BUDGET 2017

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Index

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Foreword

This year has been marked by several historic economic policy developments. On the domestic side, a constitutional amendment paved the way for the long-awaited and transformational goods and services tax (GST) while demonetization of the large currency notes signaled a regime shift to punitively raise costs of illicit activities. On the international front, Brexit and the US elections may herald a tectonic shift, forebodingly laden with darker possibilities for the global, and even the Indian economy.

In the backdrop of demonetization current Budget presented on the auspicious day of **`Vasant Panchami'** had lot of expectations and optimism. The expectation included burning issues like price rise, crony capitalism, fall in demand due to demonetization and corruption in day-to-day transactions.

Budget 2017-18 contains 3 major reforms.

- Presentation of Budget advanced to 1st February to enable the Ministries to operationalise all activities from the commencement of the financial year.
- Merger of Railways Budget with General Budget to bring Railways to the centre stage of Government's Fiscal Policy and
- Removal of plan and nonplan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries.

The Budget reflects that India's tax to GDP ratio is very low, and the proportion of direct tax to indirect tax is not optimal from the view point of social justice. In the budget speech the analysis put forth of past returns filed and the tax slabs under which various number of assesses filed their returns with comparison with number of persons buying car or traveling abroad itself shows that we are way far behind in tax compliances as compared to various other countries. Among the 3.7 crore individuals who filed the tax returns in 2015-16, 99 lakh show income below the exemption limit of ₹ 2.5 lakhs p.a., 1.95 crore show income between ₹ 2.5 to ₹ 5 lakhs, 52 lakhs show income between ₹ 5 to ₹ 10 lakhs and only 24 lakhs people show income above ₹ 10 lakhs. Of the 76 lakhs individual assesses who declare income above ₹ 5 lakhs, 56 lakhs are in the salaried class. The number of people showing income more than ₹ 50 lakhs in the entire country is only 1.72 lakhs. It is in contrast to the fact that in the last five years, more than 1.25 crore cars have been sold, and number of Indian citizens who flew abroad, either for business or tourism, is 2 crore in the year 2015.

The Hon' Finance Minister reiterated the commitment to make taxation rate more reasonable, tax administration more fair and expand the tax base in the country which will change the colour of money. The current Budget is a hope to reduce tax litigations, as number of tax proposal are of explanatory nature, making clear how tax department proposes to interpretate the provisions, this should reduce tax litigation. Finance Minister during his Budget Speech tried to reiterate the benefits of demonetization and also tried to reward the honest tax payers by changes in direct tax regime by reduction in tax rate for small tax payers, he also spoke of introducing a new law for confiscating assets of defaulting business persons who after defaulting has left the country. Finance Minister rightly said ***"when my aim is right, when my goal is in sight, the wind favour me and I fly".***

Regards

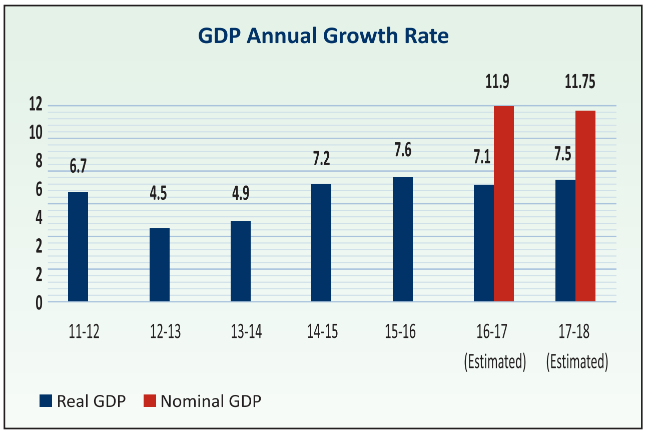
S. L. Jain

(S. L. Jain)

Economic Survey 2016-17

In the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of the Constitutional amendment, paving the way for implementing the transformational Goods and Services Tax (GST), and the action to demonetise the two highest denomination notes. GST is a bold new experiment in the governance to improve tax compliance, boost investment and growth. Demonetisation has had short-term costs but holds the potential for long-term benefits. Last year's Survey assessed that “for now, but not indefinitely, that sweet spot is still beckoningly there.” This year's stocktaking suggests that shifts in the underlying vision will be needed to overcome the major challenges ahead, thereby accelerating growth, expanding employment opportunities, and achieving social justice. On the international front, Brexit and the US elections may herald a tectonic shift, forebodingly laden with darker possibilities for the global, and even the Indian economy.

GDP Annual Growth Rate



The Indian economy's real GDP growth route is likely to flagging down in FY16-17 estimates at 7.1 %, many of the confusion having this year's real GDP growth estimate with last year's outcome of 7.6% this would be inappropriate, because many other factors have influenced this year's performance, quite apart from demonetisation. eg., international oil prices have stopped falling, providing less of an updraft to the economy. So growth would have inevitably differed, even without demonetisation. Consequently, the appropriate benchmark would be an estimate of what real GDP growth would have been in the absence of demonetisation. The GDP plots and highlights into two phases as one phase of before demonetisation and one phase of after demonetisation.

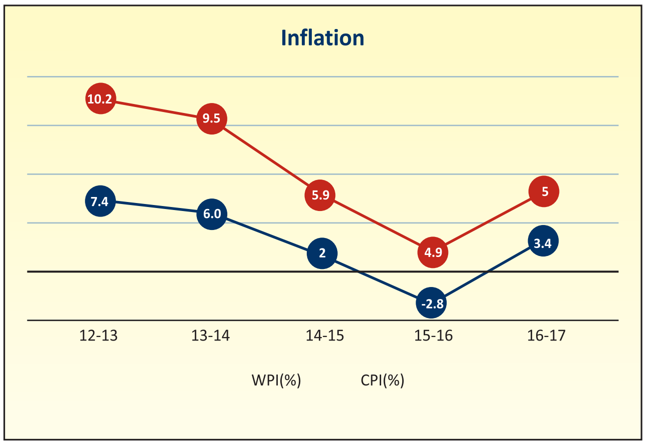
The major highlights of GDP growth outcome of the first half of 2016-17 were: (i) moderation in industrial and non government service sectors; (ii) the modest pick-up in agricultural growth on the back of improved monsoon; and (iii) strong growth in public administration and defence services.

To assess growth after demonetisation, a simply model relating money to GDP is employed. Then, making assumptions about the use of cash in the economy and the magnitude of the shift toward digital payments methods, we compute the impact on nominal and real GDP growth for FY2017.

After all, demonetization is mostly a nominal demand shock, so its effect in the first instance will be on nominal magnitudes. Moreover, as noted in the Mid-Year Economic Analysis (2015), the large wedge between CPI and WPI inflation has created difficulties in measuring the GDP deflator, which is used to convert nominal magnitudes into real GDP. While the wedge has converged to zero this year as per Dec 2016 data, nominal magnitudes remain a better basis for identifying the demonetization effect. Therefore, the most appropriate gauge of demonetization would be to compare actual nominal GDP growth - or the Survey's estimate of it - with the counterfactual nominal GDP growth without demonetization. According to the Central Statistics Office(CSO) this counterfactual is 11.9%, while the Survey's estimate is around 11.75 %. Finally, the real GDP growth with those of other institutions such as the World Bank and the International Monetary Fund. But their baseline growth for 2016-17 (pre-demonetisation) was much higher than the CSO's Advance Estimates and the Survey's. Therefore, the more appropriate comparison would be based on the changes in the forecasts rather than their levels.

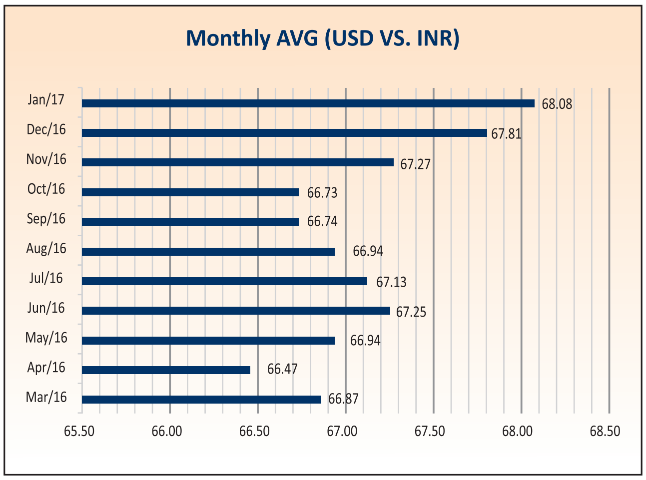
In sum, over the medium run, the implementation of the GST, follow-up to demonetisation, and enacting other structural reforms should take the economy towards its potential real GDP growth of 8 % to 10 % and the political backlash against globalisation in advanced countries, and China's difficulties in rebalancing its economy, could have major implications for India's economic prospects. They will need to be watched in the year - and decade - ahead.

Inflation



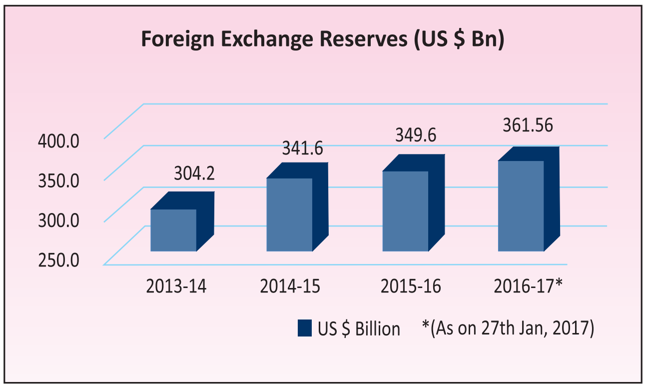
Inflation this year has been characterized by two distinctive features. The Consumer Price Index (CPI) - New Series inflation, which averaged 4.9 % during April -December 2016, has displayed a downward trend since July when it became apparent that kharif agricultural production in general, and pulses in particular would be beautiful. The decline in pulses prices has contributed substantially to the decline in CPI inflation which reached 3.4% at end-December. The second distinctive feature has been the reversal of WPI inflation, from a trough of (-)5.1 % in August 2015 to 3.4% at end-December 2016, on the back of rising international oil prices. The wedge between CPI and WPI inflation, which had serious implications for the measurement of GDP has narrowed considerably. Core inflation has, however, been more stable, hovering around 4.5 % to 5 % for this year so far. The outlook for the year as a whole is for CPI inflation to be below the RBI's target of 5 %, a trend likely to be assisted by demonetisation.

Currency



The withdrawal of FIIs during November-December 2016 alone accounted for 96 % of the total outflow in the calendar year. This further weakened the Indian rupee in December 2016, to an average of ₹67.81 per U.S. Dollar. The anticipation of a further rate hike by U.S. Federal Reserve could depreciate the value of Indian rupee more. The demonetisation process in November 2016 too played part in the rupee depreciating towards the end of the calendar year 2016.

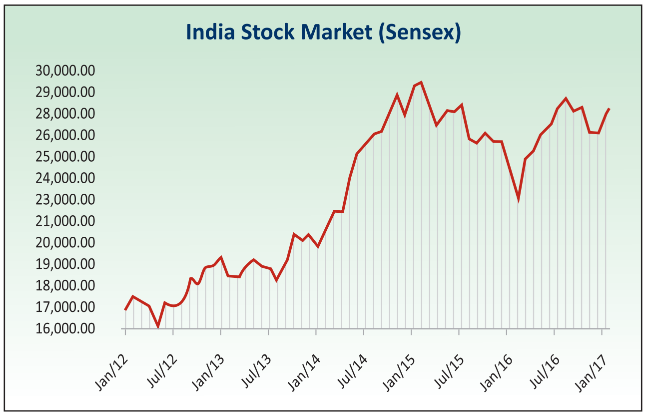
Foreign Exchange Reserve



Foreign exchange reserves are at comfortable levels, having have risen from around US$ 350 bn at end January, 2016 to US$ 362bn at end December, 2016 and are well above standard norms for reserve adequacy. In H1 of 2016-17, India's foreign exchange reserves increased by US$ 15.5 bn on BoP basis, while in nominal terms was increase to the tune of US$ 11.8

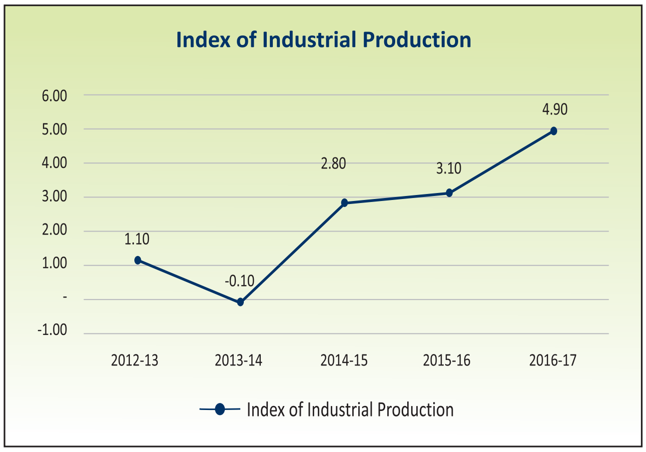
bn. Current Account deficit declare about 1% of GDP in the first half of FY2016-17 and the loss due to valuation changes of US$ 3.7 bn mainly reflects the appreciation of the US dollar against major currencies.

