2016 BUDGET

STARTUP INDIA
STAND UP INDIA

MAKE IN INDIA

Digital India
Power To Empower

shankarlal jain & associates LLP
Chartered Accountants

Index

M/s. Shankarlal Jain & Associates LLP

A Member of AGN International

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Foreword

In the last nine months, the NDA Government headed by Prime Minister Shri Narendra Modi, has undertaken several significant steps to energize the economy. The credibility of the Indian economy has been re-established. The world is predicting that it is India's chance to fly.

With the Union Budget 2016-17, presented by our Finance Minister Shri Arun Jaitley on 29th February 2016, with a slew announcement about economy & the way forward, Budget day is not just another day of the week. With numerous news channels covering the event, it is like a year celebration for people to know its impact on their daily life.

In the face of the threatening global financial squalls, the budget provides credibility, a steady course for steering the economy, and welcome improvements in tax administration. The market initially plunged during FM Arun Jaitley's speech but recovered when he stuck to his fiscal consolidation schedule, outlined ways to end retrospective taxation, avoided anticipated changes in service tax and capital gains tax, and outlined ways to greatly reduce tax disputes.

The Finance Minister agenda toward Transform India had nine distinct pillars:

1) Agriculture & Farmer welfare: with focus on doubling farmer's income in five years
2) Rural Sector: with emphasis on rural employment & infrastructure
3) Social Sector including health care: to cover all under welfare & health services
4) Education, Skill & Job creation: to make India a knowledge based and productive society
5) Infrastructure & Investment: to enhance efficiency & quality of life
6) Financial sector reforms: to bring transparency & stability
7) Governance and ease of doing business: to enable the people to realize their full potential
8) Fiscal discipline: prudent management of Government finances and delivery of benefits to the needy; and
9) Tax reforms: to reduce compliance burden with faith in the citizenry.

During the budget, honorable Finance Minister Shri Arun Jaitley put emphasis on agricultural and farmer's welfare. He said that farmers are the backbone of the country's food security. He also said that beyond food security, our farmer's also need sense of income security. Government is thinking about reorient its intervention in the farm and non-farm sectors, to double the income of the farmers by 2022 and giving effect to this the total allocation made for Agricultures & Farmer's welfare is ` 359.84 Billion.

Finance Minister also put focus on improving the quality of education, bringing entrepreneurship to the doorstep of youth through Pradhan Mantri Kushal Vikas Yojana (PMKVY) and creating new jobs in the formal sector by paying the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of employment.

Despite negative winds blowing in for global economy, India has held its ground firmly. The GDP has accelerated to 7.6%; CPI inflation is down to 5.4% and Current Account Deficit (CAD) has declined from $18.4 billion in the first half of the last year to $14.4 billion this year. It is projected to be 1.4% of GDP at the end of this year. Foreign exchange reserve touched highest level of about 350 billion US dollars.

It is now fashionable to talk about start-ups at every given opportunity, the Union Budget being a good enough occasion for the government. Finance Minister Shri Arun Jaitley has given 100% tax exemption for three years, except Minimum Alternative Tax (MAT), which will apply for the start-ups set up between April 2016 and 2019. FM has also exempted start-ups from capital gain tax if invested in regulated and notified fund-of-fund and by individuals in notified start-ups in which they hold majority shares. The budget definitely sounds like a great follow-up to the promises made during Make in India.

“Ek Bharat Shreshtha Bharat” programme will be launched to link States & Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.

To conclude, the budget unambiguously signals the commitment of the government toward continued economic reforms and fiscal discipline. This Budget is being presented amidst global and domestic headwinds. There are several challenges, but we see them as opportunities.

Regards

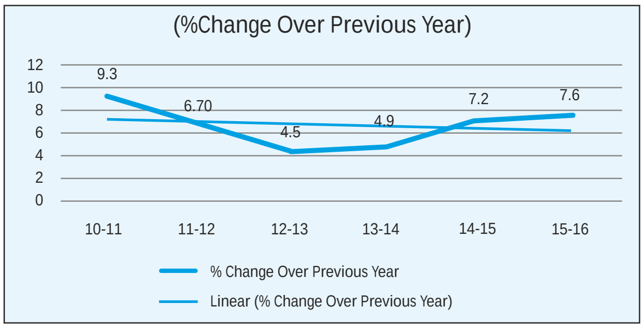
S. L. Jain

(S. L. Jain)

Economic Survey 2015-16

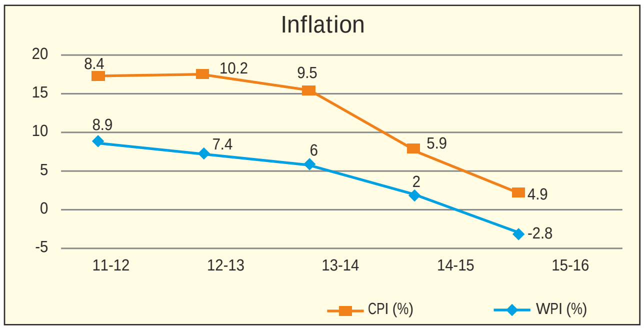
The Economic Survey 2015-16, tabled in Parliament by the Finance Minister Shri ArunJaitley's pegged India's growth between 7-7.5% in the fiscal year 2016-17. This year's survey comes against the background of an unusually volatile external environment with significant risk of weaker global activity and non-trivial risk of extreme events. Fortifying the Indian economy against possible spillovers is constantly one obvious necessity. Another necessity is a recalibration of expectations.

GDP Annual Growth Rate



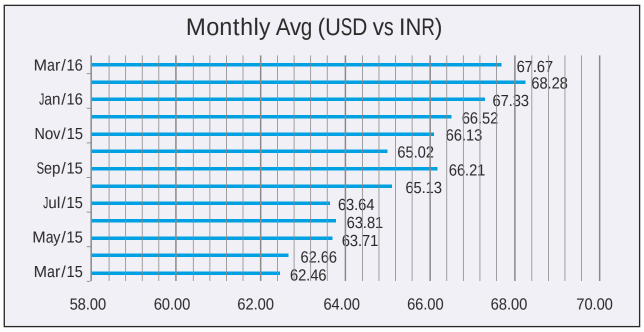
The economic survey for 2015-16 made a case for carrying forward the reform process to achieve macro-economic stability. Inspite of challenges, rate during 2015-16, "the fiscal deficit target of 3.9% of GDP seems achievable." After a 7.2% economic growth in 2014-15, the expansion in economy will be 7.6% in the current fiscal, the fastest in the world.

Inflation



The year 2015-16 continues to experience moderation in general price levels in the country for the second successive year. CPI inflation to be seen around 4.5 to 5 percent in 2016-17. With the easing of inflation and moderation in inflationary expectations, the RBI reduced the repo rate 25 bps each on 4th March 2015 and 2nd June 2015 and 50 bps on 29th September 2015—brought it down another 100 bps to 6.75 per cent. The RBI has kept the policy repo rate unchanged in its sixth bi-monthly monetary policy statement on 2nd February 2016. Expect RBI to meet 5% inflation target by March 2017. Low inflation has taken hold, confidence in price stability has improved.

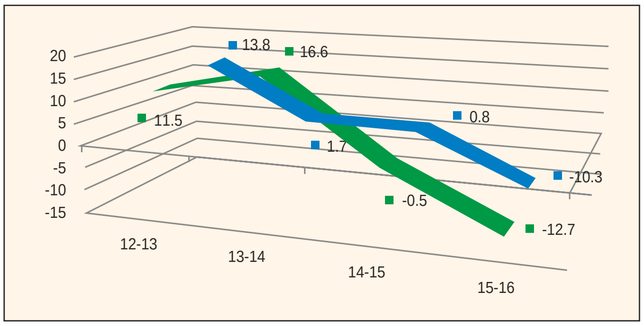
Currency



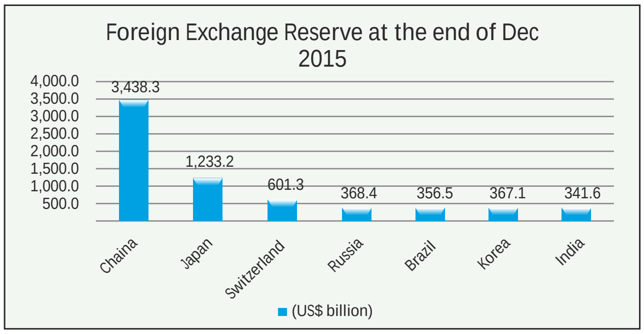
Ever since the beginning of this year, because of the devaluation of China's Yuan leads to global economic slowdown, savings in dollar because of fall in the prices of crude oil and sell off mode in equity segment by FIIs, Indian rupee has been witnessing turmoil against dollar. The Indian Currency decreased to 68.28 in February from 67.33 in January 2016.

