consequently the present exemption in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses is proposed to be withdrawn.
These amendments will take effect from April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Royalty and FTS payment by NTRO to a non-resident to be tax-exempt:

Section 195 requires a person to deduct tax at the time of payment or credit to a non-resident. Given the business exigencies of the National Technical Research Organisation (NTRO), it is proposed to amend section 10 so as to provide that the income arising to non-resident, not being a company, or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, the NTRO will be exempt from income tax.

Personal Taxation

Consequently, NTRO will not be required to deduct tax at source on such payments.

These amendments will take effect from April 1, 2018 and will accordingly apply in relation to the A.Y. 2018-19 and subsequent A.Ys.

Rationalization of tax treatment of NPS to non-employee subscribers:

Presently, an employee contributing to the NPS is allowed an exemption in respect of 40% of the total amount payable to him on closure of his account or on his opting out. This exemption is not available to non-employee subscribers. In order to provide a level playing field, it is proposed to amend clause (12A) of section 10 of the Act to extend the said benefit to all subscribers.

This amendment will take effect from April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Corporate Taxation

Rates of Taxes:

'Education Cess on income tax' and 'Secondary and Higher Education Cess' on income tax shall be discontinued. A new cess, by the name of 'Health and Education Cess' shall be levied at the rate of 4% of income tax including surcharge wherever applicable.

Domestic Company:

Income tax for companies with annual turnover upto Rs.250 crores for F Y 2016-17 is reduced to 25%.

For a domestic company having total turnover/ gross receipts in the F.Y. 2016-17 not exceeding INR 250 crores:

Particulars	Taxable Income Less Than Or Equals To INR 1 Crore	Taxable Income Greater Than INR 1 Cr. But Less Than Or Equals To INR 10 Cr.	Taxable Income Greater Than INR 10 Crores
Corporate Tax	25.00%	25.00%	25.00%
Surcharge	00.00%	07.00%	12.00%
Corporate Tax + Surcharge	25.00%	26.75%	28.00%
Health & Education Cess thereon	04.00%	04.00%	04.00%
Effective tax rate	26.00%	27.82%	29.12%

Corporate Taxation

For a domestic company having total turnover/ gross receipts in the F.Y. 2016-17 exceeding INR 250 crores:

Particulars	Taxable Income Less Than Or Equals To INR 1 Crore	Taxable Income Greater Than INR 1 Cr. But Less Than Or Equals To INR 10 Cr.	Taxable Income Greater Than INR 10 Crores
Corporate Tax	30.00%	30.00%	30.00%
Surcharge	00.00%	07.00%	12.00%
Corporate Tax + Surcharge	30.00%	32.10%	33.60%
Health & Education Cess thereon	04.00%	04.00%	04.00%
Effective tax rate	31.20%	33.38%	34.94%

Foreign Company:

Corporate tax rates remain unchanged at 40%.

Particulars	Taxable Income Less Than Or Equals To INR 1 Crore	Taxable Income Greater Than INR 1 Cr. But Less Than Or Equals To INR 10 Cr.	Taxable Income Greater Than INR 10 Crores
Corporate Tax	40.00%	40.00%	40.00%
Surcharge	00.00%	02.00%	05.00%

Corporate Taxation

Particulars	Taxable Income Less Than Or Equals To INR 1 Crore	Taxable Income Greater Than INR 1 Cr. But Less Than Or Equals To INR 10 Cr.	Taxable Income Greater Than INR 10 Crores
Corporate Tax + Surcharge	40.00%	40.80%	42.00%
Health & Education Cess thereon	04.00%	04.00%	04.00%
Effective tax rate	41.60%	42.43%	43.68%

Widening the scope of Accumulated profits for the purposes of Dividend:

In the case of an amalgamating company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation.

Currently, explanation (2) to Section 2(22) of the Act provides that accumulated profits includes all profits of the company upto the date of distribution / payment / liquidation, as the case may be. The amendment is proposed as an anti-abusive provision.

This amendment will take effect from April 1, 2018 i.e. A.Y. 2018-19 and subsequent A.Ys.

Application of Dividend Distribution Tax to Deemed Dividend:

Any payment by a company, not being a company in which public are substantially interested, as paid by way of advance or loan to a shareholder being a person who is a beneficial owner of shares holding not less than 10% or to any concern in which such shareholder is a member or a partner or any payment on behalf or for the individual benefit of such shareholder shall be treated as deemed dividend to the extent of accumulated profits of the company.