The Indian Stock Market (Sensex)



Indian stock markets (BSE) recorded increased by 9.13% for the January 2017 as compared to over end of March 2016. The upward momentum, visible in the Indian markets peaked around September 2016, lost steam thereafter, particularly in the wake of foreign capital outflow from emerging markets. Global and domestic factors had a sizable impact on the performance of the Indian markets. Some of the closely watched developments were the Brexit, the US Presidential elections as well as policy announcements by the US Federal Reserve and the demonetization announcement. In addition, other factors which weighed on market sentiment included the policy decisions taken by the OPEC regarding oil production. The government has done its fair share to push confidence and optimism in the domestic economy amid the weak global sentiment during the year.

Industrial Performance

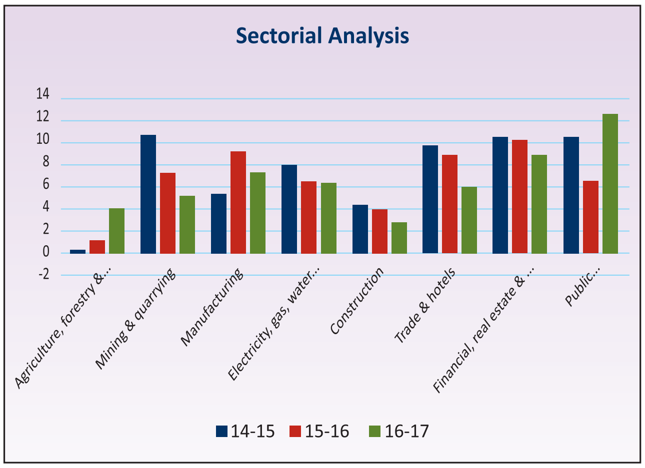


IIP was volatile with a narrow range for most part of FY17. IIP was largely subdued during the fiscal due to weakness in the capital goods segment.The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity that have a total weight of nearly 58 % in the IIP registered a cumulative growth of 4.9 % during FY2016-17 as compared to 3.1 % during FY2015-16. The production of refinery products, fertilizers, steel, electricity and cement increased substantially, while coal production attained lower growth during the same period.

The performance of corporate sector (Reserve Bank of India, January 2017) highlighted that the growth in sales was 1.9 % in Q2 of 2016-17 as compared to near stagnant growth of 0.1 % in Q1 of 2016-17. The growth of operating profits decelerated to 5.5 % in Q2 of 2016-17 from 9.6 % in the previous quarter. The Y-o-Y growth in interest expenses remained flat in Q2 of 2016-17, as compared to 5.8 % in the previous quarter. Growth in net profits registered a remarkable growth of 16.0 % in Q2 of 2016-17, as compared to 11.2 % in Q1 of 2016-17. The Government has liberalized and simplified the foreign direct investment (FDI) policy in sectors like defence, railway infrastructure, construction and pharmaceuticals, etc. During April- September 2016-17, FDI equity inflows were US$ 21.7 bn as compared to total FDI inflows of US$ 16.6 bn during April-September 2015-16 showing 30.7 % surge. Sectors like services sector, construction development, computer software & hardware and telecommunications have attracted highest FDI equity inflows.

Many new initiatives have been taken up by the Government to facilitate investment and ease of doing business in the country. Noteworthy among them are initiatives such as Make-in-India, Invest India, Start Up India and e-biz Mission Mode Project under the National e-Governance Plan. Measures to facilitate ease of doing business include online application for Industrial License and Industrial Entrepreneur Memorandum through the eBiz website 24x7 for entrepreneurs; simplification of application forms for Industrial Licence and Industrial Entrepreneur Memorandum; limiting documents required for export and import to three by Directorate General of Foreign Trade; and setting up of Investor Facilitation Cell under Invest India to guide, assist and handhold investors during the entire life-cycle of the business.

Sectoral Analysis



At the sectoral level, growth of agriculture & allied sectors improved significantly in 2016-17. Following the normal monsoon in the current year which was preceded by sub-par monsoon rainfall in 2014-15 and 2015-16. Higher growth in agriculture sector in 2016-17 is not surprising; rabi sowing so far and the first advance estimates of the kharif crop production for the year attest to this. After achieving a real growth of 7.4 % in terms of value added in 2015-16, the growth in industrial sector, comprising mining & quarrying, manufacturing, electricity gas & water supply, and construction sectors moderated in 2016-17. This is in tandem with the moderation in manufacturing, mostly on account of a steep contraction in capital goods, consumer and durable segments of IIP. The contraction in mining and quarrying largely reflects slowdown in the production of crude oil and natural gas. However, the performance of industrial sector in terms of value added continued to be at variance with its achievements based on IIP. As in the previous years, the service sector continued to be the dominant contributor to the overall growth of the economy, led by a significant pick-up in public administration, defence & other services that were boosted by the payouts of the Seventh Pay Commission. Consequently, the growth in services in 2016-17 is estimated to be close to what it was in 2015-16.

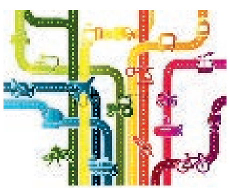
Conclusion

Beyond these headline reforms were other less-heralded but nonetheless important actions. The government enacted a package of measures to assist the clothing sector that by virtue of being export-oriented and labour-intensive could provide a boost to employment, especially female employment. The National Payments Corporation of India (NPCI) successfully finalized the Unified Payments Interface (UPI) platform. By facilitating inter-operability it will unleash the power of mobile phones in achieving digitalization of payments and financial inclusion, and making the “M” an integral part of the government's flagship “JAM”-Jan Dhan, Aadhaar, Mobile- initiative. Further FDI reform measures were implemented, allowing India to become one of the world's largest recipients of foreign direct investment.

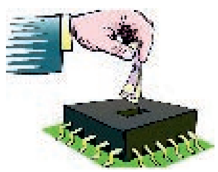
These measures cemented India's reputation as one of the few bright spots in an otherwise grim global economy. India is not only among the world's fastest growing major economies, underpinned by a stable macro-economy with declining inflation and improving fiscal and external balances. It was also one of the few economies enacting major structural reforms. Yet there is a gap between this reality of macro-economic stability and rapid growth, on the one hand, and the perception of the ratings agencies on the other.

For India, three external developments are of significant consequence. In the short run, the change in the outlook for global interest rates as a result of the US elections and the implied change in expectations of US fiscal and monetary policy will impact on India's capital flows and exchange rates. Markets are factoring in a regime change in advanced countries, especially US macro economic policy, with high expectations of fiscal stimulus and unwavering exit from unconventional monetary policies. The end of the 20-year bond rally and end to the corset of deflation and deflationary expectations are within sight. Second, the medium-term political outlook for globalisation and in particular for the world's "political carrying capacity for globalisation" may have changed in the wake of recent developments. Third, developments in the US, especially the rise of the dollar, will have implications for China's currency and currency policy. If China is able to successfully re-balance its economy, the spillover effects on India and the rest of the world will be positive.

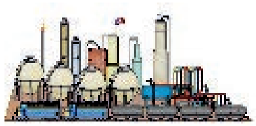
Overall Sectoral Impact

Sector	Policy	Impact	Effect
Automobiles 	❖ ₹ 3961 Bn investment in automobile industry & auto ancillary sector and separate allocation ₹ 2414 Bn to be raised for transportation. ❖ MAT carry forward limit extended 15 years from 10 years.	• Rural credit growth shall fuel the demand for farm equipment & tractors. • Reduction in Income tax slab rate would stir up demand for two wheelers and small cars. • Financing will be a positive for commercial vehicle demand. • Benefit to SPVs of road projects for longer period.	F
Banking & Finance 	❖ Capital infusion of ₹ 100 Bn for PSU banks. ❖ Allowable provision for NPAs of banks for tax relief increased from 7.5% to 8.5% of Total Income. ❖ ₹2 lacs will be restricted to set off loss from house property against other heads of income.	• Inadequate allocation of funds accounted to deteriorate capital adequacy and asset quality parameters of PSU banks. • Reduction in tax relief will improve marginal profitability. • Demand will condense in mid/large ticket home loans for investment purpose.	U
Capital Goods & Utilities 	❖ ₹3960 Bn investment in overall Infrastructure segment including rail, roads, shipping and strategic assets result in increased orders of EPC. ❖ Reduction in basic customs duty in selected capital goods, specially related to solar equipment. ❖ Solar power development plan of 20 gigawatt.	• EPC (engineering, procurement, construction) from government sector amidst sluggish private sector investment scenario. • Decrease in rate of customs, cost reduction for equipment manufacturer. • Increase value chain for various suppliers in solar equipment.	N
Education 	❖ Access to SWAYAM education portal online, which will be introduced with 350 online courses. ❖ 3.5 crore youth to be trained under Sankalp programme launched by government. ❖ 100 international centres will be launched across the country for the youth to seek jobs outside India. ❖ PM Kaushal Kendras to be extended to 600 districts. ❖ Skill strengthening to be implemented from this year with a budget of Rs 2,200 crore.	• Good quality institutions which will possess better quality and education. • Focus on the true potential of the youth. • Quality and market relevance will be noted in vocational training. • Government will provide education through digital platform and the country will be turned into an electronics hub.	F

Overall Sectoral Impact

Sector	Policy	Impact	Effect
Infrastructure & Construction 	❖ ₹ 3960 Bn investment in Infrastructure. ❖ Allocation of Roads up ₹ 649 Bn from ₹ 579.8 Bn. ❖ Construct & develop 2000 km of coastal connectivity. ❖ Amendment to Arbitration and Conciliation Act 1996, for effective resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts.	• Increase in allocation will boost the construction sector. • Higher spend towards overall infrastructure along with increased allocation to roads and low cost housing is likely to boost cement demand.	F
Digital Initiatives and Start-up Boost  	❖ Govt to introduce two new schemes to promote BHIM App - referral bonus for users and cash back for traders. ❖ Allocation of ₹100 Bn for Bharat Net project for providing high-speed broadband in FY18. ❖ Digi Gaon will be launched to promote tele-medicine and education. ❖ AadharPay, a merchant version of Aadhaar-enabled payment system to be launched shortly for those without debit cards, mobile phones. ❖ Computer emergency response team to be set for cyber security of financial sector as Digi-pay To Weed Out Corruption, New Schemes On Anvil. ❖ Duty exempted on various POS machines and iris readers to encourage Digital Payments. ❖ Relaxation in norms for Start Ups for getting tax exemption.	• Increased digital transaction will enable rural and urban areas to access banking system. • Transparency in accounting and accessibility of information. • Encouraging to the Start Ups entrepreneurs. • Promotion of digital economy will clean up the system, weed out corruption and black money.	F
Irrigation 	❖ Initial corpus ₹ 50 Bn for micro irrigation fund by NABARD to achieve goal "per drop more crop". ❖ Long term Irrigation fund set up by NABARD augmented by 100%.	• Ensuring seamless flow of credit to small & marginal farmers entail stable demand. • Improvisation in soil fertility and productivity will lead to balanced.	F

Overall Sectoral Impact

Sector	Policy	Impact	Effect
Irrigation 	❖ Issue Soil cards and setup mini labs in Krishi Vigyan Kendras. ❖ DBT pilot basis for fertilizers in a few district across the country.	usage of nutrient resulting in better usage of complex fertilizers. • DBT pilot enhancing the quality of service delivery.	
Metal & Mining 	❖ The basic custom duty (BCD) on nickel has come down to NIL from 2.5%. ❖ Reduced the BCD on "Hot Rolled Coils, when imported for use in manufacture of welded tubes and pipes" from 12.5 % to 10 %. ❖ Export duty charged on other aluminium ores, including laterite at 15%.	• Nil rate in custom duty of nickel will lead to great relief for the stainless steel industry. • Reduction of BCD on Hot Rolled Coils for captive use in welded tubes and pipes would create price pressure on domestic HR coil producer. • Rise in export duty on aluminium ores would ensure higher availability of aluminium production in inland.	N
Oil & Gas  	❖ No extention of tax benefits under 80IA for project commissioned on or after April1, 2017. ❖ Commitment for 100% rural electrification by May 18, and feeding 7000 railway station with solar power. ❖ Basic custom duty from 5% to NIL for solar tempered glass for use in manufacture of solar cells & from 5% to 2.5 % on import of LNG (Liquefied Natural Gas). ❖ Setting up Strategic Crude Oil Reserves to strengthening Energy Sector. ❖ Setting up caverns at Odisha & Rajasthan.	• MAT rates has no relief but MAT carried forward to 15 years instead of 10 years. • Decrease in duty on LNG likely benefit to petrochem industries. • Creating integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.	F
Pharmaceuticals 	❖ Amending Drugs and Cosmetics Rules to ensure availability, reasonable price of medicine & new norms for medical devices sector to bring investments. ❖ More drugs likely to come under NLEM 2015 & DPCO 2016 to price control.	• Indian Pharmaceutical Industry derives growth primarily from export market and can expect growth trend. • This will boost generic sales focus on generic medicines. This change will be interesting on how it goes with the pharma industry.	U