Foreign Exchange Reserve

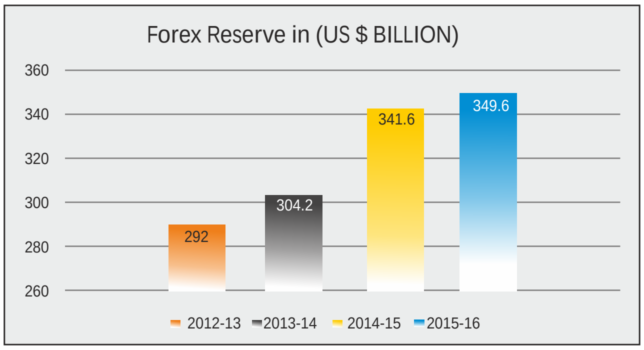
The level of foreign exchange reserve can change due to change in reserves of BoP basis as well as valuation changes in the asset held by the RBI. As is evident from the graph shown below, which shows the break-up of changes in foreign exchange reserves, with the exception of crisis-hit years of 2008-09 and 2011-12, forex reserve have been in accumulation mode, reflecting excess of financial flows over the requirement of the current account.



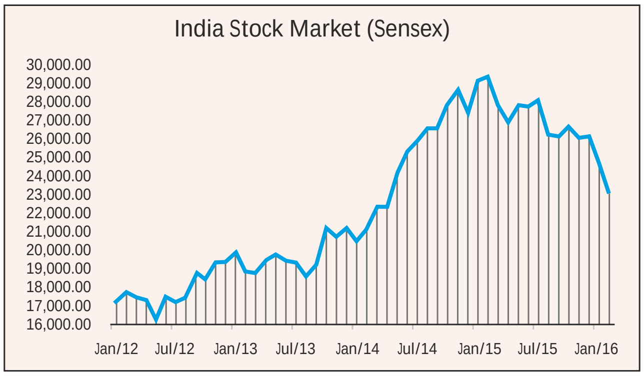
In the first half of 2015-16, India's foreign exchange reserves increased by US$ 10.6 billion on BoP basis (i.e. excluding valuation effect) while in normal terms (i.e. including valuation effect), the increase was only to the tune of US$ 8.7 billion. The valuation loss mainly reflects the appreciation of the US dollar against major currencies and fall in international price of gold.



Among major economies with CAD, India is the second largest foreign exchange reserve holder after Brazil. India's foreign exchange reserve at US$ 351.5 billion as on 5th February 2016 mainly comprised foreign currency asset amounting to US$328.4 billion, which accounted for about 93.4% of the total. With increase in reserves in 2015-16 (H1), all traditional reserve-based external sector vulnerability indicators have improved.



The Indian Stock Market (Sensex)

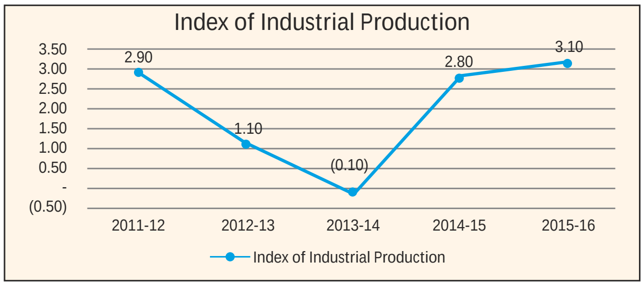


During 2015-16 so far, the Indian securities market has remain subdued. The Bombay Stock Exchange (BSE) Sensex declined by 8.5% upto January 2016 over end march 2015, mainly on account of turmoil in global equity market following slowdown in China and its currency devaluation and slump in stocks.

The Indian Stock Market (Sensex) decreased to 23154.30 index points in February from 24870.69 index points in January of 2015.

The downward trend in the Indian stock market was also guided by mixed corporate earnings for Q1 and Q2 of 2015-16, FPIs' concern over minimum alternative tax (MAT), weakening of the rupee against the US dollar, investor concern over delay in passage of Goods & Service Tax (GST) Bill, uncertainty over interest rate hike by US Fed and selling by FPIs. However the Indian equity market has been relatively resilient during this period compared to other major Emerging Market Economies (EMEs).

Industrial Performance



The industrial sector has continued to perform well in the wake of various reforms measures undertaken by the government recently. The Index of Industrial Production (IIP) which provides quick estimates of the performance of key industrial sectors have started showing upward momentum. While the overall IIP has shown recovery, there is variation in the performance of some of the major industries during April-December 2015. While some sectors like electricity, coal, fertilizers, cement and passenger cars have shown positive growth, sectors like steel and aluminium have shown negative growth during April-December 2015.

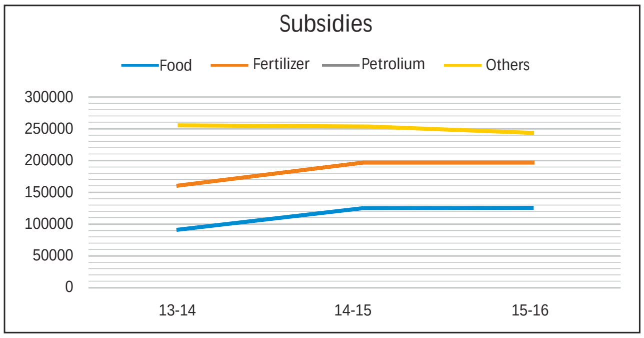
The rate of growth of GCF in industry registered a sharp rise from (-) 3.7 % in 2013-14 to 3.6 % in 2014-15, showing upward momentum of investment in industry. The sector-wise shares in overall GCF shows that the share of electricity has gone up, while those of mining, manufacturing & construction have declined. The eight core infrastructure-supportive industries-coal, crude oil, natural gas, refinery products, fertilizers, steel, cement & electricity-that have a total weight of nearly 38% in the IIP registered a cumulative growth of 1.9 % during April-December 2015-16 as compared to 5.7 % during April-December 2014-15.

Subsidies

Provision of subsidies to the poor has large welfare dimensions; but fiscal prudence considerations required to containing subsidies to sustainable levels. These seemingly conflicting objectives can be reconciled by making subsidies transparent, efficient and targeted through initiatives like direct benefits transfer wherever feasible. Petroleum subsidy is a major subsidy with somewhat limited welfare dimension, but has resulted in a fiscal drag.

The economic survey has proposed a free market for agriculture with direct transfer of cash to replace subsidies for fertilizers, food, and the minimum support price paid to farmers to ensure transparency and plug leakage. It has also suggested an end to subsidy on kerosene.

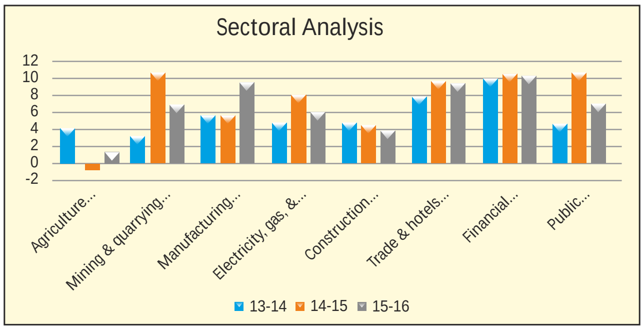
The explicit subsidies paid from the union budget increased over six-fold from around ` 43,000 crore in 2002-03 to nearly ` 2,67,000 crore in 2014-15 (RE). As a ratio of GDP, subsidies from the union budget peaked in 2012-13 to reach 2.58 %. The share of major sectors, namely food, fertilizer and petroleum, along with 'others' receiving these subsidies is depicted in the below figure.



Sectoral Analysis

The contribution of agriculture and allied sectors to the GVA (at 2011-12 prices) of the country has been declining. The growth rates in agriculture have been fluctuating at 1.5 % in 2012-13, 4.2 % in 2013-14, (-) 0.2% in 2014-15 and a likely growth of 1.1% in 2015-16. The uncertainties in growth in agriculture are explained by the fact that 60 % of agriculture in India is rainfall dependent and there have been two consecutive years of less then normal rainfall in 2014-15 and 2015-16.

The industrial sector has continued to perform well in the wake of various reforms measures undertaken by the government recently. As per the data on RE of national income, the growth of the industrial sector comprising mining and quarrying, manufacturing, electricity, gas, water supply and other utility services, and construction is 5.9% during 2014-15, as against 5.0% during 2013-14. The growth is expected to strengthen further to 7.3 % for 2015- 16 as per the AE released by the CSO recently. Within the industrial sector, manufacturing is expected to register a growth of 9.5 %.



The subsidy bill for BE 2015-16 was placed at ` 2.44 lakh crore, which was 1.7 % of GDP. The deregulation of petrol and diesel prices and direct benefit transfer of subsidy for domestic LPG, along with a decline in global crude oil prices, helped in containing the petroleum subsidy bill at ` 30,000 crore in BE 2015-16 as against ` 57,769 crore in 2014-15 (P). The total subsidy bill as a proportion of GDP has been declining since 2012-13 and is expected to be below 2 % of GDP as per BE 2015-16. The rationalization and reprioritization of subsidies through better targeting would play a vital role in fiscal consolidation and in targeting expenditure more towards inclusive development.