Corporate Taxation

It is proposed to bring deemed dividends also under the scope of dividend distribution tax under section 115-O. Such deemed dividend is proposed to be taxed at the rate of 30% (without grossing up).

This amendment will apply to the transactions undertaken on or after April 1, 2018.

Dividend distribution tax on dividend payouts to unit holders in an equity oriented fund:

It is proposed that where any income is distributed by a Mutual Fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.

This amendment will take effect from April 1, 2018.

Deduction in respect of income of Farm Producer Companies:

Section 80P provides for 100 percent deduction in respect of profit of cooperative society which provide assistance to its members engaged in primary agricultural activities. It is proposed to extend similar benefit to Farm Producer Companies (FPC), having a total turnover upto Rs.100 Crore, whose gross total income includes any income from

- The marketing of agricultural produce grown by its members, or
- The purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or
- The processing of the agricultural produce of its members.

The benefit shall be available for a period of five years from the financial year 2018-19.

Corporate Taxation

This amendment will take effect from April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement:

The benefit of exemption is presently not available on sale out of the leftover stock of crude in case of termination of the said agreement or the arrangement. Given the strategic nature of the project benefitting India to augment its strategic petroleum reserves, it is proposed to amend clause (48B) of section 10 to provide that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

This amendment will take effect from April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Relief for Insolvency Companies under Minimum Alternate Tax ('MAT'):

To remove the hurdle for restructuring of companies seeking insolvency, it is proposed to allow the reduction of aggregate amount of loss brought forward (excluding unabsorbed depreciation) and unabsorbed depreciation for the purposes of computing book profit under section 115JB of the Act, in case of a company whose application has been admitted by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.

Under current provisions, the lower of brought forward loss and unabsorbed depreciation, as per books of accounts is allowed to be reduced while computing book profits under Section 115JB of the Act. Hence, where the brought forward loss or depreciation is nil, no deduction is allowed.
This amendment will take effect from April 1, 2018 and will accordingly apply in relation to the A.Y. 2018-19 and subsequent A.Ys.

Further, there is another welcome clarification that MAT will not apply to a non-resident covered by a presumptive tax regime (i.e oil and gas, shipping, aircraft operations)

Corporate Taxation

This amendment will take effect retrospectively from April 1, 2001 and will accordingly apply in relation to the A.Y. 2001-02 and subsequent A.Ys.

Benefit of Carry Forward Losses available to company seeking Insolvency resolution:

Section 79 of the Act provides that carry forward and set off of losses in a closely held company shall be allowed only if there is a continuity in the beneficial owner of the shares carrying not less than 51% of the voting power, on the last day of the year or years in which the loss was incurred.

To remove the hurdle for restructuring and rehabilitation of companies seeking insolvency, it is proposed to relax the rigors of section 79 in case of such companies, whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016; such that the change in the beneficial ownership of shares beyond the permissible limit under section 79 does not come in way of carry-forward and set-off of losses.

This amendment will take effect retrospectively from April 1, 2018 and will accordingly apply in relation to the A.Y. 2018-19 and subsequent A.Ys.

Rationalisation of provision of section 115BA relating to certain domestic companies:

Section 115BA of the Act provides that the total income of a newly set up domestic company engaged in the business of manufacturing or production of any article or thing and research in relation thereto, shall at its option, be taxed at the rate of 25%, subject to fulfilment of conditions specified therein. The existing provisions is only subject to provisions relating to taxation of capital gains under Section 111A and 112 of the Act.

It is proposed to amend the provisions of Section 115BA of the Act to provide that these provisions shall be subject to other provisions of Chapter XII of the Act, which provides for special rates of specified incomes.

This amendment will take effect retrospectively from the April 1, 2017 and will accordingly apply in relation to the A.Y. 2017-18 and subsequent years.

Corporate Taxation

Rationalisation of provision in respect of transaction between holding company and its wholly owned subsidiary:

It is proposed to amend section 56 to provide an exclusion from tax to the transferee in a transaction of property between a wholly owned subsidiary company and its holding company or vice versa.

This amendment will take effect from the April 1, 2018 and will accordingly apply in relation to the transaction made on or after April 1, 2018.

Profits and Gains From Business / Profession

Incentive for employment generation:

At present, under section 80-JJAA of the Act, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry.