Overall Sectoral Impact

Sector	Policy	Impact	Effect
	❖ Fillip to healthcare infrastructure with new medical centers and All India Institute of Medical Sciences (AIIMS). ❖ 1.5 lakh healthcare centers are to be established.	• MSME sector is heart warming because over 80 percent of India pharma industry comes under this segment.	
Real Estate 	❖ Big boost to affordable housing segments. ❖ Tax deduction for promotion of affordable housing; carpet area instead of built up area 30 & 60 Sq. meters will be counted. 30 Sq. meters apply only in case of municipal limit of 4 metropolitan cities and for rest of the country 60 Sq. meters will apply.	• Infrastructural status to affordable housing will increase the private participation to this segment and also lending for banks. • Built up area 30 & 60 Sq. meters scheme, purchaser will get more spacious homes and affordable housing segment will be more lucrative for the developers.	F
Retail / FMCG 	❖ 2 % Customs duty charged on printed circuit board for manufacture of mobile phones. ❖ Excise duty on non-filter cigarettes of length not exceeding 65 mm raised to ₹ 311 per thousand from ₹ 215. ❖ Excise Duty on cigars, cheroots hiked to 12.5% or ₹ 4006 per thousand, whichever is higher, from 12.5% or ₹ 3,755. ❖ 12 % Excise duty on pan masala containing tobacco (gutkha). ❖ 9% Excise Duty on pan masala hiked; 8.3% on un-manufactured tobacco.	• Demonetisation has only aggravated the pain. • Increase in the income tax slabs to boost consumption. • Revenue growth for the last two years owing to slowdown in rural demand. It will lead to increase in Rural spend.	U

F – Favorable U – Unfavorable N – Neutral

Finance Bill, 2017 - Direct Tax Proposals

Rate of Income Tax

- Rate of tax has been kept unchanged except in case of individual, HUF, AOP, BOI in the slab of income exceeding ₹ 2,50,000/- to ₹ 5,00,000/-, rate of tax has been reduced from 10% to 5%.
- Surcharge has been levied in case of income exceeding ₹ 50,00,000/- but not exceeding ₹ 1,00,00,000/- @ 10% with marginal relief.

✓ **Rate of tax are as under :**

Tax Slab	Tax%
Upto ₹ 2,50,000	Nil
₹ 2,50,000 to ₹ 5,00,000	5
₹ 5,00,000 to ₹ 10,00,000	20
Above ₹ 10,00,000	30

Surcharge

Surcharge in case of income ₹ 50,00,001/- to ₹ 1,00,00,000/- be @ 10% and in case of income exceeding ₹ 1,00,00,000/- be @ 15% with marginal relief.

Companies

✓ **Domestic Companies**

(a) In case of companies whose turnover or gross receipt for the year ended 31.3.16 does not exceed ₹ 50,00,00,000/- : 25%.

(b) In all other cases : 30%

Surcharge will be chargeable if total income of domestic company exceeds ₹ 1 crore but not ₹ 10 crores @ 7% and @ 12%, if income exceed ₹ 10 crores.

Companies other than Domestic companies

The rate of tax is 40% and surcharge levyable is 2% if total income exceed ₹ 1 cr. but does not exceed ₹ 10 cr. and surcharge payable will be 5% if total income exceeds ₹ 10 cr.

In all cases cess on income tax being secondary & higher secondary education cess shall be levyable at 2% and 1% respectively.

Rebate u/s.87A

An individual be entitled a tax rebate of ₹ 2,500/- instead of ₹ 5,000/- in last year, such individual be entitled to rebate u/s.87A only if income does not exceed ₹ 3,50,000/-.

Tax on Dividend

Last year, Sec.115 BBDA was introduced imposing tax @ 10% on all dividend exempt u/s.10(34) received by an individual, HUF, Firm, LLP exceeding ₹ 10,00,000/-. Now it is proposed to extend said provision to all resident assessees except domestic companies, charitable trust and recognized institutions w.e.f. AY. 18-19.Hence Family trust and other similar entities be subject to charge now.

Housing sector

Affordable housing u/s.80 IBA.

Under the existing provisions 100% deduction is available in respect of profit and gain derived from developing and building housing projects known as Affordable housing. Certain conditions are prescribed for a project to be entitled as an affordable housing project. At present, it is provided that residential flats in such Affordable housing projects in 4 metropolitan cities i.e. Chennai, Delhi, Kolkata & Mumbai and within 25 kms of Municipal limits of these 4 cities, built-up will not exceed 30 Sq. Mtrs and in other places 60 Sq. Mtrs built up area. Now it is proposed to change such condition of area in the 4 metropolitan cities to 30 sq. mtrs. Carpet area and in case of all other places, 60 sq. mtrs. of carpet area. It is further proposed to amend that a project can be completed within a period of 5 years from the date of approval of first Plan during the period 1.6.16 to 31.3.19, instead of 3 years provided at present.

Notional income from housing property held as stock-in-trade.

By amendment to Sec.23 it is proposed to provide that no notional income will be taxed for house property consisting of any building, if held as stock-in-trade and not let out for a period of 1 year from the end of financial year in which certificate of completion of construction of property is obtained from the competent authority. It means, after lapse of period of 1 year from such completion certificate, house property income of not let out portion be chargeable to tax.

- **Carry forward of house property loss**

Loss computed under the head "House Property" be allowed to be set-off upto ₹ 2,00,000/- as per proposed amended section 71(3A) against income from other heads. Balance loss be allowed to be carried forward for 8 Assessment Years. u/s. 71B.

Business income

- **Start-up undertakings :**

The existing provisions of Sec.80 IAC provides exemption of 100% profit derived from the eligible business of a start-up undertaking for 3 consecutive years within a period 5 years beginning from the year of incorporation of start-up. Now it is provided that such exemption of profit can be claimed for a period of 3 years consecutively out of a period of 7 years from the date of incorporation of such start-up.

- **Carry forward of the loss u/s.79**

Under the existing provisions of Sec.79, loss incurred in a year is eligible for carry forward if 51% voting right in a company, in which public is not substantially interested, are held by same shareholders who were carrying voting power in the year of loss. Now it is proposed to amend Sec.79 to provide that if the shareholder carrying voting right who were shareholders in the year of loss continues to be shareholder in the year of profit, such loss will be eligible for set-off, even such voting rights are lower than 51%, such loss be eligible for set-off in 7 years from the year of incorporation.

- **Taxability of interest income of NPA**

Under the provisions of Sec.43D, scheduled bank, public financial institutions, certain public companies are entitled to pay income tax on interest on NPA at the time of receipt or at the time of crediting such income to P&L A/c. The said benefit is now extended to Co-op. Banks and Rural Development Banks.

- **Provision for bad and doubtful debts**

Under the provisions of Sec.36 (1)(viia), scheduled banks, non-scheduled banks, Co-op. banks other than foreign banks are entitled to claim deduction for provision for bad and doubtful debts to the extent of 7.5% of total income and an amount not exceeding 10% of aggregate average advance mad by rural branches of such banks. It is now proposed to increase said percentage of provisions to 8.5%.

- **Maintenance of books of accounts**

Under the existing provisions of law u/s.44AA an individual or HUF carrying on business and having turnover or receipt of ₹ 1.25 lakhs and in case of person carrying professing having receipt of ₹ 10 lakhs is required to maintain books of accounts. Now these limits has been increased to ₹ 2.50 lakhs and ₹ 25 lakhs respectively.

- **Presumptive income**

Under the existing provisions of law u/s.44AD, an assessee being individual or HUF, partnership firm other than LLP carrying business other than plying, hiring or leasing goods carriage and having turnover or business receipt which does not exceed₹ 2 cr., at his choice, can be taxed at an income equal to 8% of total turnover or gross receipt or at such higher income as may be offered in the Return of income. In such case, such assessee is not required to maintain any books of accounts. It is now proposed to provide that if such eligible assessee receives part of its turnover or receipt by account payee cheque, bank draft, or by use of electronic clearing system during the year or within a period allowed for filing Return of income u/s.139(1) of the Act, to the extent of turnover or gross receipt so received, will be taxable at 6% instead of 8% The provisions are made applicable w.e.f. 1.4.17.

In case of eligible assessees having professional income entitled to be assessed u/s.44ADA it is now clarified that advance tax can be paid in one instalment by 15th of March of A.Y, the provision has been made applicable from 1.4.17.

Under the existing provisions of Sec.44AB, a person carrying on business is required to get its accounts audited it turnover / receipt exceed ₹ 1 cr. In presumptive taxation regime, limit u/s.44AD is ₹ 2 cr., hence provision of audit will not apply till turnover of ₹ 2 cr. from AY 17-18.

- **Transfer of carbon credit**

  Carbon credit is an incentive given to industrial undertaking for reduction of greenhouse gases by means such as switching over to wind or solar energy, installation of energy efficient machinery etc. Such carbon credit certificates are tradable. The sale proceeds so received has been subject matter of litigation, certain judicial authorities has held the same as capital receipts and others as revenue receipt. Now it is clarified by inserting a new section 115BBG that such receipt on transfer of carbon credit certificate be taxable @10%.

Cash payment

- **Donation in cash**

  Under the existing provisions of law, deduction under Sec.80G is available if donation given to eligible institution or Trust in cash is not more than ₹ 10,000/-Now it is proposed to be restricted to ₹ 2,000/-.

- **Payment in cash u/s.40A(3)**

  Under the existing provisions of law any expenditure paid exceeding ₹ 20,000/- is not allowable if paid in cash in one day. Now the said limit is reduced to ₹ 10,000/-

- **No allowance of depreciation u/s.32 or deduction u/s.35AD**

  As per existing provision of law, even if payment is made in cash for capital expenditure exceeding ₹ 20,000/-, depreciation is not disallowable. Now Sec.32 is amended to provide that no depreciation will be allowed on acquisition of any capital assets for which payment exceeding ₹ 10,000/- is paid in cash. On the similar lines, it is provided that no deduction u/s.35AD will be available for payment in cash exceeding ₹ 10,000/- for any capital expenditure.

- **Restriction on cash transactions**

  By introduction on Sec.268 ST, it is proposed to provide that no person shall receive an amount of ₹ 3,00,000/- or more

  (a) in aggregate from a person in a day

  (b) in respect of single transaction or

  (c) in respective of transaction relating to one event or occasion from a person.

  otherwise than by an a/c. payee cheque, bank draft or use of electronic clearing system through a bank account. By introduction of Sec.271BA it is provided that in case of contravention penalty be imposable equal to amount of such receipt; such penalty is proposed to be levied if such contravention is not for good and sufficient reasons. The penalty will be imposed by Jt.Commissioner.

Income from other sources

- **Certain income to be taxed u/s.56(2)**

  Under the existing provisions of Sec.56(2) in case of individual or HUF receives any money, immoveable property or any other property without consideration or for a consideration, which is less than Stamp Duty value in case of immoveable property and fair market value in case of other properties is treated as income of the recipient. However, if the gift or transaction of sale is with relatives or under certain circumstances as provided are excluded. The term property is defined under the section. In case of partnership firm or company in which public is not substantially interested, if receives shares of a company in which public is not substantially interested without consideration or for a consideration which is below fair market value is also treated as income. No addition is required to be made if such money/property or price difference is less than ₹ 50,000/-. A new section is proposed to be substituted as 56(2)(x) w.e.f. 1.4.17 which will be applicable to all assessees; hence in case of any money received, immoveable property or property is received without consideration or a consideration which is lower to either Stamp Duty value or fair market value to be determined under rules will be taxable income of such recipient. However, no addition will be made if money received or difference in value of immoveable or any other property being sale consideration is lower than ₹ 50,000/- or such transactions are with relatives.

- **Computation of income u/s.56**

  Under the provisions of Sec.56 income from **`other sources'** are to be computed. Certain expenses / deduction are allowable u/s.58. Now the section is proposed to be amended so as to provide that in case of any expenses on which TDS is deductible, but not deducted and paid before the due date of filing of Return of income, such expense will not be allowable.

Long Term Capital Gain

- **Period of holding**

  Is reduced from 36 months to 24 months for determining eligibility of Long Term Capital Assets in case of immoveable property by proposed amendment to Sec.2 (42A) of the Act. It will be applicable from A.Y. 18-19.

- **Development Agreement**

  A new section has been introduced - Sec.45(5A) to provide that in case of an individual or HUF, capital gain arising on transfer of land or building or both shall be chargeable to income tax as income of the year in which certificate of completion of whole or part of the project is issued by competent authorities if consideration is payable by way of constructed area with or without cash consideration, the consideration value will be equal to Stamp Duty value on the date of completion Certificate of such land or building and same will be increased by cash consideration, if any receivable. In case the owner of the property transfer his share in the project before issue of Completion Certificate, income will be taxable in the year of such transfer. The provision are made applicable from A.Y. 18-19.

- **No long term capital gain exemption on sale of equity sharesin certain circumstances u/s.10(38)**

  Under the provisions of Sec.10(38), income arising from transfer of long term capital assets being equity shares of a company is exempt from tax on which STT is being paid on sale. The provisions of Sec.10(38) are proposed to be amended to plug misuse of the section to provide that if such quoted shares are acquired after 1.10.2004 and on acquisition of such shares STT is not being paid, no exemption will be granted. However, in case of acquisition of shares by Non Resident under IPO, FPO, Bonus or Right issue on which STT is not paid, such non-resident be eligible for capital gain. As per the amended section, if a resident has acquired the shares under IPO, FPO, Bonus or Right etc., capital gain will be chargeable. The amended section is not as per intention of government and causes uncalled for hardship. The Finance Secretary has clarified in his statement that necessary clarification be issued.