Conclusion

The economic survey has adopted a cautious tone on the economic assumptions, near and medium-term. The survey has chosen the pros & cons of fiscal consolidation. It may have been more in keeping with the tradition of the economic survey to have made a clear and positive recommendation.

Overall Sectoral Impact

Sector	Policy	Impact	Effect
Automobiles  	❖ ` 970 Bn investment in Road sector including PMGSY. Out of which, allocation of INR550 Bn crores to roads and highways, additional ` 150 Bn to be raised by National Highways Authority of India (NHAI) through bonds. ❖ 150% deduction withdrawal on R&D expenditure benefits from April 17. ❖ Pollution cess of • 1% on small petrol, LPG and CNG cars. • 2.5% on diesel cars. • 4% on higher-ends models. ❖ TCS should be collected @ 1% from purchaser on sale of luxury cars value exceeding ` 1 Million.	• Development of roads would help the growth in commercial vehicles in the long run and gain in the ease of freight movement. • Financing issues being faced by the sector by announcing deepening of the corporate bond market. • No policy for scrapping of 15 year old commercial vehicles.	U
Banking & Finance  	❖ Fiscal Deficit target for FY17 retained at 3.5%. ❖ ` 250 Bn capital infusion to PSU Banks. ❖ Comprehensive Code on Resolution of Financial Firms introduction as a Bill in Parliament.	• Lower capital infusion in PSU banks imply they would tap the market at depressed valuation. • 3.5% Fiscal Deficit for FY17 will mean fresh offering govt. debt will be lowered than the market has factored in. It will lead to lower bond yields. • Affordable housing is becoming a sector that Banks will increasingly focus on.	U
Capital Goods & Utilities 	❖ ` 313 Bn of Bond issuance by NHAI, REC, PFC, IREDA, NABARD and Inland Water Authority. ❖ NHAI has been authorized to reward concessionaires for BOT projects. ❖ 3 new Dedicated Freight Corridors announced in Rail Budget. ❖ Commissioning 9 and 13 km/day of broad gauge lines in FY18 and FY19 respectively.	• Build Operate Transfer (BOT) National Highway Projects have been permitted to divest 100% equity after two years of construction completion to the Concessionaires. • Speeding up freight train operation & higher productivity positively for companies and high levels of transport demand that cater to road sector.	F
Education	❖ ` 1,515.81Bn for Social sector including Education and Health care. ❖ 62 new Navodaya Vidyalayas will be opened.	• Enabling by educating, skilling on a large scale at speed with high Standards and to promote a culture of innovation based	F

Overall Sectoral Impact

Sector	Policy	Impact	Effect
 	❖ Sarva Shiksha Abhiyan to increasing focus on quality of education. ❖ Providing world-class Teaching and Research Institutions as • 10 public and • 10 private institutions. ❖ ` 10 Bn to be set-up as initial capital base for Higher Education Financing Agency. ❖ ` 18.04Bn for skill development. NBSDC to be setup in partnership with the industry and academia. ❖ 1500 Multi Skill Training Institutes to be set-up. ❖ Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets to be set-up.	entrepreneurship which can generate employment so as to ensure sustainable livelihoods and wealth for young youths in the country.	
Infrastructure Construction 	❖ Defence Capex up ` 863.4 Bn from ` 814 Bn (RE). ❖ Achievement of 100% village electrification by May 18 through DDUGVY and IDPS. ❖ ` 30 Bn p.a. allocation for Nuclear Power Generation capacities.	• Passed the Atomic Energy (Amendment) Bill 2015. • UDAY restructuring program for all the distribution utilities to improve their finances.	F
Insurance 	❖ Health cover up to ` 1 Lakh/family under New Health Protection Scheme. ❖ For senior citizens an additional top-up package up to ` 30,000 will be provided.	• Launching New Health Protection Scheme and Deduction of insurance premium will benefit to insurance companies.	F
Irrigation  	❖ Aims to double Farmers income by 2022. ❖ Farm Credit Targets at ` 9,000 Bn. ❖ Crop Insurance at ` 150 Bn for Interest Subvention. ❖ ` 200 Bn dedicated Irrigation Fund to be set up under NABARD. ❖ 89 Irrigation Projects to be fast tracked. ❖ ` 60 Bn for ground water management. ❖ ` 55 Bn to subsidise farm insurance under PMFBY.	• Increase in rural spending along with the 7th pay commission provide fillip to consumption growth. • Crops Insurance and higher farm credit will strengthen the farmers spending. • Irrigation and micro irrigation to get funding boost.	F

Overall Sectoral Impact

Sector	Policy	Impact	Effect
Jewellery 	❖ Excise Duty on Articles of Jewellery (exclude silver other than Studded with Diamonds or precious stones) with a higher threshold exemption upto ` 6 Cr in a year and eligibility limit of 12 Cr, to be levied. • 1% (without CENVAT credit) or • 12.5% (with CENVAT credit).	• Increase in Excise Duty would unhappy the jewellery industry.	U
Metal & Mining 	❖ Coal Mines (Special Provisions) Bill 2015 passed. ❖ CCEA approved that all coal linkage allocations to non-regulated sectors will be auction based. ❖ 'Clean Energy Cess' has been renamed as 'Clean Environment Cess' levied on coal, lignite and peat. ❖ CCEA approved that Central and State PSUs to be allotted coal mines for sale of coal to MSME's.	• Ultra Mega Power Projects (UMPP) standard bidding documents released for import of coal.	N
Oil & Gas 	❖ Cess to be shifted to an ad-valorem basis at 20% of crude price instead of flat at ` 4,500/MT. ❖ 10% additional Tax on dividends in the hands of firms. ❖ Incentivising gas discovery and exploration by providing calibrated marketing freedom. ❖ ` 20 Bn to fund the initial cost of providing LPG to BPL families. ❖ Aadhar Bill will be introduced to give constitutional right.	• Although a shift to ad-valorem cess would be benefited the upstream sector, the quantum of cess is higher than estimate. • Sahaj - online new LPG connections and online payment for LPG refill cylinder launched.	F
Pharmaceuticals 	❖ Benefit of deductions for R & D reduced to 150% from April 17 and to 100% to April 20. ❖ New health Insurance scheme to protect against hospitalization against expenditure. ❖ 3000 stores will be opened under PMJAY.	• Negative focus area for companies that are spending heavily on generic dosiers and developed markets. • Promoting medical stores will be challenged for generic segment in the Indian markets as it already facing threat from Natural medication.	U

Overall Sectoral Impact

Sector	Policy	Impact	Effect
Real Estate  	❖ 100% deduction for profit undertaking from affordable Housing project for flats upto • 30 Sq. meters in four metro cities • 60 Sq. meters in others cities approved during June 16 to March 19 and shall completed within 3years of the approval. ❖ First - Home Buyers will be given deduction additional interest of ` 50,000 p.a. for loans upto ` 35 lakh sanctioned during the next FY, provided the value of the house does not exceed ` 50 lakh. ❖ Any distribution made out of income of SPV to REITs and INVTs having specified shareholding will not subject to DDT.	• Additional interest deduction of ` 50,000 p.a. would result in an increase in demand from First - Home Buyers who constitute around 40-50% of the demand. • Clarity on taxability of REIT distribution, could lead to some exchange- traded REITs in FY17 and beyond. • It will push for Low Cost housing.	F
Retail / FMCG 	❖ 10% Excise Duty increased on cigarettes ❖ Increase in Excise Duty for readymade garments priced at ` 1,000 or more • NIL (with CENVAT credit) or • 6%/12.5% (with CENVAT credit). ❖ Reduction in Excise Duty for rubber sheets for soles & heels from 12.5% to 6%. ❖ Increase in abatement from 25% to 30% in calculation of Excise Duty in case of Retail Sales Price on Footwear. ❖ 100% FDI to be allowed through FIPB route in marketing of Food.	• Footwear industry to gain from lower raw material. • 100% FDI in food processing sector to attract investments.	F
Tourism 	❖ 10 of the 25 non-functional air strips with the Airport Authority of India also to be developed. ❖ The Government also allowed 49% FDI for regional Air Transport services.	• This would push to its government's regional connectivity plan.	F

F – Favorable. U – Unfavorable. N – Neutral

Abbreviation for Sectoral Impact

- Deen Dayal Upadhayaya Grameen Vidyutikaran Yojana (DDUGVY)
- Cabinet Committee on Economic Affairs (CCEA)
- Integrated Power Development Schemes (IDPS)
- Pradhan Mantri Gram SadakYojana (PMGSY)
- Ujwal Discom Assurance Yojana (UDAY)
- Build Operate Transfer (BOT)
- Prime Minister Jan Aushadhi Yojana (PMJAY)
- Prime Minister Fasal Bima Yojana (PMJAY)
- National Board for Skill Development Certification (NBSDC)