In order to encourage creation of new employment, it is proposed to extend this relaxation to footwear and leather industry.

Further, it is also proposed to rationalize this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

These amendments will take effect from April 01, 2019 and will accordingly, apply in relation to A.Y. 2019-20 and subsequent A.Ys.

Taxability of compensation in connection to business or employment:

It is proposed to amend section 28 of the Act to provide that any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income.

It is further proposed that any compensation received or receivable, whether in the nature of revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment shall be taxable under section 56 (Income from other sources) of the Act. These amendments will take effect from April 01, 2019 and will accordingly, apply in relation to A.Y. 2019-20 and subsequent A.Ys.

Profits and Gains From Business / Profession

Presumptive income under section 44AE in case of goods carriage:

It is proposed to amend the section 44AE of the Act to provide that, in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to Rs.1,000/- per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher. The vehicles other than heavy goods vehicle will continue to be taxed as per the existing rates.

This amendment will take effect from April 01, 2019 and will, accordingly, apply in relation to A.Y. 2019-20 and subsequent A.Ys.

Measures to promote start-ups:

Section 80-IAC of the Act, inter alia, provides that deduction under this section shall be available to an eligible start-up for three consecutive assessment years out of seven years at the option of the assessee, if

- it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2019;
- the total turnover of its business does not exceed twenty-five crore rupees in any of the previous years beginning on or after the 1st day of April, 2016 and ending on the 31st day of March, 2021; and
- it is engaged in the eligible business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

In order to improve the effectiveness of the scheme for promoting start-ups in India, it is proposed to make following changes in the taxation regime for the start-ups:

- The benefit would also be available to start ups incorporated on or after the 1st day of April 2019 but before the 1st day of April, 2021;
- The requirement of the turnover not exceeding Rs.25 Crore would apply to seven previous years commencing from the date of incorporation;

Profits and Gains From Business / Profession

- The definition of eligible business has been expanded to provide that the benefit would be available if it is engaged in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.

The amendment will take effect from April 1, 2018 and will accordingly apply in relation to the A.Y. 2018-19 and subsequent A.Ys.

Capital Gains

New regime for taxation of long-term capital gains on sale of equity shares etc.:

It is proposed to withdraw the exemption under Section 10(38) and to introduce a new section 112A in the Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding Rs.1 Lakh.

The concessional rate of 10% will be applicable to such long term capital gains, if Securities Transaction Tax (STT) has been paid on both acquisition and transfer of the capital asset in case of an equity share of company and STT has been paid on transfer of the capital asset in case of a unit of an equity oriented fund or a unit of a business trust. However, the requirement of payment of STT at the time of transfer of long term capital asset, being a unit of equity oriented fund or a unit of business trust, shall not apply if the transfer is undertaken on recognized stock exchange located in any International Financial Services Centre (IFSC) and the consideration of such transfer is received or receivable in foreign currency.

Central Government is empowered to specify by notification the nature of acquisitions in respect of which the requirement of payment of STT shall not apply in the case of equity share in a company.

Further, it also proposes to provide the following:

- the long term capital gains will be computed without giving effect to the first and second provisos to section 48, i.e inflation indexation in respect of cost of acquisitions and cost of improvement, if any, and the benefit of computation of capital gains in foreign currency in the case of a non-resident, will not be allowed.
- The cost of acquisitions in respect of the long term capital asset acquired by the assesse before the 1st day of February, 2018, shall be deemed to be the higher of –

Capital Gains

- The actual cost of acquisition of such asset; and
- Lower of fair market value of such asset as on 31-01-2018 or the full value of consideration received or accruing as a result of the transfer of the capital asset.

The benefit of deduction under chapter VIA shall be allowed from the gross total income as reduced by such capital gains. Similarly, the rebate under section 87A shall be allowed from the income tax on the total income as reduced by tax payable on such capital gains.