- **Indexation**

For the purpose of indexation, the base date has been changed to 1.4.2001 in place of 1.4.1981.

- **Rupee denominated Bond**

Rupee denominated Bond of Indian Companies issued outside India if transferred by one non-resident to another non-resident out of India, such transfer will be exempt from tax (Sec. 47(VII AA).

- **Conversion of securities**

In case of conversion of preference shares into equity shares by an Indian Company, cost in case of the assessee, will be as cost of pref. shares – Sec. 49(2AE). Similar provisions are made u/s.49(2AF) for conversion of Unit of Mutual Funds with Units in consolidation plan of Mutual Fund Scheme. The period of holding will be counted from date of holding of original shares or unit as the case may be.

- **Eligible investment u/s.54EC**

At present eligible Bonds are bonds issued by National Highway Authority of India and Rural Electrification Corporation Ltd. Now it is proposed to introduce certain other Bonds redeemable after 3 years as may be notified by the central government for the purpose and eligible investment is to the extent of ₹ 50 lakhs.

- **Fair market value be sale consideration in case of unquoted shares**

By introduction of Sec.50 CA, it is provided that if sale consideration of equity shares is lower than FMV as computed as per rules, the sale price for the purpose of long term capital gain be replaced by **'fair market value'.**

- **Rate of tax on Long term capital gain in case of Non-Resident**

In case of unlisted securities, shares of the company in which public are not substantially interested, transferred by non-resident, income tax on long term capital gain is payable at 10% on capital gain arising without benefit of indexation and foreign exchange fluctuation as per amendment carried out by Finance Act, 2016. It is now clarified that provisions be applicable from A.Y. 2013-14.

Minimum Alternate Tax and Alternate Minimum Tax (MAT and AMT)

- **Carry forward MAT Credit**

Under the existing provisions of law, MAT/AMT credit carry forward is available upto 10 AYs. It is now proposed to provide that such MAT/AMT credit determined can be carried forward upto 15th A.Y. immediately succeeding the A.Y in which such tax credit becomes allowable. Provisions of section 115JAA and section 115JD proposed to be amended accordingly.

- **MAT on Ind-AS complaint financial statement**

India has adopted International Financial Reporting IFRS and for the purpose Indian Accounting Standards (Ind-AS) are being formulated, the account are required to be drawn for the year ending 31st March, 2017, in certain category of assesses and in certain other category in subsequent years, book profit to be arrived at as per accounts drawn based on Ind-AS be different from existing Indian GAPP. In case of accounts drawn as per Ind-As, the assets and liabilities are required to be disclosed at fair market value (FMV). Such difference be dealt with under comprehensive income. The tax issues arising from adoption of IFRS is proposed to be dealt in following manner:-

(i) No further adjustments to the net profits before other comprehensive income of Ind-AS compliant companies, other than those already specified under section 115JB of the Act shall be made.

(ii) The other comprehensive income includes certain items that will permanently be recorded in reserves and hence never be reclassified to the statement of profit and loss included in the computation of book profits. These items shall be included in book profits for MAT purposes at the point of time as specified below—

S.No	Items	Point of time
1	Changes in revaluation surplus of Property, Plant or Equipment (PPE) and Intangible assets (Ind-AS 16 and Ind-AS 38)	To be included in book profits at the time of realisation/disposal/ retirement or otherwise transferred
2	Gains and losses from investments in equity instruments designated at fair value through other comprehensive income (Ind-AS 109)	To be included in book profits at the time of realisation/disposal/ retirement or otherwise transferred
3	Remeasurements of defined benefit plans (Ind- AS 19)	To be included in book profits every year as the remeasurements gains and losses arise
4	Any other item	To be included in book profits every year as the gains and losses arise

(iii) Appendix A of Ind-AS 10 provides that any distributions of non-cash assets to shareholders (for example, in a demerger) shall be accounted for at fair value. The difference between the carrying value of the assets and the fair value is recorded in theprofit and loss account. Correspondingly, the reserves are debited at fair value to record the distribution as a 'deemed dividend' to the shareholders. As there is a corresponding adjustment in retained earnings, this difference arising on demerger shall be excluded from the book profits. However, in the case of a resulting company, where the property and the liabilities of the undertaking or undertakings being received by it are recorded at values different from values appearing in the books of account of the demergedcompany immediately before the demerger, any change in such value shall be ignored for the purpose of computing of book profit of the resulting company.

❖ Reference year for first time adoption adjustments

In the first year of adoption of Ind-AS, the companies would prepare Ind AS financial statement for reporting year with a comparative financial statement for immediately preceding year. As per Ind-AS 101, a company would make all Ind-AS adjustments on the opening date of the comparative financial year. The entity is also required to present an equity reconciliation between previous Indian GAAP and Ind-AS amounts, both on the opening date of preceding year as well as on the closing date of the preceding year. It is proposed that for the purposes of computation of book profits of the year of adoption and the proposed adjustments, the amounts adjusted as of the opening date of the first year of adoption shall be considered. For example, companies which adopt Ind-AS with effect from 1 April 2016 are required prepare their financial statements for the year

2016-17 as per requirements of Ind-AS. Such companies are also required to prepare an opening balance sheet as of 1 April 2015 and restate the financial statements for the comparative period 2015-16. In such a case, the first time adoption adjustments as of 31 March 2016 shall be considered for computation of MAT liability for previous year 2016-17 (Assessment year 2017-18) and thereafter. Further, in this case, the period of five years proposed above shall be previous years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21.

Certain adjustments are prescribed for first time adoption, intangible assets, investment in subsidiaries, joint venture and associate concerns and on other issues which are not dealt with herein.

As the Ind-As is required to be adopted by certain companies for financial year 2016-17 mandatorily, these amendments will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent assessment years.

❖ Tax deducted /and tax collection at source.

♦ Rent payable by an individual/HUF

A new section 194IB is introduced requiring an individual or HUF to deduct tax out of the Rent paid exceeding ₹ 50,000/- for a month or part thereof @5% even if such individual/HUF is not subject to audit u/s.44AB. Such deduction be made in the last month of the previous year or if tenancy is terminated, in the month of termination, once in a year. For the purpose, no TAN is required to be obtained. Payment challan be considered to be statement of TDS u/s.206. The provision will be effective on 1.6.2017.

♦ No TDS on Compulsory Acquisition of land.

Under the existing provisions of law u/s.194 LA on compensation or enhanced compensation paid on account of compulsory acquisition of any immoveable property other than agricultural land, TDS is deductible @ 10%. Under the provisions of **"Right to Fair Compensation Act and transparency in land acquisition, rehabilitation and resettlement Act 2013"** w.e.f. 1.1.14, no income tax is payable on such compensation or enhanced compensation; except in certain cases as provided u/s.46 of the said Act. It is now provided that no TDS will be deducted on such compensation or enhanced compensation. The amendment is applicable from A.Y. 17-18. Similar provisions are extended for no deduction in case of land or immoveable property acquired for development of **capital of Andhra Pradesh** by method of pooling as the said income is proposed to be exempt under the provisions of Sec.10(3A) of the Act. The provisions will be applicable from A.Y. 18-19.

♦ TDS on foreign borrowings

Under the existing provisions of Sec.194LC, interest payable to non-resident on borrowings made in foreign currency from source outside India under loan agreement or by way of issue of long term Bonds is deductible @5%. These provisions are applicable for loan agreements or issue of Bonds before 1.7.2017. Now such eligible date is extended to 1.7.2020.

Under the existing provisions of law u/s.194LD, interest payable on Rupee denominated Bonds of Indian Companies or Government securities issued to foreign institutional investors (FIIs) or qualified foreign investors (QFI) is deductible @5% upto 1.7.17. Now the said eligible date is extended to 1.7.2020.

♦ TDS under development agreement

As per newly introduced Sec.194 IC in case of cash consideration, TDS will be deducted @ 10%.

- **Commission to Insurance Agents**

  Under the provisions of Sec.194D TDS is deductible @ 5% in case of commission payable exceeding ₹ 15,000/- during the year to a commission agent. Now it is proposed that in case income of an Agent having income below taxable limit, such agent can make a self-declaration in prescribed form 15G/15H as provided u/s.197 of the Act and no TDS be deducted in such case. Provision will be effective from 1.6.17.

- **TDS on call centres**

  TDS on charges payable to Call Centre operator has been reduced to 2% instead of 10% w.e.f. 1.10.17 u/s. 194J.

- **Interest on refund due to deductor**

  It is proposed to insert a new sub-section 1B to sec. 244 to provide that where refund of any amount become due to deductor of TDS, such deductor be entitled to interest in addition to refund of TDS so deducted, one half percent for every month or part of the month comprises in the period of refund. The provision is made applicable from AY 17-18.

Tax collection

- **On Vehicles**

  Tax collection u/s.206C by the buyer of vehicles. In case a seller receive consideration for sale of motor vehicle exceeding ₹ 10,00,000/-, the seller shall collect 1% of the sale consideration as tax from the buyer. It is now proposed that such tax collection will not be made in case of sale of vehicle to central government, state government, any embassy, a high commission, legation, commission, consulate and trade representation of a foreign state, local authorities or public sector company engaged in the business of carrying passengers. The provisions will be applicable from A.Y. 17-18.

  Party responsible for collection of tax u/s. 206C will **obtain PAN** of the party from whom tax is to be collected, in case no PAN is provided by such party, tax be collected at double of the rates as prescribed under the section.

Charitable trusts

- **Donation by Trust or eligible institution to other Trust or eligible institutionfor corpus**

  By amendment to Sec.11 & 10 (23C) it is now provided that donation given by a Trust or eligible institution to other Trust or eligible institution for corpus of Trust or eligible institution will not be treated as application of income in case of donor.

- **Compulsory filing of Return of income**

  In case of certain funds such as Army Welfare Fund, Investor Protection Fund and Boards such as Coffee Board, Rubber Board, Tea Board etc., it is now made compulsory to file Return of income to avail the exemption of income. In case of Charitable Trusts, other eligible institutions also, it is provided that it will be necessary to file Return for availing exemption u/s.11 or Sec. 10.

- **Registration of Trust u/s.12A/ 12AA**

  By amendment to Section it is now provided that in case of change of objects in case of a Trust or Institution registered u/s.12A or u/s.12AA, if such change of object do not conform to the condition of registration it will be required to obtain a fresh registration by making an application within 30 days of such amendment.

- **Determination of cost of assets in case falling u/s.115TD**

  By amendment to Sec.49 it is proposed to provide that where capital gain is arising on transfer of an asset held by the Trust or

Institution in respect of which accredited income has been computed and taxed on conversion of such Trust into non-eligible entity, in such case, cost of such assets shall be deemed to be fair market value of the assets as taken into account for calculating capital gain u/s.115 TD.

Appeal to Tribunal

There is no provision of appeal before ITAT against orders u/s.10(23C) to be made by Universities/ Hospitals. Now a new provision is inserted that such institutions can file an appeal against the order before ITAT.

Change in Procedure

Processing of Return u/s.143(1)

Finance Act, 2017 provided that no return under which a refund is due and in case notice has been issued u/s.143(2) for regular assessment, be processed and refund be issued by inserting section 143(1D). Now it is provided that such returns be processed and refund will be allowed to the assessee even in the case where notice for assessment u/s.143(2) is being issued. However, with prior approval of Principle Commissioner of Income Tax, such refund issued can be withheld, in cases where recovery of tax is doubted. The provisions are effective from A.Y. 2017-18.

Foreign Tax Credit

Credit for foreign tax paid by assessee is allowable as per provision of Rule 128 of the Income-tax Rules. Credit is not given for foreign taxes when such foreign taxes are disputed. It is now provided by inserting sub-section (14A) to Section 155 that on disputes being settled and foreign taxes being paid, if the assessee makes a claim within the period of 6 months, assessment will be rectified by providing credit for foreign taxes paid.

CBDT empowered

CBDT is empowered to make rules for reduction or waiver of penalty imposable / imposed u/s.271A/ 271CA in case of failure of the assessee to deduct tax at source or pay whole of the tax under provision of section 115O or u/s.194B or in case of failure to collect tax under the provision of section 206C. Now the Board can frame rules for reduction or waiver of such penalty.

Time limit for completion of assessment u/s.153

Under the existing provision of the law, an assessment is required to be completed within 21 months of the end of the assessment year. It is proposed to amend u/s.153 so as to provide that period available for completion of assessment for A.Y. 2018-19 be 18 months and for A.Y. 2019-20 onwards, it will be 12 months from end of the assessment year. In case of assessment to be framed in pursuance of notice u/s.148, the time limit for completion of assessment is 21 months from end of the financial year in which such notice is served. Now it is proposed to provide that in case notice u/s.148 is served after 1st April, 2019, period of limitation for completion of assessment be 12 months from end of the financial year in which notice u/s.148 is served. Similarly, order to be passed in pursuance to orders 254, 263 giving effect to ITAT order of Commissioner of Income Tax u/s.263/264 or is also being reduced to period of 12 months.