Salient Features

❖ Rate of Income Tax

- Rate of income tax has been kept unchanged except rate of surcharge in certain categories.
- Individual, HUF, Association of Person or Body of Individuals
  - ✓ Rate of tax are as under:

Tax Slab	Tax (%)
Upto ` 2,50,000	Nil
` 2,50,001 to `5,00,000	10
` 5,00,001 to ` 10,00,000	20
Above ` 10,00,000	30

  - ✓ Exemption limit in case of senior citizens below 80 years is `3,00,000/- and in case of senior citizens 80 years of age is `5,00,000/-
  - ✓ Surcharge is increased from 12% to 15% on income exceeding `1,00,00,000/-.
- Co-Operative Societies, Firm, LLP, Local Authorities
  - ✓ The rate of income tax in these case is retained the same at 30%. It is provided that in case of income of such assesses exceeds `1,00,00,000/- surcharge will be paid at 12%.
- Companies
  - ✓ Domestic Companies

    In such cases of whose turnover or gross receipt in year ended 31.3.15 does not exceeds `5 cr., rate of tax will be 29% and in all other case rate of tax will be 30%.
- Newly Setup Domestic Companies

  In case of engaged solely in the business of manufacture of articles tax shall be payable @ 25% provided such company is setup after 1.3.16 and company has not claimed any benefit of deduction under either Chapter-VIA of I.T. Act or u/s.10AA on benefit of accelerated depreciation or additional depreciation, Investment allowance expenditure or scientific research. However, such company can claim deduction u/s.80 JJJAA. Such company has to furnish its option before the due date for filing of return of income.

  Surcharge shall be payable by domestic companies @7% when income exceed `1 cr. but does not exceed `10 cr. and surcharge payable @12% when the income exceeds `10 cr.
  - ✓ Companies Other Than Domestic Companies

    The rate of tax is 40% and surcharge leviable 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 leviable at 2% and 1% respectively.

❖ Change in Rate of Securities Transaction Tax in case where Option is not exercised (w.e.f. 1st June, 2016)

- The rate of STT on sale of an option in securities (where an option is not exercised) to be increased from 0.017% to 0.05% of the option premium.
- Further, it is proposed to exempt transactions effected by any person on behalf of New Pension System Trust from STT.

❖ Rebate U/S 87A

- In case of individual resident in India whose total income does not exceed `5 Lakh. a rebate was allowable to the extent of `2,000/- which has been now increased to `5,000/-.

❖ Tax on Dividend

- Dividend distributed by companies is exempt in the hands of shareholders from tax under the provisions of Sec.10 (34) of Income Tax Act. Under the provisions of Sec.115-O a company distributing the dividend is to pay tax @ 15%; now it is provided that if an individual, HUF, firm, resident in India receives dividend in a year exceeding `10 lakhs, tax will be payable @10% on such gross dividend received. No deduction for any expenditure out of such dividend will be allowable for the purpose of calculation of 10% tax (w.e.f. A.Y. 17-18).

❖ Equalisation Levy

- A new chapter-VIII is being inserted in the Act to provide for equalization levy @6% of the amount of consideration on specified services, receivable by non-resident, not having permanent establishment in India, from a resident or from non-resident having a permanent establishment in India. However, no equalization levy will be levied if aggregate amount of consideration for specific service received or receivable by non-resident does not exceed `1 lakh in a year. Specified services has been defined as Online advertisement, any provision of digital advertising space or any other facility or service for the purpose or any other services as may be defined in future.

❖ Measures to Phase out Deduction

- It is proposed to phase out various incentives as provided under the Act which are as under:

Sr. No.	Section	Incentive currently available in the Act	Proposed phase out measures/ Amendment
1	1 10AA- Special provision in respect of newly established units in Special economic zones (SEZ).	Profit linked deductions for units in SEZ for profit derived from export of articles or things or services.	No deduction shall be available to units commencing manufacture or production of article or thing or start providing services on or after 1st day April,2020. (from previous year 2020-21 onwards).
2	35AC- Expenditure on eligible projects or schemes.	Deduction for expenditure incurred by way of payment of any sum to a public sector company or a local authority or to an approved association or institution, etc. on certain eligible social development project or a scheme.	No deduction shall be available with effect from 1.4.2017 (i.e from previous year 2017-18 and subsequent years).
3	35CCD-Expenditure on skill development project.	Weighted deduction of 150% on any expenditure incurred (not being expenditure in the nature of cost of any land or building) on any notified skill development project by a company.	Deduction shall be restricted to 100% from 01.04.2020 (i.e. from previous year 2020-21 onwards).
4	Section 80IA; 80IAB, and 80IB - Deduction in respect of profits derive from I. development, operation and maintenance of an infrastructure facility (80-IA) I. development of special economic zone (80-IAB) ii. production of mineral oil and natural gas [80-IB(9)]	100% profit linked deductions for specified period on eligible business carried on by industrial undertakings or enterprises referred in section 80IA; 80IAB, and 80IB.	No deduction shall be available if the specified activity commences on or after 1st day April, 2017. (i.e from previous year 2017-18 and subsequent years).

❖ Rate of Depreciation

- It is also proposed to reduce the rate of depreciation for the purpose a new appendix for depreciation be prescribed under the Rule-5 of I.T.Act and maximum rate of depreciation be reduced to 40%.

❖ Rationalisation of Scope of Tax Incentive U/S 32AC (w.e.f. A.Y. 2016-17)

- Presently, an investment allowance at the rate of 15% is allowed to company on any new plant and machinery acquired and installed during the period from 1st April 2014 to 31st March 2017 for an amount exceeding ` 25 Cr.
- The allowance is subject to the condition that acquisition and installation of the plant and machinery is to be done in the same previous year, it is causing hardship to the assessees and is relaxed by providing that investment allowance will be allowed even if new plant and machinery is acquired and installed in different previous years provided installation happens before 31st March 2017. In such case, the investment allowance will be allowed in the year of installation.

❖ Various Incentives to Research Activities and Other Incentives

- The various incentives to Research activities and others activities are proposed to be reduced as hereunder:

Sr. No.	Section	Incentive currently available in the Act	Proposed phase out measures/ Amendment
1	35(1)(ii)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 175% of any sum paid to an approved scientific research association which has the object of undertaking scientific research. Similar deduction is also available if a sum is paid to an approved university, college or other institution and if such sum is used for scientific research.	Weighted deduction shall be restricted to 150% from 01.04.2017 to 31.03.2020 (i.e. from previous year 2017-18 to previous year 2019-20) and deduction shall be restricted to 100% from 01.04.2020 (i.e. from previous year 2020-21 onwards).
2	35(1)(iia)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 125% of any sum paid as contribution to an approved scientific research company.	Deduction shall be restricted to 100% with effect from 01.04.2017 (i.e. from previous year 2017-18 and subsequent years).
3	3. 35(1)(iii)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 125% of contribution to an approved research association or university or college or other institution to be used for research in social science or statistical research.	Deduction shall be restricted to 100% with effect from 01.04.2017 (i.e. from previous year 2017-18 and subsequent years).

Sr. No.	Section	Incentive currently available in the Act	Proposed phase out measures/ Amendment
4	35(2AA)- Expenditure on scientific research.	Weighted deduction from the business income to the extent of 200% of any sum paid to a National Laboratory or a university or an Indian Institute of Technology or a specified person for the purpose of approved scientific research programme.	Weighted deduction shall be restricted to 150% with effect from 01.04.2017 to 31.03.2020 (i.e. from previous year 2017-18 to previous year 2019-20). Deduction shall be restricted to 100%
5	35(2AB)- Expenditure on scientific research.	Weighted deduction of 200% of the expenditure (not being expenditure in the nature of cost of any land or building) incurred by a company, engaged in the business of bio-technology or in the business of manufacture or production of any article or thing except some items appearing the negative list specified in Schedule-XI, on scientific research on approved in-house research and development facility.	Weighted deduction shall be from 01.04.2020 (i.e. from previous year 2020-21 onwards). restricted to 150% from 01.04.2017 to 31.03.2020 (i.e. from previous year 2017-18 to previous year 2019-20). Deduction shall be restricted to 100% from 01.04.2020 (i.e. from previous year 2020-21 onwards).
6	35AD- Deduction in respect of specified business.	In case of a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertiliser and hospital weighted deduction of 150% of capital expenditure (other than expenditure on land, goodwill and financial assets) is allowed.	In case of a cold chain facility, warehousing facility for storage of agricultural produce, hospital, an affordable housing project, production of fertilizer, deduction shall be restricted to 100 percent of capital expenditure w.e.f. 01.4.2017 (i.e. from previous year 2017-18 onwards).
7	7. 35CCC- Expenditure on notified agricultural extension project.	Weighted deduction of 150% of expenditure incurred on notified agricultural extension project.	Deduction shall be restricted to 100% from 1.4.2017 (i.e from previous year 2017-18 onwards).