Illustration on how Long Term Capital Gains on equity shares or equity oriented mutual fund will be Taxed under Section 112A:

Date of Investment	Actual Cost (Rs.)	Market Value as on 31/01/18	Date of Sale	Sale Proceeds (Rs.)	Actual Gain (Rs.)	Taxable Gain (Rs.)	Taxability
31-01-2017	1,00,000	1,30,000	Upto 31-03-2018	2,50,000	1,50,000	1,50,000	No tax will be payable as the amendment is with effect from A.Y. 2019-20
31-01-2017	1,00,000	1,30,000	After 01-04-2018	2,00,000	1,00,000	70,000	No tax will be payable since the gain is below threshold of Rs.1,00,000/-
31-01-2017	1,00,000	1,30,000	After 01-04-2018	3,00,000	2,00,000	1,70,000	Tax will be levied at 10% on gains over Rs.1,00,000 taking cost of acquisition as FMV as on 31-01-2018 i.e. on Rs.70,000/- Tax liability will be Rs.7,000/-

Capital Gains

Date of Investment	Actual Cost (Rs.)	Market Value as on 31/01/18	Date of Sale	Sale Proceeds (Rs.)	Actual Gain (Rs.)	Taxable Gain (Rs.)	Taxability
31-01-2017	10,00,000	20,00,000	After 01-04-2018	25,00,000	15,00,000	5,00,000	Tax will be levied at 10% on gains over Rs.1,00,000 taking cost of acquisition as FMV as on 31-01-2018 i.e. on Rs.4,00,000. Tax liability will be Rs.40,000/-
31-01-2017	10,00,000	20,00,000	After 01-04-2018	15,00,000	5,00,000	Nil	No tax will be payable since cost of acquisition will be taken as the sales consideration value.
31-01-2017	10,00,000	5,00,000	After 01-04-2018	15,00,000	5,00,000	5,00,000	Tax will be levied at 10% on gains over Rs.1,00,000 taking cost of acquisition as FMV as on 31-01-2018 i.e. on Rs.4,00,000/- Tax liability will be Rs.40,000/-
31-01-2017	10,00,000	20,00,000	After 01-04-2018	5,00,000	(5,00,000)	(5,00,000)	Capital loss of Rs. 5,00,000/-

These amendments will take effect from April 1, 2019 and will accordingly, apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Taxation of long-term capital gains in the case of Foreign Institutional Investor:

Consequent to the proposal for withdrawal of exemption under section 10(38) of the Act, such long term capital gain will become taxable in the hands of FIIs

Capital Gains

also. As in the case of domestic investors, the FIIs will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding Rs.1 Lakh.

This amendment will take effect from April 01, 2019 and will accordingly, apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Measures to promote International Financial Services Centre (IFSC):

In order to promote the development of world class financial infrastructure in India, it is proposed to amend the Section 47 of the Act so as to provide that transactions in the following assets, by a non-resident on a recognized stock exchange located in any International Financial Services Centre shall not be regarded as transfer, if the consideration is paid or payable in foreign currency:

- bond or Global Depository Receipt, as referred to in sub-section (1) of section 115AC; or
- rupee denominated bond of an Indian company; or
- derivative.

It is further proposed to amend the section 115JC so as to provide that in case of a unit located in an International Financial Service Center, the alternate minimum tax under section 115JC shall be charged at the rate of 9 percent for a non-corporate tax payers.
These amendments will take effect from April 01, 2019 and will accordingly, apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Tax treatment of transactions in respect of trading in agricultural commodity derivatives:

In order to encourage participation in trading of agricultural commodity derivatives, it is proposed to amend the provisions of clause (5) of section 43 to provide that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT, in a registered stock exchange or registered

Capital Gains

association, will be treated as non-speculative transaction.

These amendments will take effect from April 01, 2019 and will accordingly, apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Rationalization of the provisions of section 54EC:

To restrict the scope of the section only to capital gains arising from long-term capital assets, being land or building or both and to make available funds at the disposal of eligible bond issuing company for more than three years, it is proposed to amend the section 54EC so as to provide that land or building or both would only be eligible assets.

Also, for investments made in specified Bonds upto 31st March 2018, the lock in period would be 3 years and for investments made thereafter, it would be 5 years.

These amendments will take effect from April 01, 2019 and will accordingly, apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Rationalization of treatment on difference in Stamp valuation of immovable Property:

In order to minimize hardship in case of genuine transactions in the real estate sector, leading variation in the valuation of immovable property as per Stamp Duty Ready Reckoner and Sale Consideration of the property; it is proposed to provide that no adjustments shall be made in a case where the variation is not more than 5% of the Sale Consideration.

Consequential amendments are proposed in section 43CA, section 50C and section 56(2)(x) of the Act.