Authority for advance ruling

Under the existing provisions of law, an authority for advance ruling (AAR) is functional for providing advance ruling to Non-resident assessees and certain resident u/s.245N. Similar authority of advance ruling are functional under Customs Act 1962, Central Excise Act 1944 and for service tax matters. It is proposed to provide that a combined authority for advance ruling for all the acts be placed in operation and for the purpose the necessary amendments are proposed to be made.

Search, Survey & Enquiries

Time period for assessment

Time available for making assessment in case of search at present is 21 months from end of the financial year in which last search authorization was executed, now it is proposed to provide that in case of search conducted in F.Y. 2018-19, such period for completion of assessment be 18 months and in case of search conducted in F.Y. 2019-20, such period available will be 12 months as against 21 months available at present. In case of orders to be made u/s.153C on "other persons", it is provided that such time will be as time available for making assessment, in case of persons searched if informations, books of account and assets as forwarded to another Assessing Officer having jurisdiction on other person, the period will be 12 months from end of the financial year in which such books of account or assets are handed over to the Assessing Officer of such "other persons" within the meaning of section 153C of the Act.

Assessment beyond 6 years

The Finance Act, 2016 introduced section 197(C) providing that any income earned prior to commencement of declaration scheme, 2016 and not declared under the scheme, then such income shall be deemed to accrue in the year in which notice u/s. 142 or section 143 or section 148 or section 153A, or section 153C of the Act is issued. The said provisions of section 197(C) stands withdrawn w.e.f. 1st June, 2017. However, it is proposed to provide that in case where tangible evidences are found during course of search and seizure operations as to certain undisclosed investments or any assets acquired in earlier years, in such cases, notice u/s.153A can be issued for assessment year beyond 6 assessment years but not exceeding 10 years, if such undisclosed investments or asset is likely to be ₹ 50 Lakhs in one or aggregate of relevant 4 assessment years beyond 6 years. These provisions will be applicable where search is effected after 1st April. 2017.

Non-disclosure of reasons to belief

Authorization u/s.132 is issued based on informations in possession to the authorized Officer for 'reasons to belief' or 'reasons to suspect', based on certain informations collected by the department. These informations are confidential and sensitive, however, certain judicial authorities held that such reasons recorded are required to be disclosed to determine validity of search proceedings u/s.132, now by inserting an Explanation to section 132, it is proposed to provide that such "reasons to belief" or "reasons to suspect", need not be disclosed. The provisions will be applicable w.e.f. 1st October, 2017.

Provisional attachment

With a view to give power to the department, it is proposed to insert sub-section(9B), (9C) to section 132 to provide that within the period of 60 days of last authorization being executed as issued u/s.132, with a view to protect the interest of the revenue property belonging to searched person can be provisionally attached and referred to Valuation Officer for valuation with prior approval of DIG or Principal Director.

Authority to call informations

Under the existing provision of section 133 Income Tax authorities are authorized to call for informations for the purpose of any enquiry, however, such enquiries in case where no proceedings are pending, will not be exercised by Income Tax authorities without prior approval of the authorities such as, Principal Director or Director or Principal Commissioner or Commissioner. Now it is proposed to amend the said section to provide power of enquiry or processing insuch cases may be exercised by Joint Director, Deputy Director or Assistant Director even without taking any approval of senior authorities. These provisions will be applicable w.e.f. 1st April, 2017.

- **Power of Survey**

Under the present provision of section 133A an Income Tax authority is entitled to survey by entering any place of business or profession. Now it is proposed to provide that such survey proceedings can be conducted at any place on which activities for charitable purposes is being carried out. The amendment will be w.e.f. 1st April, 2017.

- **Centralized issue of notice and processing of information u/s.133C**

Under the provision of section 133, income Tax authorities are empowered to issue notice calling for informations and evidences for the purpose of verification of informations in its possession. It is now proposed to amend section 133C to empower Central Board of Direct Taxes to make scheme for centralized issue of notices calling for informations and documents for the purpose of verification of above informations in its possession and processing of such documents will be effective from 1st April. 2017.

Fees and penalties

- **For delayed filing of Return:**

A new section 234F is proposed to be inserted to provide that an assessee is liable to pay in case of delayed furnishing of Return of income beyond period specified u/s.139(1) of the Act for AY 18-19 and onwards a fee. The fee will be levied as under:

a) In case Return is furnished after due date but before 31.12.12 of A.Y : ₹ 5000/-

b) In case Return is filed beyond 31st December of AY : ₹ 10,000/-

However, if total income does not exceed ₹ 5 lakhs, such fee payable will not exceed ₹ 1,000/-. Such fee is required to be paid under Self-assessment u/s.140A.

- **Penalty on professional:**

A new sub-section has been introduced Sec.271J providing that if an accountant, merchant banker or registered valuer furnishes incorrect information in a report or certificate under any provisions of Act/rules made thereunder, the assessing officer or Commissioner of Income Tax (Appeals) may direct to pay a sum of ₹ 10,000/- for each such report/certificate by way of penalty. The provision is made applicable from 1.4. 17.

Exemption & Deduction

- **A unit in Special Economic Zone**

Under the provisions of Sec.10AA income earned by a Unit operating in a SEZ subject to fulfillment of certain conditions is entitled for exclusion of income from taxation. The courts have expressed the view that such exclusion from income be based on income of SEZ Unit before computing total taxable income of the assessee. Now it is proposed to amend the provisions of Sec. 10AA to provide that exemption be restricted to total income of the assessee as computed in accordance with provisions of the Act before allowance of execution u/s.10AA exemption. Hence, it is now proposed to provide that in case the assessee is having loss in non-SEZ Unit, such

loss will be adjusted against profit of the SEZ Unit and balance profit only be entitled for exclusion u/s.10AA.

- **Deduction**

Investment in listed equity shares or listed Units of an equity oriented mutual fund under the present provisions of Sec. 80CCG, deduction, for consecutive3 AYs upto ₹ 25000/-, of investment made by resident individual, subject to fulfillment of conditions provided therein is available. This deduction is proposed to be withdrawn from AY 18-19. However, in certain cases it will be available upto AY 19-20.

- **Exemption to Chief Minister Relief Fund or Lt. Governor Relief Fund**

Under the existing provisions of Sec.10 (23C) income of certain Funds like Prime Minister National Relief Fund is exempt. Now it is proposed to provide that same benefit will be available to Chief Minister's Relief Fund or Lt. Governor Relief Fun. The amendment is made retrospectively w.e.f. 1.4.1998.

- **National Pension Scheme (NPS)**

Under the existing provisions of Sec. 80CCD, an employee or an individual being self employed, is allowed deduction on account of deposit in National Pension Scheme (NPS) to the extent of 10% of salary in case of employee or 10% of gross income in case of other individuals. In case of employee, deduction is also allowable in case of employer's contribution to the extent of 10% of salary. Now it is proposed to provide that such self-employed individual also be entitled to contribute 20% of its income under such scheme. The provision is applicable from AY 18-19.

Under the existing provisions law u/s.10 (12A) payment from National Pension Scheme (NPS) paid to employee on closure of his account or optioning out is exempt upto 40% of total amount payable to him. In order to provide further relief it is proposed to provide exemption of partial withdrawal not exceeding 25% of the contribution made by an employee, in such scheme at any time before termination of the scheme. The provision is applicable from AY 18-19.

Transfer Pricing

- **Specified domestic transactions**

The Finance Act, 2012 introduced a new section 92BA extending the provisions of transfer pricing to a **"specified domestic transaction"** in following type of transactions:-

(i) Any expenditure paid to any persons referred under clause (b) of sub-section (2) of section 40A.

(ii) Any transaction referred u/s.80A or sub-section (8) of section 80IA or sub-section (10) of section 80IA.

(iii) Any transaction as referred under Chapter VIA or section 10AA to which provision of sub-section (8) of section 80IA or sub-section (10) of section 80IA applies.

Now it is proposed to provide that **"a specified domestic transaction"** will not include payment made to persons referred under clause (b) of sub-section (2) of section 40A. Provisions are made applicable for A.Y. 2017-18.

- **Secondary adjustment on account of transfer pricing in international transactions**

The provisions of transfer pricing are applicable for computation of correct income from international

transactions entered with associate enterprises. These provisions check profits shifting and base erosion. It is proposed to provide that in certain cases referred as **"primary adjustment",** adjustment be made in the books of account of the assessee and its associate enterprises to reflect actual allocation of profit. As per OECD's transfer pricing guidelines, such adjustment is warranted and internationally recognized. In order to align transfer pricing provisions with OECD guidelines, a new section 92CE is proposed to be added. The amendment is effective from A.Y. 2018-19. Section 92CE provides that the assessee shall be required to carry out **"secondary adjustment"** where the **"primary adjustment"** to transfer price, has been made suo-motto by the assessee in his return of income; or made by the Assessing Officer has been accepted by the assessee; or is determined by an advance pricing agreement entered into by the assessee under section 92CC; or is made as per the safe harbour rules framed under section 92CB; or is arising as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered into under section 90 or 90A.

It is proposed to provide that where as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, as the case may be, of the assessee, the excess money which is available with its associated enterprise, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the assessee to such associated enterprise and the interest on such advance, shall be computed as the income of the assessee , in the manner as may be prescribed.

It is also proposed to provide that such secondary adjustment shall not be carried out if, the amount of primary adjustment made in the case of an assessee in any previous year does not exceed one crore rupees and the primary adjustment is made in respect of an assessment year commencing on or before 1st April,2016

Foreign taxation

Indirect transfer of capital assets

Under the existing provisions of Sec.9 (1) income arising in India through transfer directly or indirectly of capital assets situated in India is deemed to accrue or arise in India, hence taxable as per explanation-5 to Sec.9 (1) as introduced by Finance Act 2012. The explanation provides that shares or interest of any company or entity registered and incorporated outside India, shall be deemed to be situated in India, if such shares or interest derived directly or indirectly substantial value from the assets located in India. For the purpose CBDT issued a circular no.41 of 2016. Now it is proposed to provide that expanation-5 shall not apply to such assets as held by non-resident directly or indirectly in a Foreign Institutional Investor (FII) and registered cateogy-1 or category-2 foreign portfolio investors (FPI) registered with SEBI. The amendment has been made effective from A.Y. 12-13.

Offshore Funds

Under the existing provisions of Sec.9A Offshore Funds being an eligible investment fund, carry out fund management activities through eligible fund manager does not constitute business connection in India. Investment Fund is required to comply with certain conditions; one of the conditions prescribed is corpus of such fund, not less than monthly average of ₹ 100 cr. except in the year in which the Fund is established. Now it is proposed to provide that such condition will not be required to be complied with also in the year in which such Fund is winding up its activities in India.

- **Leftover oil stock**

Under the existing provisions of Sec.10(48A) income accruing or arising to foreign company on account of storage facilities for crude oil in India is exempt. Now it is proposed to provide that at the time of winding up of the activities even income arising from the sale of leftover be also exempt from taxation.

- **Cost of acquisition of shares in case of demerger of foreign company**

It is proposed to provide in Sec.49 that shares of Indian Company transferred to the resulting company in case of a demerger of foreign company will carry the same cost as in case of demerged company.

- **Thin capital rule - Restriction on allowability of interest**

OECD in its base erosion and profit shifting (BEPS) has considered shifting of profit by way of excess interest deduction by foreign companies and has recommended measures for the same. In view of the same a new section 94B is proposed to be inserted to provide that interest expenses claimed by a foreign entity from its associate enterprise in India, shall be restricted to 30% of its earning before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to such associate enterprises, whichever is less. In case of short allowance of interest, such short allowance shall be carried forward and be entitled for adjustment in subsequent years. It is further provided that a debt shall be treated to be provided by a foreign associate enterprise to Indian enterprise, even if it provides an implicit or explicit guarantee to the lender or deposits a corresponding matching amount of fund with the lender. The provisions will be applicable when such interest expenditure claimed by foreign enterprise is ₹ 1 cr. or more and will not be applicable to the enterprises carrying on banking, insurance business in India.

- **Definition of term used in DTA**

With a view to clarify it is proposed to amend Sec.90 and 90A of the Act to provide that any `term' used in the agreement entered into under the provisions of Sec.90/90A if defined under such agreement the meaning shall be assigned as provided in DTA or agreement and if the `term' is not defined in the agreement but defined under the I.T.Act it shall be assigned the meaning as defined in the Act or in explanation issued by the central government.

Electoral funding

Under the existing provisions of Sec.13A income of a political party registered with Election Commission of India are exempt from payment of tax. At present such political party is required to furnish the details of contribution received in excess of ₹ 20,000/- from any person in cash. Now the said limit is proposed to be reduced to ₹ 2,000/-. It is also proposed to provide that such political parties can issue electoral Bonds by cheque and in such cases, name of the subscriber of the Bond need not be disclosed. Now it is made compulsory to file the Return of income of political parties u/s.139 (4B) for availing exemption u/s.13A.