- These amendments mentioned in table 2 will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

❖ Presumptive Taxation Scheme for Persons having Income from Profession (w.e.f. A.Y. 2017-18)

- A new section 44ADA is proposed to be inserted in the Act to provide for assessing or presumptive basis tax on income of an assessee who is engaged in any profession referred to in section 44AA such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette and whose total gross receipts does not exceed `50 lakhs in a previous year, at a sum equal to 50% of the total gross receipts, or as the case may be, a sum higher than the aforesaid sum earned by the assessees. The scheme will apply to such resident assessee who is an individual, HUF or partnership firm but not LLP firm.
- Under the scheme, the assessee will be deemed to have been allowed the deduction U/S 30 to 38. No deduction be available for salary or interest to partners.
- It is proposed that the assessee will not be required to maintain books of accounts U/S 44AA (1) and get the accounts audited U/S 44AB.
- It is proposed to increase the threshold limit of total gross receipts, specified under section 44AB for getting accounts audited, from `25 lakh to `50 lakh in the case of persons carrying on profession.

❖ Presumptive Taxation Scheme for Persons having Income from Business (w.e.f. A.Y. 2017-18)

- The threshold limit of `1 crore specified in the definition of "eligible business" is increased to `2 crore. Presumptive income be calculated at 8% of turnover or service receipts.
- It is proposed to withdraw deduction of interest and salary paid to partner.
- It is also proposed that where an eligible assessee declares profit for any previous year in accordance with provisions of section 44AD and declares profit for any of the five consecutive assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of section 44AD, he shall not be eligible to claim the benefit of the provisions of section 44AD for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of section 44AD.

- Advance tax is permitted to be paid by 15th March of each year.

❖ Income Earned derived through or from Business Connection in India

- It is proposed to provide that income arising out of storage of crude oil in India and to build strategic oil reserves by foreign company as a facility in India and sale of crude oil from these shall be exempt from tax.
  - ✓ Similarly a foreign mining company displaying rough diamonds in a `special notified zone' without sorting or sale, no income been treated as income arising in India.

❖ Additional Depreciation to Power Sector:

- By amendment to Sec.32(1)(iia) additional depreciation @ 20% on actual cost of new machinery or plant used in transmission of power in addition to existing provision for business of generation and distribution of power is provided.

❖ Income from Patents

- With a view to encourage indigenous research & development in India, concessional taxation is provided to companies who earns income by exploitation of patent developed & registered in India all over the world and earn royalty and such royalty will be taxable @ 10% under the provisions of Sec.115 BBF. The person entitled for this concession will be person resident in India who is the true and first inventor of the invention and whose name is entered in patent registered as the patentee in accordance with Patent Act 1917.

❖ Provision for Bad and Doubtful Debt in the case of Non-Banking Financial Companies (w.e.f. A.Y. 2017-18)

- Currently, banks, public financial institutions, state financial corporations and state industrial investment corporations are allowed a specific deduction in respect of provision for bad and doubtful debts.

- Since NBFCs are also engaged in financial lending to different sectors of society, it is proposed to amend the provision of clause (viia) of sub-section (1) of section 36 so as to provide deduction from total income (computed before making any deduction under the aforesaid clause and Chapter VI-A) on account of provision for bad and doubtful debts to the extent of 5% limited to an amount not exceeding of 5% of the gross total of the total income in the case of NBFCs.

❖ Extension of scope of section 43B to include certain payments made to Railways (w.e.f. A.Y. 2017-18)

- The proposed provisions of section 43B of the Act, as to expand its scope to include payments made to Indian Railways for use of Railway assets within its ambit. With a view to ensure the prompt payment of dues to Railways for use of the Railway assets.

❖ Taxation of Non-compete fees in case of Profession(w.e.f . A.Y . 2017-18)

- It is proposed to amend clause (va) w.e.f. AY 2017-18 to bring the non-compete fee received or receivable, in cash or kind, under an agreement for not carrying out any activity in relation to any profession (so far only business), within the scope of section 28 of the Act. Hence the same will be taxable.

❖ Amortisation of Spectrum Fee for Purchase of spectrum (w.e.f. A.Y. 2017-18)

- Under section 35ABB of the Act, amortisation of license fee in case of telecommunication service is provided it is in the nature of a 'license to operate telecommunication business' and eligible for deduction. In order to provide clarity and avoid any future litigation and controversy, a new section 35ABA is introduced in the Act to provide for tax treatment of spectrum fee.

- The section seeks to provide,-

  ✓ right to use spectrum for telecommunication services by paying spectrum fee will be allowed as a deduction in equal instalments over the period for which the right to use spectrum remains in force.

  ✓ where the spectrum is transferred and proceeds of the transfer are less than the expenditure remaining unallowed, a deduction equal to the expenditure remaining unallowed as reduced by the proceeds of transfer, shall be allowed in the previous year in which the spectrum has been transferred.

  ✓ if the spectrum is transferred and proceeds of the transfer exceed the amount of expenditure remaining unallowed, the excess amount shall be chargeable to tax as profits and gains of business in the previous year in which the spectrum has been transferred.

  ✓ unallowed expenses in a case where a part of the spectrum is transferred would be amortised.

✓ under the scheme of amalgamation, if the amalgamating company sells or transfer the spectrum to an amalgamated company, being an Indian company, then the provisions of this section will apply to amalgamated company as they would have applied to amalgamating company if later has not transferred the spectrum.

❖ Tax Incentive for START UP

- It is proposed to provide deduction of 100% of the profit derived by an eligible start up from a business involving innovation, development, deployment or commercialization of new products, process or services domain by technology or intellectual property. Such benefit is available for a period of 3 years out of a period of 5 years and such benefit will be available to startup setup before 1.2.2019.

- It is proposed to provide exemption from capital gain tax being long term capital gain if an assessee invested in the unit of specified Fund for START UP for a period of 3 years not exceeding `50 lakhs as setup by central government for startup units under the provisions of section-54EE.

- Under the provisions of section-54GB in case capital gain is earned by an individual or HUF on sale of residential property and if such capital gain is invested in shares of a company which qualifies to be a small or medium enterprises, subject to certain other conditions specified therein, such capital gain is exempt. These benefits are extended now to Startup Company, if such capital gain are utilised in subscription of shares of a company which qualifies to be eligible startup subject to conditions that such individual or HUF holds more than 50% shares of the company and such capital gain are utilised to purchase new assets including computers or computer software before due date of filing of return of income.

❖ Incentive for Affordable Housing

- It is proposed to provide 100% deduction of profits of an assessee developing and building affordable housing projects if such housing project is approved by competent authority before 31.3.2019 and complies with certain conditions.

  ✓ The project is completed within a period of three years from the date of approval,

  ✓ The project is on a plot of land measuring not less than 1000 sq. metres where the project is within 25 km from the municipal limits of four metros namely Delhi, Mumbai, Chennai & Kolkata and in any other area, it is measuring not less than 2000 sq. metres where the size of the residential unit in the said areas is not more than 30 sq. metres and 60 sq. metres, respectively,

  ✓ Where residential unit is allotted to an individual, no such unit shall be allotted to him or any member of his family.

❖ Unrealized Arrears of Rent

- By amendment to section-25A it is provided that in case of receipt of arrear rent or unrealized rent it shall be taxable in the year of receipt whether the assessee continues to be owner of the property or not and necessary deduction u/s.24 of 30% be allowed to him.

❖ Interest for Houses

- It is provided that in case of an assessee who purchases house first time, availing home loan will be entitled for deduction of interest on loan upto `50,000/- provided the value of house does not exceed `50 lakhs and loan availed does not exceed `35 lakhs and such loan is sanctioned between the period 1.4.16 to 31.3.17.This deduction will be available u/s.80EE.

❖ Interest on Self-Occupied House

- Under the existing provisions of section-24(b) interest payable on borrowed capital used for acquisition or construction of house

for self-occupation, deduction is allowable up to `2 lakhs, if such loan is borrowed after 1.4.1999 and acquisition or construction is completed within 3 years from the end of financial year in which the borrowings are effected. Now it is proposed to extent the period of acquisition or construction of self-occupied house to a period of 5 years instead of 3 years.

❖ Allowance for Rent Paid

- In case an individual pays rent for his residence

in excess of 10% of his total income and not receiving any house rent allowance from the employer, to the extent such excess expenditure does not exceed `2000/- per month is deductible under the provisions of section-80GG. Now it is proposed to enhance the limit of `2000/- per month to `5,000/- per month.