This amendment will take effect from the April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Assessment Procedure, Penalties And Prosecution

Enhancing Productivity of Tax Administration and increased thrust on E-assessments:

With a view to restrict the scope of adjustments, it is proposed to provide that no adjustment under sub-clause (vi) of the section 143(1) shall be made on account of discrepancy in total income reported in return of income vis-à-vis Form 26AS or Form 16/16A; in respect of any return furnished on or after the assessment year commencing on the first day of April, 2018.

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

In order to promote E Assessments, reduce the interface between the Assessee and the tax administrators, the Government proposes to have the assessments be done by a team so as to be productive and efficient.

Rationalisation of section 276CC relating to prosecution for failure to furnish return:

It is proposed to provide that prosecution shall lie against companies for non-filing of return irrespective of the fact that whether any tax is payable or not.

This amendment will take effect from April 1, 2018.

Rationalization of additions by Assessing Officer on account of unexplained cash credits etc.:

As per the existing provisions of section 115BBE of the Act, Income referred to in section 68 /69 /69A /69B 69C and 69D of the Act are taxed at a higher rate of sixty percent.

Assessment Procedure, Penalties And Prosecution

Further, sub-section (2) of section 115BBE of the Act provides that no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any provision of the Act in computing his income referred to in clause (a) of sub-section (1).

As Additions of income including under section 68 /69 /69A /69B / 69C and 69D of the Act by the Assessing officer were outside the purview of Sub Section (2), the Assessee could claim deductions and/ or set –off losses against the same, thereby creating anomaly.

Therefore, it is proposed to amend sub section (2) to also include therein the additions made by the Assessing Officer under Section 68 / 69 / 69A / 69B / 69C and 69D by which deductions or set-off of losses are not allowed.

This amendment will take effect retrospectively from April 1, 2017 and will accordingly apply in relation to the A.Y. 2017-2018 and subsequent years.

Increased Penalty for failure to furnish Statement of Financial Transaction or Reportable Account:

The existing penalty for failure by an Assessee to submit the Financial transaction or reportable account as per the provisions of section 271FA within the time limit prescribed is Rupees One hundred for every day of default, which is now proposed to be raised to Rupees Five Hundred for every day of default.

Presently under Section 285BA(5), specified financial transactions like receipt of amount above Rs.10 Lakhs from any person for the issue of shares by a company, receipt of cash payment exceeding Rs.2 Lakhs for sale of goods or services by any person who is liable for tax audit, etc are required to be furnished.

Further in case such person fails to furnish the statement of financial transaction or reportable account within the period specified in the notice issued under sub-section (5) of section 285BA, currently he shall be liable to pay penalty of Rupees Five Hundred for every day of default which is now being proposed to be raised to Rupees One thousand for every day of default.

These amendments will take effect from April 1, 2018.

Assessment Procedure, Penalties And Prosecution

Appeal against penalty imposed by Commissioner (Appeals) under section 271J:

Section 253 of the Act provides that any assessee aggrieved by any of the orders mentioned in sub-section (1) of the said section may appeal to the Appellate Tribunal against such order. It is proposed to amend clause (a) of the said sub-section so as to also make an order passed by a Commissioner (Appeals) under section 271J appealable before the Appellate Tribunal.

These amendments will take effect from April 1, 2018.

Appeal against penalty imposed by Commissioner (Appeals) under section 271J:

It is proposed to amend the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 to rationalise the designations of authorities competent to grant approval for penalty and prosecution.

Amendments to the structure of authority for Advance Rulings:

In view of the proposed amendment in the Customs Act creating a new custom Authority for Advance Ruling, it is proposed to provide that the Authority for Advance Ruling constituted under the Income-tax Act shall act as an Appellate Authority in respect of the rulings given by the customs Authority for Advance Ruling. It is also proposed to provide that when the authority is dealing with an application relating to Income-tax Act, the revenue member shall be from income-tax.

Misc. Provisions

Tax deduction at source and manner of payment in respect of certain exempt entities:

At present, there are no restrictions on payments made in cash by charitable or religious trusts or institutions. There are also no checks on whether such trusts or institutions follow the provisions of deduction of tax at source under Chapter XVII-B of the Act. This has led to lack of an audit trail for verification of application of income. Hence, in order to encourage a less cash economy and to reduce the generation and circulation of black money, it is proposed to insert a new explanation to the section 11 (i.e. Income from property held for charitable or religious purposes) to provide that for the purposes of determining the application of income under the provisions of sub-section (1) of the said section, the provisions of section 40(a)(ia) and of section 40A(3) and 40A(3A), shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession"

In other words, it is proposed that payments exceeding Rs.10,000/- in cash made by such entities shall be disallowed and the same shall be subject to tax. Further, in order to improve TDS compliance by these entities, it is proposed to provide that in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed.