Indirect Tax Proposal

The change in rates effected in the Customs and Central Excise regulations shall be effective from 2nd February 2017 and legislative changes shall be effective from the enactment of Finance Bill, 2017 unless otherwise specified. The changes in Service Tax regulations shall be effective from the date of enactment of the Bill, unless otherwise specified.

CENTRAL EXCISE

❖ Major Changes are as under :

- There is no change in the peak rates of Central Excise duty
- The normal rate of Excise Duty remains the same at 12.5% with few exceptions where exemptions / concessions have been given and where the rates have been increased.
- No changes have been proposed in the Third Schedule and in relation to goods subject to MRP based assessment.
- The rate of excise duty in case of Miniaturized POS card reader for m-POS (not including mobile phones or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner and Parts and Components for manufacture of the above items (subject to actual user condition), has been reduced to Nil. (Notification S. no. 256 C)
- The rate of excise duty in case of waste and scrap of precious metals or metals clad with precious metals arising in the course of manufacture of goods, strips, wires, sheets, plates and foils of silver, articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire, silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid, is Nil subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods. (Chapter 71 & Notification S. no. 195, 196, 199 & 200)

❖ Change in rate of certain items

S. No.	Product	Rate		Increased/ (Decreased)
		Present	Proposed	
1	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	12.50%	6.00%	(Decreased)
2	Membrane sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	12.50%	6.00%	(Decreased)
3	Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	12.50%	6.00%	(Decreased)
4	Paper rolled biris – machine made	₹ 21 per thousand	₹ 78 per thousand	Increased
5	Paper rolled biris - handmade	₹ 21 per thousand	₹ 28 per thousand	Increased
6	Cigarettes of Tobacco Substitutes	₹ 3755 per thousand	₹ 4006 per thousand	Increased

S. No.	Product	Rate		Increased/ (Decreased)
		Present	Proposed	
7	Cigar & Cheroots, Cigarillos, Cigarillos of Tobacco substitutes and Others	12.5% or ₹ 3755 per thousand, whichever is higher	12.5% or ₹ 4006 per thousand, whichever is higher	Increased
8	Solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition (Notification S. no. 187)	12.50 %	6.00 %	(Decreased)
9	All items of machinery required for balance of systems operating on biogas/bio-methane/by-product hydrogen	12.50 %	6.00 %	(Decreased)

Other Changes

- Full exemption from excise duty on - Resin and catalyst for manufacture of cast components for Wind Operated Electricity Generators (WOEG), subject to actual user condition (Notification S. no. 145 B)
- Additional Excise Duty Increased on –

S. No.	Product	Rate		Increased/ (Decreased)
		Present	Proposed	
1	Pan Masala	6.00 %	9.00 %	Increased
2	Unmanufactured tobacco	4.20 %	8.30 %	Increased
3	Non filter & Filter Cigarettes of length not exceeding 65mm	₹ 215 per thousand	₹ 311 per thousand	Increased
4	Non filter Cigarettes of length exceeding 65mm but not exceeding 70 mm and Filter Cigarettes of length exceeding 70 mm but not exceeding 75 mm	₹ 370 per thousand	₹ 541 per thousand	Increased
5	Filter Cigarettes of length exceeding 65 mm but not exceeding 70 mm	₹ 260 per thousand	₹ 386 per thousand	Increased
6	Other Cigarettes	₹ 560 per thousand	₹ 811 per thousand	Increased
7	Chewing tobacco (including filter khaini), Jarda scented tobacco and Pan Masala containing tobacco (Gutkha)	10.00 %	12.00 %	Increased

Miscellaneous

- The rate of excise duty in case of all items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, has been reduced (12.5% to 6%)
- Retrospective provision has been made with effect from 1-1-2017 to specify a tariff rate of excise duty of 12.5% (as against present tariff rate of 27%) on motor vehicles for transport of more than 13 persons falling under First Schedule to the Central Excise Tariff Act, 1985

❖ Procedural Changes

- Sub-section (3) of Section 23C is being amended so as to increase the application fee for seeking advance ruling from rupees two thousand five hundred to rupees ten thousand.
- Sub-section (6) of Section 23D is being amended so as to provide time limit of six months from 90 days by which authority shall pronounce its ruling.
- Section 32E is being amended so as to insert a new sub-section (5) therein to enable any person, other than assessee, referred to in sub-section (1) to make an application to the Settlement Commission.

  Therefore, now co-noticees such as director, employee etc. who have received the show cause notice in case relating to the Company can approach the settlement commission if the said case of the Company is either settled or pending before the Settlement Commission
- Sub-rule (2) is being inserted in Rule 21 of Central Excise Rules, 2002, so as to provide for a time limit of three months (further extendable by 6 months) for granting remission of duty under the said rule 21 read with section 5 of the Central Excise Act, 1944. Now the time limit has been fixed to decide on the eligibility of remission of the duty.
- Sub-rule (4) is being inserted in Rule 10 of Cenvat Credit Rules, 2004, so as to provide for a time limit of three months (further extendable by 6 months) for approval of requests regarding transfer of CENVAT credit on shifting, sale, merger, etc; of the factory.
- Clarifications in respect of exemption on procurements by EOU.

  It has clarified that the notifications providing complete exemption from duty or concessional rate of duty will continue to apply for goods domestically procured/imported by EOU and utilised for manufacture of goods which are subsequently cleared by them to DTA. Earlier it was applicable to manufactured goods only.

SERVICE TAX

❖ Rate of Service Tax

- There is no change in effective rate of Service Tax. i.e Service Tax rate shall be at 15% (Basic Rate 14% plus Swachh Bharat Cess 0.5% plus Krishi Kalyan Cess 0.5%).

❖ Review of Services Covered in the Negative List -

- The Negative List entry in respect of 'services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption' is proposed to be omitted and the same entry is being placed in mega exemption notification (w.e.f. the date of assent of the President)

❖ Service Tax Exemptions – New

- Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government (w.e.f. 2-2-2017).
- Under the Regional Connectivity Scheme (RCS), exemption from service tax is being provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport as notified by Ministry of Civil Aviation.

❖ Rationalization of Service Tax Exemptions

- The exemption vide S. No. 9B of notification No. 25/2012-ST dated 20-6-2012 which deals with the services provided by Indian Institutes of Management (IIM) by way of two year full time residential Post Graduate Programmes (PGP), is being amended so as to omit the word “residential” appearing in the said notification. The scope of the said exemption is widened with respect to educational programmes of IIMS.

- Notification No. 14/2012-ST dated 17-3-2012 exempts the taxable service involving import of technology from so much of the service tax leviable thereon as is equivalent to the amount of cess payable on the said import of technology under the Research and Development Cess Act, 1986. Consequently, with effect from the enactment of the Finance Bill, 2017, the exemption from service tax under notification No. 14/2012-ST would be not available to a taxable service involving import of technology on which Research and Development Cess is not payable. Full service tax along with cesses (Swachh Bharat Cess and Krishi Kalyan Cess) would be applicable to such taxable service w.e.f. 01.04.2017 Service tax on such taxable services will be applicable on Reverse charge basis.

❖ Miscellaneous

- Benefit of exemption notification no. 41/2016-ST dated 22-9-2016, which deals with the exemption of one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units, is being extended with effect from 1-6-2007. Also waives the Service Tax recovery for the period from 01/06/2007 to 22/09/2016 retrospectively. The service provider will also be entitled for refund of the Service Tax paid during the period Subject to conditions are satisfied.

Rule 2A of Service Tax (Determination of Value) Rules, 2006 is being amended with effect from 1-7-2010 so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land. Accordingly, the value of goods and value of land will be deducted to arrive at the actual value of the service component. The said amendment is brought to negate the judgment of SURESH KUMAR BANSAL 2016 (43) S.T.R. 3 (Del.) High court.

In the above mentioned case Delhi high court has held that Rule 2A of Service Tax Rules,2006 does not determine value of services in case of composite contract involving sale of land and there was no statutory mechanism to ascertain value of service component, hence the service Tax is not applicable.

❖ Now valuation of Works contract As per Rule 2A as under -

S. No.	Period	Value of service component	Cases covered	Conditions to be fulfilled
	01.07.2010 to 30.06.2012	25%	All cases	Cenvat credit of input, input services and capital goods has not been availed and benefit of exemption notification no. 12/2003-ST has not been availed.
	01.07.2012 to 28.02.2013	25%	All cases	1. CENVAT credit of duties

Indirect Tax Proposal

S. No.	Period	Value of service component	Cases covered	Conditions to be fulfilled
	01.03.2013 to 07.05.2013	25%	in case of works contract for construction of residential units having carpet area up to 2000 square feet or where the amount charged per residential unit from service recipient is less than rupees One crore.	or cess paid on any inputs, used in or in relation to the said works contract has not been availed
		30%	Other cases	
	08.05.2013 to 31.03.2016	25%	in case of works contract for construction of residential units having carpet area up to 2000 square feet and where the amount charged per residential unit from service recipient is less than rupees one crore	2. The amount charged for the works contract includes the value of goods as well as land or undivided share of land
		30%	Other cases	
	From 01.03.2016 onwards	30%	All cases	

Change in CENVAT Credit Rules

- Explanation – I(e) for the purpose of sub-rule (3) and (3A) of Rule 6 of Cenvat Credit Rules, 2004, which deals with the reversal of common input tax credit on inputs and input services used in providing taxable services and exempted services, is being amended so as to exclude banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances from its ambit. Accordingly while calculating reversal of credit under the second option, value of interest or discount , etc. must also be added to the value of "exempted services "

Amendment in Rule 10

- Rule 10 of Cenvat Credit Rules, 2004 provides for transfer of Cenvat Credit lying unutilized in books on account of change in ownership, sale, merger, amalgamation, lease, etc. As per the existing Rule 10, there is no condition of filing any application with the department to transfer the credit. An amendment has been made, officer must allow the transfer of credit within three months from the date of receipt of application made in this regard from the manufacturer or service provider subject to the fulfilment of the conditions prescribed under rule 10(3).

Procedural Changes

- The definition of 'Authority' is being amended to make Authority for Advance ruling under income tax to bring the same in lines with the provisions contained in I.T. Act.
- Sub-section (3) of Section 96C is being amended so as to increase the application fee for seeking advance ruling from rupees two thousand five hundred to rupees ten thousand.
- Sub-section (6) of Section 96D is being amended so as to provide time limit of six months from 90 days by which authority shall pronounce its ruling.

CUSTOM DUTY

❖ Major Changes

- Peak rate of Custom duty remains the same at 10%.
- Full exemption from customs duty, counter vailing duty and special additional duty of customs (BCD, CVD & SAD) to Miniaturized POS card reader for m-POS (not including mobile phones or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner and parts and components for manufacture of the above items (subject to actual user condition).
- Full exemption from export duty provided to other aluminium ores and concentrates have been withdrawn and consequently, the export duty has been levied at the rate of 30%. Further, the export duty has been levied (15%) on other aluminium ores, including laterite which hitherto was totally exempt.
- Concessional rate of basic customs duty at the rate of 5% has been granted to all inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps and all parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition.

❖ Change in rate of certain items

S. No.	Product	Rate		Increased/ (Decreased)
		Present	Proposed	
1.	Solar Tempered Glass Subject to actual user condition	5.00 %	Nil	(Decreased)
2.	Hot rolled coils subject to actual user condition	12.50 %	10.00 %	(Decreased)
3.	MgO coated cold rolled steel coils subject to actual user condition, All items of machinery required for fuel cell based power generating systems, All items of machinery required for balance of systems operating on biogas/ bio-methane/ by producthydrogen	10.00 %	5.00 %	(Decreased)
4	Co-polymer coated MS tapes / stainless steel tapes subject to actual user condition	Nil	10.00 %	Increased
5	Vinyl Polyethylene Glycol (VPEG) subject to actual user condition	10.00 %	7.50 %	(Decreased)
6	2-Ethyl Anthraquinone subject to actual user condition, Vegetable tanning extracts, namely wattle extract and myrobalan fruit extract, Ball screws, linear motion guides and CNC systems subject to actual user condition	7.50 %	2.50 %	(Decreased)
7	Medium Quality Terephthalic (MTA) & Qualified Terephthalic Acid (QTA), Clay 2 Powder (Alumax) (subject to actual user condition), Nylon Mono Filament Yarn, Resin and Catalyst for manufacture of cast components for wind operated electricity generators subject to actual user condition	7.50 %	5.00 %	(Decreased)
8	O-Xylene, Nickel	2.50 %	Nil	(Decreased)
9	Liquefied Natural Gas	5.00 %	2.50 %	(Decreased)
10	RO Membrane Element for household type filters	7.50 %	10.00 %	Increased
11	Cashew nut, roasted, salted or roasted and salted	30.00 %	45.00 %	Increased

Indirect Tax Proposal

Full Exemption from SAD

- Resin and catalyst for manufacture of cast components for wind operated electricity generators (WOEG), subject to actual user condition (CVD also exempt fully).

Other Exemptions /Concessions / Levy

- SAD on Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition, has been increased to 2% from Nil.
- CVD on Silver medallion, silver coins having silver content not below 99.9%, semi manufactured form of silver and articles of silver, has been increased to 12.5% from Nil.
- CVD on the following items have been reduced to 6% from 12.5% -
  - I. Parts / raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition
  - II. All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions
  - III. All items of machinery required for balance of systems operating on biogas/bio-methane/by-product hydrogen, subject to certain specified conditions.
  - IV. Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition
  - V. All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition.