❖ Tax Incentive for Employment Generation u/s. 80JJAA

- Under the existing provisions of section-80JJAA a deduction of 30% of additional wages paid to regular workman in a factory is available for 3 years provided such assessee is engaged in the business of manufacture of goods in a factory where the workmen are employed for not less than 300 days in a previous year. Such benefit is extended only if there is increase of at least 10% in total number of workmen employed on the last date of the preceding year.
- Now the provisions are proposed to be amended to provide that deduction u/s.80JJAA be available in respect of cost incurred on any employee whose total emolument are less than `25,000/- per month and such employee is employed for not less than 240 days in a year. The incentive of 30% be available for any increase in the number of employees. In case of new business the whole of the emoluments paid to employee be entitled for deduction. An employee who does not participate in recognized provident fund or whose contribution under employees' pension scheme is paid by the government will not be entitled for such deduction.

❖ Sovereign Gold Bond Scheme 2015 and Gold Monetization Scheme 2015

- In case of Sovereign gold bond scheme 2015 by amendment to section-47 it is provided that capital gain arising to an individual shall not be taxable. In case of all other assessees it is provided that benefit of indexation u/s.48 be available.
- In case of Gold monetization scheme 2015, it is provided by amending the provisions of section 2(14) of Income Tax Act to exclude the scheme from the definition of `capital assets' and hence no capital gain be chargeable at the time of redemption of such scheme. By amendment to sectin-10 (15) it is provided that interest on deposit certificate issued under the scheme be exempt from income tax.

❖ Rupee Denominated Bonds

- Indian corporates are now permitted to issue the Rupee denominated Bonds outside India. It is proposed to amend section-48 so as to provide that capital gain arising in case of appreciation of Rupee between the date of issue and date of redemption against foreign currency in which investment is made shall be exempt from tax on capital gain.

❖ Consolidation of Plans within the scheme of Mutual Funds

- SEBI has issued guidelines for consolidation of Mutual Fund Plans within a scheme. By amendment to section-47(xviii) it is proposed to provide that merger or consolidation of different plans of a Mutual Fund Scheme will not be treated as transfer.

❖ Tax on Buy of Shares (w.e.f. 1st June, 2016)

- Existing buyback tax provisions provide for levy of additional Income Tax at the rate 20% of distributed income on account of buy back of unlisted shares by a company U/S 115QA.

- Buyback has been defined as purchase by a company of its own shares in accordance with provisions of section 77A of Companies Act, 1956. It is proposed to amend the provision to provide that buy-back tax shall apply to any buyback of unlisted shares undertaken by the company in accordance with provisions of law relating to the Companies and not necessarily restricted to section 77A of Companies Act, 1956. Payment made by company a buy back is treated as distributed income. Existing provision defines "distributed income" to mean consideration paid by the company on buyback of shares as reduced by the amount which was received by the company for issue of such shares. It is proposed to provide that "distributed income", be determined in prescribed manner. Rules would be framed to provide the manner of determination of amount in various circumstances.

❖ Rationalisation of Section 50C for Taxation of Capital Gain (w.e.f. A.Y. 2017-18)

- It is proposed to amend the provisions of section 50C so as to provide that where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken for the purposes of computing the full value of consideration provide that this provision shall apply only in a case where the amount of consideration referred to therein, or a part thereof, has been paid by way of an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account, on or before the date of the agreement for the transfer of such immovable property.

❖ Conversion of a company into Limited Liability Partnership (LLP) (w.e.f. A.Y. 2017-18)

- Existing provisions of Section 47(xiiib) provides that conversion of a private limited or unlisted public company into Limited Liability Partnership (LLP) shall not be regarded as transfer, if certain conditions are fulfilled, which, inter alia, include a condition that the company's gross receipts, turnover or total sales in any of the preceding three years did not exceed ₹60 lakh. It is proposed to provide that, for availing tax-neutral conversion, in addition to the existing conditions, the value of the total assets in the books of accounts of the company in any of the 3 previous years preceding the previous year in which the conversion takes place, should not exceed ₹5 crore.

❖ Exemption of Central Government Subsidy or Grant or Cash Assistance, etc. towards Corpus of Fund established for Specific Purposes from the Definition of Income (w.e.f . A.Y. 2017-18)

- As per the existing definition of income under clause (24) of section 2 of the Act any subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or State government shall form part of income. It is now prosed to exclude such grants or subsidies from the definition of Income.

❖ Clarification regarding Set off Losses against Deemed Undisclosed Income(w.e.f. A.Y. 2017-18)

- The existing section 115BBE provides for tax on income referred to in section 68 / 69 / 69A / 69B / 69C / 69D shall be taxed at the rate of 30%. Further in computing income under these sections, no deduction in respect of any expenditure or allowance be allowed. It is proposed to amend the section with effect from 1 April 2017 to provide that no deduction or set of any loss shall be allowed while computing such income.

❖ Conditions for set off of Loss under section 73A of the Income-tax Act (w.e.f. A.Y. 2016-17)

- It is proposed to amend section 80 so as to provide that the loss determined as per section 73A of the Act shall not be allowed to be carried forward and set off if such loss has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3).

- Rationalisation of tax treatment of National Pension Scheme
  - National Pension System
    - ✓ Currently, amount withdrawn from NPS on closure of account or opting out is taxable.
    - ✓ Now, such amount withdrawn to the extent of 40% will be exempt from tax.
    - ✓ Further, the entire amount received by the nominee on death of the assessee will be exempt from tax.
- Levy of Tax where the Charitable Institution ceases to exist or converts into Non Charitable Organization (w.e.f. 1st June, 2016)
  - A new chapter XII EB is introduced for levy of additional income tax at maximum marginal rate conversion of charitable institution into non-charitable form; or its merger with any non-charitable form; or transfer of its assets on dissolution to a non-charitable organisation. The 'accreted income' of such trust or institution shall be taxable on conversion of trust or institution into a form not eligible for registration u/s 12AA or on merger into an equity not having similar objects and registered under section 12AA or non-distribution of assets on dissolution to any charitable institution registered u/s 12AA or approved u/s 10(23C) with in a 12 periods of months from dissolution.

  - 'Accreted income' is defined to mean the amount by which the aggregate fair market value of the total assets of the trust exceeds its total liability on a specified date. The method of valuation to be prescribed.
  - Further, any assets and liabilities which are transferred to another charitable organisation within specified time will be excluded while calculating accreted income.
  - This levy shall be in addition to any income chargeable to tax in the hands of the entity.
  - In case of failure of payment of Tax within prescribed time a simple Interest @1% p.m. or part of it shall be applicable for the period of non-payment.
- Exemption from Dividend Distribution Tax (DDT) on Dividend paid by a SPV to Business Trust i.e REIT or InvITs (w.e.f. 1st June, 2016)
  - In order to rationalize the taxation regime for business trusts and its investors, it has been proposed to provide an exemption from levy of DDT.

  - The salient features of the proposed exemption are as under:
    - ✓ Exemption from levy of DDT is in respect of dividend declared, distributed or paid by SPV tothe business trust;
    - ✓ Such dividend received by business trust and investors shall not be taxable in their hands;
    - ✓ The exemption from levy of DDT would only be in the cases where the business trust either holds 100% share capital of such SPV or holds all the share capital of SPV except which is required to be held by other entity as part of any direction of any government or specific requirement of any law to this effect or which is held by government or government bodies;
    - ✓ The exemption of DDT shall be only in respect of dividends paid out of current income after
    - ✓ The exemption of DDT shall be only in respect of dividends paid out of current income after the date when business trust acquires the desired shareholding in SPV. The dividends paid out of the accumulated or current profits up to this date as mentioned above shall be liable for DDT;
    - ✓ Accordingly, amendments have been proposed in provisions of section 115-O and section 10(23FC) of the Income-tax Act;
- Rationalization of Tax Deduction at Source (TDS) provisions
  - In order to rationalise the rates and base for

TDS provisions, the existing threshold limit for deduction of tax at source and the rates of deduction of tax at source are proposed to be revised as mentioned in table.

- Table 1 : Increase in Threshold Limit of Deduction of Tax at Source on various payments mentioned in the relevant sections of the Act

Present Section	Heads	Existing Threshold Limit (`)	Proposed Threshold Limit (`)
192A	Payment of accumulated balance due to an employee	30,000	50,000
194BB	Winnings from Horse Race	5,000	10,000
194C	Payments to Contractors	Aggregate annual limit of 75,000	Aggregate annual limit of 1,00,000
194LA	Payment of Compensation on acquisition of certain Immovable Property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194G	Commission on sale of lottery tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000

- Table 2: Revision in Rates of Deduction of Tax at Source on various payments mentioned in the relevant Sections of the Act

Present Section	Heads	Existing Rate of TDS (%)	Proposed Rate of TDS (%)
194DA	Payment in respect of Life Insurance Policy	2%	1%
194EE	Payments in respect of NSS Deposits	20%	10%
194D	Insurance commission	Rate in force 10%	(5%)
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or brokerage	10%	5%

❖ Tax Collection at Source (TCS) on sale of Vehicles; Goods or Services

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

❖ Enabling of Filing of Form 15G/15H for Rental Payments (w.e.f. 1st June, 2016)

- The provision of sub-section 194-I of the Act, tax deduction at source (TDS) for payments in the nature of rent beyond a threshold limit. The existing provisions provide threshold of `1,80,000 per financial year for deduction of tax under this section. In spite of providing higher threshold for deduction tax under this section, there may be cases where the tax payable on recipient's total income, including rental payments, will be nil. Section 197A proposed to be amended to provide that for section 194-I also a self-declaration in Form no 15G/15H for non-deduction of tax at source can be filled within the time permitted.