These amendments will take effect from April 1, 2019 and will accordingly, apply in relation to the A.Y. 2019-20 and subsequent years.

Transfer Pricing – Rationalization of provisions relating to Country-by-Country Report ('CbCR'):

The due date for filing CbCR by an Indian ultimate holding company or an Indian alternate reporting entity is proposed to be extended to Twelve months i.e. 31 March of the following accounting year (as against current due date of 30 November set out in the Finance Bill, 2017).

Further, Indian entity is required to file CBCR if it is not filed by ultimate parent entity or alternate reporting entity.

These amendments will take effect retrospectively from the April 1, 2017 and will accordingly apply in relation to the A.Y. 2017-18 and subsequent years.

Deduction under Chapter VI-A eligible only if return of income is filed in time:

It is proposed to extend the scope of section 80AC to provide that the benefit of deduction under the entire class of deductions under the heading "C - Deductions in respect of

Misc. Provisions

certain incomes" in Chapter VIA shall not be allowed unless the return of income is filed by the due date prescribed.

This amendment will take effect from the April 1, 2018 and will accordingly apply in relation to the A.Y. 2018-19 and subsequent A.Ys.

Rationalization of provision relating to conversion of stock-in-trade into Capital Asset:

In order to provide symmetrical treatment and discourage the practice of deferring the tax payment by converting the inventory into capital asset, the following amendments are proposed:

- section 28 would provide that any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income at fair market value;
- Fair market value of the inventory on the date of conversion or treatment to be determined in the prescribed manner;
- Definition of income in clause (24) of section 2 to include such fair market value, as above;
- section 49 to provide that for the purposes of computation of capital gains arising on transfer of such capital assets, the fair market value on the date of conversion shall be the cost of acquisition;
- clause (42A) of section 2 so as to provide that the period of holding of such capital asset shall be reckoned from the date of conversion or treatment.

These amendment will take effect from the April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Rationalization of provisions of Income Computation and Disclosure Standard ('ICDS'):

With a view to provide parliamentary accent and constitutional validity to the ICDS, in wake of recent judgment of Delhi High Court in case of Chamber of Tax Consultants challenging validity of ICDS; the Finance Minister has given now proposed to introduce the relevant provisions in the Income Tax Act, 1961.

Misc. Provisions

This step of the Finance Minister may be an indicator for introduction of more ICDS in the years to come, under the guise of resting litigation and bringing in consistency in tax administration.

Salient features of the new proposal, is as under:

- Deduction for Marked to Market loss or other expected loss calculated in accordance with the provisions of ICDS to be allowed;
- ains or Loss arising from foreign exchange fluctuations (except transactions relating to imported capital assets) to be computed in accordance with ICDS;
- Percentage of Completion Method ('POCM') to be applied while computing profits and gains from construction contract;
- Profits and gains from service contracts to be determined under POCM with following exceptions:
  - If the project duration is upto or more than ninety days, Project Completion Method to be used;
  - If the project involves indeterminate number of acts over a specific period of time, Straight Line Method (SLM) would have to be used;
- Unlisted securities or listed securities (not quoted on a recognized stock exchange) held as inventory to be valued at actual cost initially determined in accordance with ICDS.
- In other cases, inventory including securities other than those referred above shall be valued at lower of actual cost or net realizable value computed in accordance with ICDS.
- Valuation of inventory to include duty, tax, cess or fee, etc. incurred to bring such goods or services to the place of its location / condition on the valuation date.
- The following are to be taxed in the year of receipt:
  - Interest on any compensation or enhanced compensation;
  - Government Grants (including subsidy, cash incentive and duty drawback) if not charged to tax in an earlier year
- A claim for escalation of price in a contract / export incentive will be taxable in the previous year when its realization is reasonably certain.

Misc. Provisions

It is proposed to bring the amendments retrospectively with effect from April 1, 2017 i,e. the date on which the ICDS was made effective and will accordingly, apply in relation to A.Y. 2017-18 and subsequent A.Ys.