Miscellaneous

- Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export, has been increased from 3% of FOB value of said goods exported during the preceding financial year to 5% of the FOB value of said goods exported during the preceding financial year.
- De-minimis customs duties exemption limit for goods imported through parcels, packets and letters, have been revised from 'duty payable not exceeding ₹ 100 per consignment' to 'CIF value not exceeding ₹ 1000 per consignment'.
- Goods imported for petroleum and coal bed methane operations by availing of the benefit of notification No. 12/2012-Customs, dated 17-3-2012 no longer required for the said purpose are being allowed to be disposed of on payment of applicable customs duties or excise duty, on the depreciated value calculated as per straight line method of such goods.

Procedural Changes

- Sub-section (2) of Section 27 is being amended so as to keep outside the ambit of unjust enrichment, the refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where such excess payment is evident from the bill of entry in the case of self-assessed bill of entry or the duty actually payable is reflected in the reassessed bill of entry in the case of reassessment.
- Sub-section (3) of Section 28H is being amended so as to increase the application fee for seeking advance ruling from rupees two thousand five hundred to rupees ten thousand.
- Sub-section (6) of Section 28I is being amended so as to provide time limit of six months from 90 days by which authority shall pronounce its ruling.
- New Sections 30A & 41A are being introduced so as to make it obligatory on the person-in-charge of a conveyance that enters India from any place outside India and departs from India

to a place outside India, to deliver to the proper officer, the passenger and crew arrival and departure manifest, before arrival or departure of the conveyance. The sections also intend to provide for imposition of a penalty not exceeding fifty thousand rupees as may be prescribed, in the case of delay in delivering the information.

- Sub-section (3) of Section 46 is being substituted so as to make it mandatory to file the bill of entry before the end of the next day following the day (excluding holidays) on which the vessel or aircraft or vehicle carrying the goods arrives at a customs station as which such goods are to be cleared for home consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry as may be prescribed in cases where there is no sufficient cause for the delay.
- Section 49 is being amended to extend the facility of storage to imported goods entered for warehousing before their removal. The imported goods now can be stored in warehouse wherever clearance is likely to be delayed. This is good step in ease of doing business. There is no change in the existing procedures or the time limit.
- Chapter Note (4) of Chapter 98 of the Customs Tariff Act, 1975, has been amended so as to remove the non-applicability of headings 9803 and 9804 to goods imported through courier service. Further, heading 9804 has been amended so as to extend the classification of personal imports by courier, sea, or land under this heading.

  Amendments in the procedure of import through foreign post-office and international courier terminal, Now foreign post-office and international courier terminal included as custom station. The procedure which will be followed for the purpose of importation and exportation as well as the documentation will be confirmed.
- Definition of beneficial owner has been defined to minimised the litigation in the case of import by using the licence of another person. Further the department will be empowered to initiate the proceedings for recovery of duty, interest, penalty, fine, prosecution, etc. against such beneficial owner.
- The provision of section 17 dealing with self assessment is being amended to rationalize the requirement of documents for verification of self-assessment. Earlier, contract, Brokers Note, Insurance Policy, Catalogue or other documents were required to be furnished, however, now there is no specified list and any document as may be relevant may be asked by the proper officer.

Key Features of Budget 2017-2018

INTRODUCTION

- In the last two and half years administration has moved from discretionary, favouritism based to system and transparency based.
- Inflation brought under control. CPI-based inflation declined from 6% in July 2016 to 3.4% in December, 2016.
- India's Current Account Deficit declined from about 1% of GDP last year to 0.3% of GDP in the first half of 2016-17. FDI grew 36% in H1 2016-17 over H1 2015-16, despite 5% reduction in global FDI inflows. Foreign exchange reserves have reached 361 billion US Dollars as on 20th January, 2017.
- War against black money launched.
- Government continued on path of fiscal consolidation, without compromising on public investment.
- The Indian economy has been robust to mild shocks and IMF forecasts, India to be one of the fastest growing major economies in 2017.

CHALLENGES IN 2017-18

- World economy faces considerable uncertainty, in the aftermath of major economic and political developments during the last year.
- The US Federal Reserve's , intention to increase policy rates in 2017, may lead to lower capital inflows and higher outflows from the emerging economies.
- Uncertainty around commodity prices, especially that of crude oil, has implications for the fiscal situation of emerging economies.
- Signs of retreat from globalisation of goods, services and people, as pressures for protectionism are building up.

TRANSFORMATIONAL REFORMS IN LAST YEAR

- Passage of the Constitution Amendment Bill for GST and the progress for its introduction.
- Demonetisation of high denomination bank notes.
- Enactment of the Insolvency and Bankruptcy Code; amendment to the RBI Act for inflation targeting; enactment of the *Aadhar* bill for disbursement of financial subsidies and benefits.
- Budget 2017-18 contains 3 major reforms. First, presentation of Budget advanced to 1st February to enable the Ministries to operationalise all activities from the commencement of the financial year. Second, merger of Railways Budget with General Budget to bring Railways to the centre stage of Government's Fiscal Policy and Third, removal of plan and nonplan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries.

Key Features of Budget 2017-2018

DEMONITISATION

- Bold and decisive measure to curb tax evasion and parallel economy.
- Government's resolve to eliminate corruption, black money, counterfeit currency and terror funding.
- Drop in economic activity, if any, to be temporary.
- Generate long term benefits including reduced corruption, greater digitisation, increased flow of financial savings and greater formalisation of the economy.
- Pace of remonetisation has picked up and will soon reach comfortable levels.
- The surplus liquidity in the banking system will lower borrowing costs and increase the access to credit.
- Announcements made by the Honourable Prime Minister on 31st Dec, 2016 focusing on housing for the poor; relief to farmers; credit support to MSMEs; encouragement to digital transactions; assistance to pregnant women and senior citizens; and priority to dalits, tribals, backward classes and women under the Mudra Yojana, address key concerns of our economy.

ROADMAP & PRIORITIES

- Agenda for 2017-18 is : "Transform, Energise and Clean India" – TEC India.
- TEC India seeks to.
  - Transform the quality of governance and quality of life of our people;
  - Energise various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential; and
  - Clean the country from the evils of corruption, black money and non-transparent political funding.
- Ten distinct themes to foster this broad agenda:
  - **Farmers** : committed to double the income in 5 years;
  - **Rural Population** : providing employment & basic infrastructure;
  - **Youth** : energising them through education, skills and jobs;
  - **The Poor and the Underprivileged** : strengthening the systems of social security, health care and affordable housing;
  - **Infrastructure**: for efficiency, productivity and quality of life;
  - **Financial Sector** : growth & stability by stronger institutions;
  - **Digital Economy** : for speed, accountability and transparency;
  - **Public Service** : effective governance and efficient service delivery through people's participation;

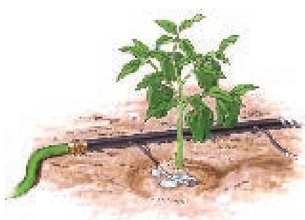
Key Features of Budget 2017-2018

- **Prudent Fiscal Management**: to ensure optimal deployment of resources and preserve fiscal stability;
- **Tax Administration** : honouring the honest.

FARMERS

- Target for agricultural credit in 2017-18 has been fixed at a record level of ₹ 10 lakh crores.
- Farmers will also benefit from 60 days' interest waiver announced on 31 Dec 2016.
- To ensure flow of credit to small farmers, Government to support NABARD for computerisation and integration of all 63,000 functional Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of ₹ 1,900 crores .

- Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of ₹ 9000 crore has been made.
- New mini labs in *Krishi Vigyan Kendras* (KVKs) and ensure 100% coverage of all 648 *KVKs* in the country for soil sample testing.
- As announced by the Honourable Prime Minister, the Long Term Irrigation Fund already set up in NABARD to be augmented by 100% to take the total corpus of this Fund to ₹ 40,000 crores.



- Dedicated Micro Irrigation Fund in NABARD to achieve 'per drop more crop' with an initial corpus of ₹ 5,000 crores.
- Coverage of National Agricultural Market (e-NAM) to be expanded from 250 markets to 585 APMCs. Assistance up to ₹ 75 lakhs will be provided to every e-NAM.
- A model law on contract farming to be prepared and circulated among the States for adoption.
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of ₹ 2000 crores and will be increased to ₹ 8000 crores over 3 years.

RURAL POPULATION

- Over ₹ 3 lakh crores spent in rural areas every year, for rural poor from Central Budget, State Budgets, Bank linkage for self-help groups, etc...
- Aim to bring one crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019, the 150th birth anniversary of Gandhiji.
- Against target of 5 lakh farm ponds under MGNREGA, 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up.

Key Features of Budget 2017-2018

- Women participation in MGNREGA has increased to 55% from less than 48%.
- MGNREGA allocation to be the highest ever at ₹ 48,000 crores in 2017-18.
- Pace of construction of PMGSY roads accelerated to 133 km roads per day in 2016-17, against an avg. of 73 km during 2011-2014.
- Government has taken up the task of connecting habitations with more than 100 persons in left wing extremism affected Blocks under PMGSY. All such habitations are expected to be covered by 2019 and the allocation for PMGSY, including the State's Share is ₹ 27,000 crores in 2017-18.
- Allocation for Pradhan Mantri Awaas Yojana – Gramin increased from ₹ 15,000 crores in BE 2016-17 to ₹ 23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses.
- Well on our way to achieving 100% village electrification by 1st May 2018.
- Allocation for Prime Minister's Employment Generation Program and Credit Support Schemes has been increased three fold.

- Sanitation coverage in rural India has gone up from 42% in Oct 2014 to about 60%. Open Defecation Free villages are now being given priority for piped water supply.
- As part of a sub mission of the National Rural Drinking Water Programme (NRDWP), it is proposed to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next four years.
- For imparting new skills to people in rural areas, mason training will be provided to ₹ 5 lakh persons by 2022.
- A programme of "human resource reforms for results" will be launched during 2017-18 for human resources development in Panchayati Raj Institutions.
- Total allocation for Rural, Agriculture and Allied sectors is ₹ 187223 crores.

YOUTH

- To introduce a system of measuring annual learning outcomes in our schools.
- Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts.

- Good quality higher education institutions to have greater administrative and academic autonomy.
- SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty.
- National Testing Agency to be set-up as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions.

Key Features of Budget 2017-2018

- *Pradhan Mantri Kaushal Kendras* to be extended to more than 600 districts across the country. 100 India International Skills Centres will be established across the country.
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of ₹ 4000 crores. SANKALP will provide market relevant training to 3.5 crore youth.
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of ₹ 2,200 crores.
- A scheme for creating employment in the leather and footwear industries along the lines in Textiles Sector to be launched.
- Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment.

THE POOR AND THE UNDERPRIVILEGED

- *Mahila Shakti Kendra* will be set up with an allocation of ₹ 500 crores in 14 lakh ICDS *Anganwadi* Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.
- Under Maternity Benefit Scheme ₹ 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.
- Affordable housing to be given infrastructure status.
- National Housing Bank will refinance individual housing loans of about ₹ 20,000 crore in 2017-18.
- Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018, Measles by 2020 and Tuberculosis by 2025 is also targeted.
- Action plan has been prepared to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020.

- To create additional 5,000 Post Graduate seats per annum to ensure adequate availability of specialist doctors to strengthen Secondary and Tertiary levels of health care.
- Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.
- To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.

Key Features of Budget 2017-2018

- Propose to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines.
- The allocation for Scheduled Castes has been increased by 35% compared to BE 2016-17. The allocation for Scheduled Tribes has been increased to ₹ 31,920 crores and for Minority Affairs to ₹ 4,195 crores.
- For senior citizens, *Aadhar* based Smart Cards containing their health details will be introduced.

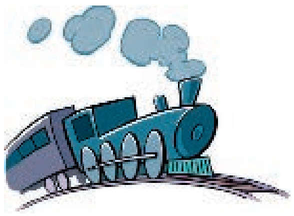
INFRASTRUCTURE

- For transportation sector as a whole, including rail, roads, shipping, provision of ₹ 2,41,387 crores has been made in 2017-18.
- For 2017-18, the total capital and development expenditure of Railways has been pegged at ₹ 1,31,000 crores. This includes ₹ 55,000 crores provided by the Government.
- For passenger safety, a *Rashtriya Rail Sanraksha Kosh* will be created with a corpus of ₹ 1 lakh crores over a period of 5 years.
- Unmanned level crossings on Broad Gauge lines will be eliminated by 2020.
- In the next 3 years, the throughput is proposed to be enhanced by 10%. This will be done through modernisation and upgradation of identified corridors.
- Railway lines of 3,500 kms will be commissioned in 2017-18. During 2017-18, at least 25 stations are expected to be awarded for station redevelopment.
- 500 stations will be made differently abled friendly by providing lifts and escalators.

- It is proposed to feed about 7,000 stations with solar power in the medium term.
- SMS based *Clean My Coach Service* has been started.
- 'Coach Mitra', a single window interface, to register all coach related complaints and requirements to be launched.
- By 2019, all coaches of Indian Railways will be fitted with bio toilets. Tariffs of Railways would be fixed, taking into consideration costs, quality of service and competition from other forms of transport.