- Payment of Advance Tax and charging of interest U/S 234C (w.e.f. 1st June, 2016)

  - It is proposed to provide that in all type of assessees advance tax be paid 15% by 15th June, 40% by 15th September, 75% by 15th December and balance by 15th March except in case of presumptive assessment where advance tax can be paid in one installment by 15th March of each year.

  - Consequential amendment are also proposed to be made to section 234C which provides for chargeability of interest for deferment of advance tax.

- Payment of Interest on Refund

  - In order to ensure the filing of return within due date, now the payment of interest on refund arising out of tax deducted at source, tax collected at source and advance tax in case of belated return from date of filing of return till date of grant of refund instead of 1st April of relevant assessment year is provided.

  - Now assessee is entitled to interest on any refund arising due to self-assessment tax paid from date of payment of tax or filing of return, whichever is later.

- Payment by Category- I and Category- II Alternate Investment Funds in relating to tax deducted at source (w.e.f. 1st June, 2016)

  - A special taxation regime inserted in respect of Category- I and Category- II Alternate Investment Funds registered with SEBI. The special Taxation regime is intended to ensure tax pass through status in respect of these investments funds which are collective investment vehicles. The special regime is contained in section 10(23FBA), 10(23FBB), 115UB and 194LBB of the Act.

  - It is proposed to amended section 194LBB to provide that in respect of person responsible for making the payment to the investor shall deduct income tax u/s 194LBB at the rate of 10% where the payee is a resident and the rates in force where the payee is a non-resident.

  - Further, it is proposed to include payment made under the provision of section 194LBB and 194LBC under the ambit of section 197 where recipient of payment under the provision of these sections may apply to assessing officer for lower or NIL rate of tax deducted at source.

- Taxation for Securitization Trusts and its Investors (w.e.f. 1st June, 2016)

  - Presently, income distributed by securitization trusts to its investors is subject to an additionallevy of tax u/s 115TA, 115TB and 115TC to be paid by the securitization trust on the distribution of income. Further, the current tax regime applicable to securitization trust does not apply to trusts set up under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. (SARFAESI Act.) In order to rationalize the tax regime for securitization trusts and its investors, it is proposed to amend the provisions and include a new special regime as under:

  - The new regime shall apply to securitization trust being an SPV defined under SEBI (Public Offer and Listing of Securitized Debt Instrument) Regulations, 2008 or as defined in the guidelines on securitization of standard assets issued by RBI or being setup by a securitization company or a reconstruction company in accordance with the SARFAESI Act or in pursuance of any guidelines or directions issued for the said purposes by the RBI.

  - The income of securitization trust shall continue to be exempt but would be taxable in the hands of investors in same manner as if it were the income accruing or arising to or received by such investor had the investments by the securitization trust been made directly by the investor

- The securitization trust shall deduct tax at source at the rate of 25% in case of payment to individuals and HUFs, and 30% in case of others. The levy of additional tax to be paid by the securitization trust w/n 14 days of distribution of income.
- The facility for the investors to obtain certificate for deduction of tax at a lower/ NIL rate would be available.

❖ Exemption from requirement of furnishing PAN U/S 206AA to certain Non-Resident (w.e.f. 1st June, 2016)

- Amendment in section 206AA so as to provide that the provisions shall not apply to non–residents in respect to any payments, subject to such conditions as may be prescribed.

❖ Taxation of Long term Capital Gains in case of Non- Resident (w.e.f. A.Y. 2017-18)

- It is proposed to amend the provisions of section 112(1)(c) of the Income-tax Act, so as to provide that long-term capital gains arising from the transfer of a capital asset being shares of a company not being a company in which the public are substantially interested, shall be chargeable to tax at the rate of 10%, in case of non-resident without benefit of Indexation.

❖ Applicability of MAT on Foreign Companies for the Period prior to 01.04.2015 (Retrospectively from A.Y. 2001-02)

- Provision of MAT not to apply to a foreign company if:
  - ✓ It is a resident of a country with which India has a DTAA and does not have a PE in India; or
  - ✓ It is a resident of a country with which India does not have a DTAA and the foreign company is not required to register under any law applicable to companies.

❖ Tax Incentive to International Financial Services Centre (w.e.f. A.Y. 2017-18)

- With a view to promoting International Financial Services Centre's in India, tax benefits are extended to units operating in such centers deriving income solely in foreign currency:
  - ✓ Where applicable, MAT to be levied at the rate of 9% instead of 18.5%.
  - ✓ No Dividend Distribution Tax (DDT) to be levied on the amount, distributed by, way of dividends out of its current income.
- Additionally, following benefits be extended to transactions executed on a recognized stock exchange located in such centers where the consideration is in foreign currency:
  - ✓ Long-Term Capital Gains arising from transfer of equity shares or equity oriented fund or unit of a business trust be exempt from tax.
  - ✓ No STT or CTT shall be liable on such transactions (w.e.f. 1st June, 2016).

❖ Base Erosion Profit Shifting (BEPS) (w.e.f. A.Y. 2017-18)

- The OECD report on Action 13 of BEPS Action plan provides for revised standards for transfer pricing documentation and a template for country-by-country (CbC) reporting of income, earnings, taxes paid and certain measure of economic activity. It is require three tiered documentation approach as
  - ✓ a Master file containing standardized information relevant for all MNEs group members
  - ✓ a local file referring specifically to material transactions of the local taxpayer
  - ✓ a Country- by -Country report containing information relating to global allocation of income and taxes paid together with certain indicators of the location of significant economic activities.

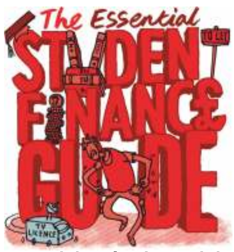
- The Indian parent of the international group or Indian designate entity of the foreign parent to furnish the report on or before the due date of furnishing the return of income.
- In the case of foreign parent, who has to furnish CbC report in another country, then any constituent entity in India will furnish to the prescribed authority on or before the prescribed date, information regarding the country or territory of residence of the parent of the international group to which it belongs.

- In accordance with BEPS, a new section 286 is proposed which provides for furnishing of a report in respect of an international group or MNEs.
- In case of more than one constituent entity in India, group may designate one entity to comply with reporting requirements and communicate to the same to the prescribed authorities. For non-furnishing of the report by an entity which is obligated to furnish it graded penalty structure would apply:
  - ✓ if default more than a month, penalty of `5,000/- per day applies;
  - ✓ if default is beyond one month, penalty of `15,000/- per day for the period exceeding one month applies;
  - ✓ for any default that continues even after service of order levying penalty either under (a) or under (b), then the penalty for any continuing default beyond the date of service of order shall be `50,000/- per day.
- The reporting provisions shall apply for financial year 2016-17 if consolidated revenue of an international group in the prior year i.e., financial year 2015-16 exceeds equivalent to 750 million Euros (approximately `5,395/- crs).

❖ Modification in conditions of Special Taxation Regime for Off Shore Funds Section 9A (w.e.f. 1st June, 2016)

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

❖ Permanent Establishment of a Foreign Company (w.e.f. A.Y. 2017-18)



- The concept of deeming a foreign company to be a resident in India if its place of effective management (POEM) in that year is in India was introduced in the Budget 2015 w.e.f 1st April, 2016. To provide clarity with respect to implementation of POEM based rule of residence and also to address concerns of the stakeholders, it is proposed to:
  - ✓ defer the applicability of POEM based residence test by one year i.e determination shall be applicable from 1st April, 2017.
  - ✓ provide a transition mechanism for a company which is incorporated outside India and has not earlier been assessed to tax in India.
  - ✓ provide that these transition provisions would also cover any subsequent previous year upto the date of determination of POEM in an assessment proceedings. However, once the transition is complete, then normal provision of the Act would apply.

- ✓ provide that in the notification, certain conditions including procedural conditions subject to which these adaptations shall apply can be provided for and incase of failure to comply with the conditions, the benefit of such notification would not be available to the foreign company.