Rationalization of scope of 'business connection' in line with BEPS Action Plan 7 and MLI:

With a view to prevent abuse of the Double Taxation Avoidance Agreements ('DTAA's) by base erosion and profit shifting, the Finance Minister has proposed to amend section 9 of the Act so as to align it with the provisions in the DTAA, as modified by Multilateral Convention to Implement Tax Treaty Related Measures ('MLI'), to which India is also a signatory; so as to make the provisions in the DTAA effective.

Accordingly, clause (i) of sub-section (1) of section 9 is proposed to be amended to provide that "business connection" shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident.

This amendment will take effect from the April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Expansion of scope of 'business connection' to meet challenges of digital economy in line with BEPS Action Plan 1:

To keep pace with the emerging business models such as digitized businesses, which do not require physical presence through any entity or agent in India, and yet meet challenges to have the right to tax business profits derived from Indian economy such that there is no base erosion or profit shifting; it is proposed to amend clause (i) of sub-section (1) of section 9 of the Act to provide that 'significant economic presence' of non-resident in India shall also constitute 'business connection'.

The above provisions will apply irrespective of whether the non-resident has a residence or a place of business in India or renders services in India

Further, the Government would notify the threshold of 'revenue' and 'users' after consultation with the stakeholders.

Needless to state that benefits of DTAA would continue to apply to non-residents who are entitled to claim treaty benefits.

This amendment will take effect from the April 1, 2019 and will accordingly apply in relation to the A.Y. 2019-20 and subsequent A.Ys.

Indirect Taxes

I. Customs Duty

II. Central Excise

III. Service Tax

Customs Duty

Being the first budget after the implementation of GST, the changes were primarily limited to customs only. While there was no change in the merit rate of basic customs duty, to further encourage "Make in India," basic customs duty on specified goods of food processing, electronics, auto sector, etc. was increased. Apart from that, the focus was to align the customs law to ensure ease of doing business and meeting the commitments of the Trade Facilitation Agreement.

Rate of duty

Median rate of basic customs duty retained at 10%

Changes in Customs Act, 1962

- Scope of the Customs Act, 1962 expanded to cover any offence or contravention committed outside India by any person.
- "Assessment" to now include specific aspects such as classification, duty, valuation, exemption or concession of duty etc.
- "Indian customs waters" expanded to exclusive economic zones.
- Expansion in scope of provisional assessment to include exports as well.
- Process of pre-notice consultation by the authorities before issuance of demand notice for recovery of duty or refund in cases other than collusion, suppression, etc.
- Supplementary show cause notice to be issued in specified cases and subject to conditions.
- Definite time frame provided for adjudication of demand notices including their extension. In the event the demand notice is not adjudicated within the specified time period including extension, it would be deemed that no notice was issued.
- In cases where the extended period due to collusion, suppression of facts, etc. is set aside by the appellate authority, the demand pertaining to normal period of 2 years will sustain and a proceeding will be undertaken on that basis.
- Revised guidelines for Advance Ruling in terms of:
    - Expansion of the term "applicant" to include any import or exporter, or any other person with justiciable cause to the satisfaction of the authority.
    - Empowering the Central Government to include any matter on which Advance Ruling can be sought.
    - Reducing time limit for pronouncement of ruling from 6 months to 3 months.
    - Permitting appeal to the appellate authority against ruling by the applicant or the customs authorities.

Customs Duty

- Facility of electronic ledger for payment of duty, interest, penalty, fee, etc., automated system-based clearance and audit notified.
- Requirement to pay redemption fine dispensed with in cases of voluntary payment of all dues. Further, the option to pay redemption fine to be void, if not paid within 120 days from the date such option was extended.
- Commissioner Appeals empowered to remand cases to original adjudicating authority in specific cases or circumstances.
- Central Government to enter into an agreement or arrangement for exchange of information with any country for facilitation of trade and enforcement of the Customs Act, 1962.

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

Changes in Customs Tariff Act, 1975

·Valuation methodology for computation of IGST and Compensation Cess for warehoused goods sold prior to clearance for home consumption or export prescribed.

The above change is effective from the date of enactment of Finance Bill.

Changes in Custom duty rates

To provide a boost to the local value addition and encourage "Make in India" in specified sectors, exemption was withdrawn or Basic Customs Duty rates were enhanced for specified goods, as illustrated below.