- A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software.
- A new Metro Rail Act will be enacted by rationalising the existing laws. This will facilitate greater private participation and investment in construction and operation.
- In the road sector, Budget allocation for highways increased from ₹ 57,976 crores in BE 2016-17 to ₹ 64,900 crores in 2017-18.

Key Features of Budget 2017-2018

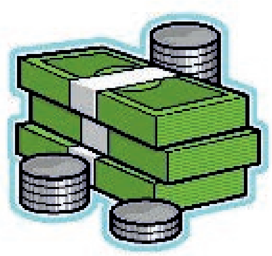


- 2,000 kms of coastal connectivity roads have been identified for construction and development.
- Total length of roads, including those under PMGSY, built from 2014-15 till the current year is about 1,40,000 kms which is significantly higher than previous three years .
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode.
- By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 *gram panchayats,* under Bharat Net. A Digi Gaon initiative will be launched to provide tele-medicine, education and skills through digital technology.
- Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT.

- Second phase of Solar Park development to be taken up for additional 20,000 MW capacity.
- For creating an eco-system to make India a global hub for electronics manufacturing a provision of ₹ 745 crores in 2017-18 in incentive schemes like M-SIPS and EDF.
- A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18.

FINANCIAL SECTOR

- Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy is under consideration.
- An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market in the agricultural sector, for commodities trading. e- NAM to be an integral part of the framework.



- Bill relating to curtail the menace of illicit deposit schemes will be introduced. A bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. This will contribute to stability and resilience of our financial system.
- A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996.
- A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established.

Key Features of Budget 2017-2018

- Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.
- Propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.
- A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18 .
- In line with the *'Indradhanush'* roadmap, ₹ 10,000 crores for recapitalisation of Banks provided in 2017-18.
- Lending target under *Pradhan Mantri Mudra Yojana* to be set at ₹ 2.44 lakh crores. Priority will be given to Dalits, Tribals, Backward Classes and Women.

DIGITAL ECONOMY

- 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.
- Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly.
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards.

- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.
- Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017.
- Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

PUBLIC SERVICE

- The Government e-market place which is now functional for procurement of goods and services.
- To utilise the Head Post Offices as front offices for rendering passport services.
- A Centralised Defence Travel System has been developed through which travel tickets can be booked online by our soldiers and officers.
- Web based interactive Pension Disbursement System for Defence Pensioners will be established.

Key Features of Budget 2017-2018

- To rationalise the number of tribunals and merge tribunals wherever appropriate.
- Commemorate both Champaran and Khordha revolts appropriately.

PRUDENT FISCAL MANAGEMENT

- Stepped up allocation for Capital expenditure by 25.4% over the previous year.
- Total resources being transferred to the States and the Union Territories with Legislatures is ₹ 4.11 lakh crores, against ₹ 3.60 lakh crores in BE 2016-17.
- For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents.
- FRBM Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and need for public investment, fiscal deficit for 2017-18 is targeted at 3.2% of GDP and Government remains committed to achieve 3% in the following year.
- Net market borrowing of Government restricted to ₹ 3.48 lakh crores after buyback in 2017-18, much lower than ₹ 4.25 lakh crores of the previous year.
- Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9% , against 2% mandated by the FRBM Act.

PROMOTING AFFORDABLE HOUSING AND REAL ESTATE SECTOR

- Between 8th November and 30th December 2016, deposits between 2 lakh Rupees and 80 lakh Rupees were made in about 1.09 crore accounts with an average deposit size of ₹ 5.03 lakh. Deposits of more than 80 lakh were made in 1.48 lakh accounts with average deposit size of ₹ 3.31 crores.
- Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted.
- The 30 Sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq.mtr. will apply.
- 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.

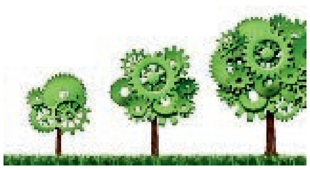
- Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property.
- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.

Key Features of Budget 2017-2018

- Exemption from capital gain tax for persons holding land on 2.6.2014, 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.

MEASURES FOR STIMULATING GROWTH

- Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This benefit is also extended to Rupee Denominated (Masala) Bonds.
- For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also 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.



- MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present.
- In order to make MSME companies more viable, income tax for companies with annual turnover upto ₹ 50 crore is reduced to 25%.
- Allowable provision for Non-Performing Asset of Banks increased from 7.5% to 8.5%. Interest taxable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks.
- Basic customs duty on LNG reduced from 5% to 2.5%.

PROMOTING DIGITAL ECONOMY

- Under scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means.
- No transaction above ₹ 3 lakh would be permitted in cash subject to certain exceptions.

- Miniaturised POS card reader for m-POS (other than mobile phones or tablet computers), micro ATM standards version 1.5.1, Finger Print Readers / Scanners and Iris Scanners and on their parts and components for manufacture of such devices to be exempt from BCD, Excise/CV duty and SAD.

TRANSPARENCY IN ELECTORAL FUNDING

- Need to cleanse the system of political funding in India.
- Maximum amount of cash donation, a political party can receive, will be ₹ 2000/- from one person.

Key Features of Budget 2017-2018

- Political parties will be entitled to receive donations by cheque or digital mode from their donors.
- Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard.
- Every political party would have to file its return within the time prescribed in accordance with the provision of the Income-tax Act.
- Existing exemption to the political parties from payment of income-tax would be available only subject to the fulfilment of these conditions.

EASE OF DOING BUSINESS

- Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit-linked deduction.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from ₹ 1 crore to ₹ 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.
- Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India.

- 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.
- Under scheme for presumptive taxation for professionals with receipt upto ₹ 50 lakhs p.a. advance tax can be paid in one instalment instead of four.
- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also 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.

PERSONAL INCOME-TAX

- Existing rate of taxation for individual assesses between income of ₹ 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 ₹ 50 lakhs and ₹ 1 crore.
- Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto ₹ 5 lakhs other than business income.

Key Features of Budget 2017-2018

- Appeal to all citizens of India to contribute to Nation Building by making a small payment of 5% tax if their income is falling in the lowest slab of 2.5 lakhs to 5 lakhs.

GOODS AND SERVICES TAX

- The GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of 9 meetings held.
- Preparation of IT system for GST is also on schedule.
- The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.

RAPID (Revenue, Accountability, Probity, Information and Digitisation)

- Maximise efforts for e-assessment in the coming year.
- Enforcing greater accountability of officers of Tax Department for specific act of commission and omission.

Budget at a Glance

(In crore of Rupees)

Particulars	2015-2016 Actuals	2016-2017 Budget Estimates	2016-2017 Revised Estimates	2017-2018 Budget Estimates
1. Revenue Receipts	**1195025**	**1377022**	**1423562**	**1515771**
2. Tax Revenue (Net to Centre)	943765	1054101	1088792	1227014
3. Non-Tax Revenue	251260	322921	334770	288757
4. **Capital Receipts**	**595748**	**601038**	**590845**	**630964**
5. Recoveries of Loans	20835	10634	11071	11932
6. Other Receipts	42132	56500	45500	72500
7. Borrowings and other liabilities *	532791	533904	534274	546532
8. **Total Receipts (1+4)**	**1790783**	**1978060**	**2014407**	**2146735**
9. **Scheme Expenditure**	**725114**	**801966**	**869847**	**945078**
10. On Revenue Account	545619	601900	631511	674057
11. On Capital Account	179495	200066	238336	271021
12. **Expenditure on Other than Schemes(13+15)**	**1065669**	**1176094**	**1144560**	**1201657**
13. On Revenue Account	992142	1129137	1103049	1162877
14. of which, Interest Payment	441659	492670	483069	523078
15. On Capital Account	73527	46957	41511	38780
16. **Total Expenditure (9+12)**	**1790783**	**1978060**	**2014407**	**2146735**
17. On Revenue Expenditure (10+13)	1537761	1731037	1734560	1836934
18. Of Which, Grants in Aid for creation of Capital Assets	131754	166840	171472	195350
19. Capital Expenditure (11+15)	253022	247023	279847	309801
20. **Revenue Deficit (17-1)**	**342736 (2.5)**	**354015 (2.3)**	**310998 (2.1)**	**321163 (1.9)**
21. **Effective Revenue(20-18)**	**210982 (1.6)**	**187175 (1.2)**	**139526 (0.9)**	**125813 (0.7)**
22. **Fiscal Deficit {16-(1+5+6)}**	**532791 (3.9)**	**533904 (3.5)**	**534274 (3.5)**	**546532 (3.2)**
23. **Primary Deficit (22-14) 91132**	**41234 (0.7)**	**51205 (0.3)**	**23454 (0.3)**	**(0.1)**

Excluding receipts under Market Stabilisation Scheme
Includes drawdown of Cash Balance

Budget At A Glance 2017 - 2018

1. Budget at a Glance shows Budget Estimates in broad aggregates to facilitate easy understanding. The document showsreceipts and expenditure as well as the Fiscal Deficit (FD), Revenue Deficit (RD), Effective Revenue Deficit (ERD), and the Primary Deficit (PD). The document gives an illustrative account of sources of receipts, and their application through suitable charts, and graphs. In addition, the document contains the resource transfer to States and allocations on major programmes and schemes.

2. Fiscal Deficit is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. This indicates the total borrowing requirements of Government from all sources. Revenue Deficit refers to the excess of revenue expenditure over revenue receipts. Effective Revenue Deficit is the difference between Revenue Deficit and grants for creation of capital assets. Primary Deficit is measured by Fiscal Deficit less interest payments.

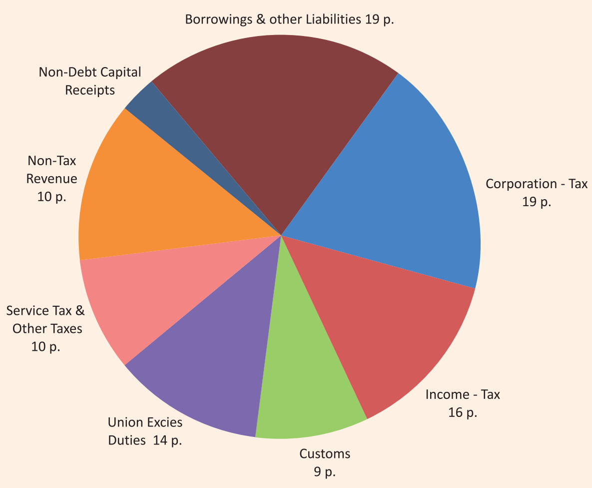
3. A significant reform initiative in the budgeting process, announced by the Finance Minister, in his Budget Speech of 2016 -17 was the removal of the Plan and Non-Plan distinction in expenditure budgeting. This has been implemented from theBudget of 2017-18. With the removal of this distinction it is expected that the link between spending and outcomes willi m p r o v e a n d become more holistic and focused.

4. Budget 2017-18 reflects Government's firm commitment to substantially boost investment in Agriculture, Social Sector, Infrastructure and Employment Generation on the one hand and simultaneously sticking to the fiscal consolidation path on the other hand. This is substantiated by increase of ₹ 1,32,328 crores over RE (2016-17) while simultaneously conforming to the fiscal deficit target of 3.2%.

5. In RE (2016-17), the total expenditure at ₹20,14,407 crore is more than the BE (2016-17) by ₹ 36,347 crore. Accordingly, the Fiscal Deficit target of 3.5% in 2016-2017 has been achieved without reduction in expenditure at the RE stage.

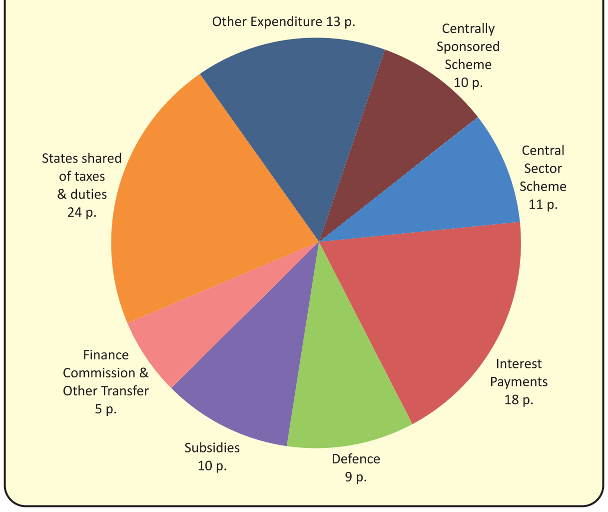
6. Since 2015-16, the devolution of States' share in taxes has witnessed a major jump. Continuing with this trend, the total resources going to States including the devolution of State's share in taxes, Grants/Loans, and releases under Centrally Sponsored Schemes in BE (2017-18) is ₹ 10,85,075 crore, with a jump of ₹ 94,764 crore over RE (2016-17) and ₹ 2,50,592 crore more than the Actual (2015-16). These facts reflect Government's firm commitment to co-operative federalism and strong belief in the principle that the Nation grows when States grow

Rupee Comes From (Budget 2017-18)



Notes:- *1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 1*
2. Figures have been rounded.

Rupee Goes To (Budget 2017-18)



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Notes

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