Goods	Existing Rate (%)	New Rate (%)
Orange fruit juice	30%	35%

Customs Duty

Goods	Existing Rate (%)	New Rate (%)
New pneumatic tyres of rubber – radials	10%	15%
Buses, cars, truck and motorcycles in CKD condition	10%	15%
Specified parts or sub-parts or accessories of cellular mobile phones	7.5% / 10%	15%
Trucks and buses in CBU	20%	25%
Spark and compression ignition engines for automobiles	7.5%	15%
Crank shaft for specified engines	7.5%	15%
Static converters except dip bridge rectifier	10%	15%
Primary cells and primary batteries except parts	10%	15%
Telephones for cellular networks or for other wireless networks	15%	20%
PCBA of charger/ adapter and moulded plastics of charger/ adapter of cellular mobile phones	Nil	10%
Specified parts and accessories of cellular mobile phones	7.5%/10%	15%
Smart watches	10%	20%
LCD/ LED/ OLED panels and other parts of television	7.5%/10%	15%

Customs Duty

Goods	Existing Rate (%)	New Rate (%)
Specified parts of LCD and LED TV panels	Nil	10%
Parts and accessories of automobiles	10%	15%
All watches and clocks	10%	20%

To provide a boost to the local value addition and encourage "Make in India" in specified sectors, exemption from concessional Basic Customs Duty rate accorded, as illustrated below:

Goods	Existing Rate (%)	New Rate (%)
Inputs or parts for manufacture of PCBA/ moulded plastics of charger/ adapter of cellular mobile phones	Applicable Rate	Nil
Solar tempered glass or solar tempered antireflective coated glass for manufacture of solar cells/ panels/ modules	5%	Nil

The above changes are effective from 02 February, 2018.

Customs Duty

Miscellaneous

- Education Cess and Secondary and Higher Education Cess replaced with Social Welfare Surcharge of 10% to be levied on aggregate of customs duty except IGST and GST Compensation Cess in addition to other duties. Goods earlier exempted from Education Cess and Secondary and Higher Education Cess continue to be exempted from this levy. Further, a concessional rate of 3% notified for specified goods like petrol, high speed diesel gold etc.
- Levy of concessional rate of Additional Duty of Customs at INR 6 per litre on petrol and high-speed diesel replaced with levy of Road and Infrastructure Cess at INR 8 per litre. Further, CVD in lieu of Road and Infrastructure Cess being exempted.

Central Excise

Amendments have been made in the taxation structure of petrol (motor spirit) and high-speed diesel but the effective rate of duty on these products will remain unchanged.

Excise duty on petrol and diesel (effective from 02 February, 2018)

- Road and Infrastructure Cess levied on petrol and high-speed diesel at INR 8 per litre.
- Additional excise duty of INR 6 per litre previously levied on petrol (vide Finance (No. 2) Act, 1998) and high-speed diesel (vide Finance Act, 1999) abolished.
- Basic excise duty on petrol and high-speed diesel reduced by INR 2 per litre.
- No change in the rate of Special Additional Excise Duty.

Net impact of duty on petrol and high-speed diesel will remain unchanged.

Other exemptions (effective from 02 February, 2018)

In line with the excise duty exemptions accorded previously, the following exemptions are also accorded:

- Road and Infrastructure cess levied for the following products are exempt subject to payment of appropriate excise duties on petrol and diesel and GST on ethanol or bio-diesel used for making such blends.
  - 5% ethanol blended petrol.
  - 10% ethanol blended petrol.
  - Bio-diesel, up to 20% volume.
- Fifty percent exemption from excise duty (i.e. Basic Excise Duty, Road and Infrastructure Cess and Special Additional Excise Duty) on petrol and diesel manufactured and cleared from four oil refineries in north-east India.

Service Tax

Retrospective exemption has been accorded to certain services from levy of service tax.

- Life insurance services provided by the Naval Group Insurance Fund to personnel of coast guard under the Group Insurance Schemes of the Central Government exempt from 10 September, 2004.
- Services provided by the GST Network to the Central or State Governments or the Union Territory administration exempt from 28 March, 2013.
- Grant of license or lease to explore or mine petroleum crude or natural gas by the Government for which the Government receives a share of the profit petroleum exempt from 01 April, 2016.

Refund can be claimed within 6 months from enactment of the Finance Bill, 2018.

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