❖ The Income Declaration Scheme, 2016 (w.e.f. 1st June, 2016)

- Finance Bill, 2016 has proposed a scheme to declare undisclosed income of any financial year upto FY2015-16, will be brought into effect from 1st June, 2016 and will remain open upto the date notified by the Central Government in the official gazette.

- Tax proposed to be charged is 30% plus surcharge of 7.5% and a penalty of 7.5% of undisclosed income totaling to 45%.
- The following cases shall not be eligible under the scheme:
  - ✓ Where notice for scrutiny assessment / reassessment / assessment in relation search or seizure is already issued;
  - ✓ Where search or survey has been conducted and time limit for issuance of notice for scrutiny assessment has not expired;
  - ✓ Where any information has been received under Exchange of Information under various DTAA in respect of such undisclosed income;
  - ✓ Person who has been detained under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
  - ✓ Persons who are covered under Indian Penal Code, the Narcotics Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988;
  - ✓ Persons notified under Special Court Act, 1992;
  - ✓ In relation to any undisclosed income chargeable to tax under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015;
- It is proposed that payment of tax, surcharge and penalty may be made on or before a date to be notified by the Central Government in the Official Gazette and non-payment upto the date so notified shall render the declaration madeunder the scheme void.
- Further, it has been proposed that no wealth tax will be levied on specified transactions declared under this scheme. Also, it is proposed that no scrutiny and enquiry shall be undertaken in respect of such declaration.
- Immunity from prosecution and Benami Transactions (Prohibition) Act, 1988 is proposed for such declarations subject to certain conditions.
- No refund can be availed in case any payment of taxes has been made under this scheme.
- Necessary rules be framed and notified.
- Where any income has occurred, arises or received or any asset is acquired out of such income prior to 01.06.2016 and income is not declared under the scheme, income will be taxable or the year in which notice U/S 142, 143(2), 148, 153A or 153C is issued.

❖ The Direct Tax Dispute Resolution Scheme, 2016

- Finance Bill 2016 has proposed a scheme to reduce a backlog of pending cases before the Commissioner of Income Tax (Appeals) or the Commissioner of Wealth Tax (Appeals) as on 29th February, 2016.
- The scheme covers two scenarios of tax dispute:
  - ✓ First, where the tax dispute is related to normal 'tax arrears' where an appeal is pending before the Commissioner of Income Tax (Appeals).
  - ✓ Second, where the tax dispute is for 'specified tax' i.e. where liability arose due to retrospective tax amendments.

- The features of the proposed scheme in the first scenario mentioned above are listed below:
  - ✓ The pending appeal could be against an assessment order or a penalty order;
  - ✓ The declarant under the scheme is required to pay tax at the applicable rate plus interest upto the date of assessment;
  - ✓ Where the tax in dispute is less than `10Lakhs, tax and interest to be paid upto date of Assessment. In case where disputed tax exceeds `10Lakhs, minimum 25% penalty shall also be payable.

  - ✓ In case of penalty appeals pending 25% of minimum penalty be payable.
  - ✓ Consequent to such declaration, the appeal pending before the Commissioner of Income Tax (Appeals) or the Commissioner of Wealth tax (Appeals) shall be deemed to withdrawn.
  - ✓ The declarant under this scheme will get immunity from prosecution or penalty proceedings for any offence under the Income Tax Act.
- The features of proposed scheme in the second scenario (specified tax) mentioned above are listed below:
  - ✓ The declarant has to withdraw any writ petition or any appeal if filed and submit the proof of the same.
  - ✓ The declarant under this scheme will be required to furnish an undertaking in the specified manner so as to waive the right to seek or pursue any remedy under any law, by statue or under an agreement, whether for protection of investment or otherwise;
  - ✓ The declarant under the scheme shall get immunity from imposition of penalty;
  - ✓ The declarant under the scheme shall get waiver of interest;
- In case the declarant violates any condition of the scheme, it shall be presumed as if the declaration was never made.
- The declarant under this scheme shall get immunity from institution of prosecution proceedings.
- The following cases shall not be eligible for the scheme:
  - ✓ Where prosecution has been initiated before 29th February 2016;
  - ✓ Where a search or survey has been conducted and declaration is in respect of tax arrears;
  - ✓ Where there is undisclosed foreign income and assets.
  - ✓ Where any information has been received under Exchange of Information under various Double Taxation Avoidance Agreements in respect of such undisclosed income;
  - ✓ Persons who are covered under Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988, Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
  - ✓ Persons notified under Special Court Act, 1992.
- Further, it is proposed that no matter will be reopened against the order passed as mentioned above.

- Necessary rules be framed.

❖ Filing of Return of Income (w.e.f. A.Y. 2017-18)

- <u>Mandatory filing of Return of Income by Specified Person</u>
  - ✓ The person earning exempt income from sale of long term capital asset exempt U/S 10(38) will be required to furnish its return of income within due date if the income without giving effect to such exemption

exceeds the maximum amount which is chargeable to tax.

✓ The return of income is required to be filed for the purpose of carry forward of loss of specified business like cold storage, warehousing, hotels etc. for claiming deduction under section 35AD of the Income-tax Act.

- <u>Filing of Belated Return and Revised Return of Income</u>

✓ A person who has not furnished his return within due date, may furnish his return for any previous year at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

✓ Now where a person has filed a return of income within due date or a belated return and the person discovers any omission or any wrong statement, then he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of assessment, whichever is earlier. Thus in case of Belated return a revised return is permitted.

- <u>Defective Return</u>

✓ For non-payment of self-assessment tax along with interest will not be a ground to treat the return as Defective return.

❖ Processing U/S 143 (1) be Mandate before Assessment (w.e.f. A.Y. 2017-18)

- Section 143(1)(a) provides that, a return filed is to be processed and total income or loss is to be computed after making the adjustments on account of any arithmetical error in the return or on account of an incorrect claim, if such incorrect claim is apparent from any information in the return.

- In order to expeditiously remove the mismatch between the return and the information available with the Department, it is proposed to expand the scope of adjustments that can be made at the time of processing of returns under section 143(1). However, before making any such adjustments, in the interest of natural justice, an intimation shall be given to the assessee either in writing or through electronic mode requiring him to respond to such adjustments. The response received, if any, will be duly considered before making any adjustment. However, if no response is received within thirty days of issue of such intimation, the processing shall be carried out incorporating the adjustments.

- The scope of adjustments while processing the return is widen to include certain other items such as disallowance of set-off of loss/deduction in case return is not filed within due date, disallowance of expenditure mentioned in audit report but not disallowed while preparing the computation, discrepancy in income reported in return vis-a-vis income appearing in Form 26AS; after communicating such adjustment to assessee and considering its response.

- Processing of the tax return is made mandatory before completion of the assessment if the notice for assessment has been issued.

❖ Legislative framework to enable and expand the scope of Electronic Processing of Information (w.e.f. 1st June, 2016)

- In order to expedite verification and analysis of the information and documents so received, it is proposed to amend section 133C to provide adequate legislative backing for processing of information and documents so obtained and making the outcome thereof available to the Assessing Officer for necessary action, if any.

- It is also proposed to amend Explanation2 to section 147 to provide for reopening of cases by the AO on the basis of the information so received.

❖ Rationalization of Time Limit for Assessment, Reassessment and Search Cases (w.e.f. 1st June, 2016)

- The period, for completion of assessment under section 143 or section 144 be changed from existing 2 years to 21 months from the end of the assessment year in which the income was first assessable.

- The period for completion of assessment under section 147 be changed from existing 1 year to 9 months from the end of the financial year in which the notice under section 148 was served.

- The time limit for completion of assessment u/s 153A/153C in respect of each assessment year falling within 6 A.Y. referred to section 153A(1)(b) and in respect of A.Y. relevant to the previous year in which search is conducted u/s 132 or requisition is made u/s 132A be changed from existing 2 years to 21 months from the end of the financial year in which the last of the authorizations for search u/s 132 or for requisition u/s 132A was executed.

- The period for completion of fresh assessment in pursuance of an order under section 254/263/264 setting aside or cancelling an assessment be changed from existing 1 year to 9 months from the end of the financial year in which the order u/s 254 is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner, or Commissioner, or the order u/s 263/264 is passed by the Principal Commissioner or Commissioner.

- The period for giving effect to an order, u/s 250/254/260/262/263/264 or an order of the Settlement Commission u/s 245D(4), where effect can be given wholly or partly otherwise than by making a fresh assessment or reassessment shall be 3 months from the end of the month in which order is received or passed. Additional time of 6 months may be given by the Principal Commissioner or Commissioner to the A.O. to give effect to the said order if it is not possible for the A.O. to give effect to such order within the aforesaid period only on receipt of reason in writing from A.O. and if satisfied.

- In case of assessment, reassessment or re-computation is made on the assessee to give effect to any finding or any direction contained in order u/s 250, 254,260,262,263 or 264 or in order of any court in a proceeding otherwise than by way of appeal then, such assessment, reassessment or re-computation shall be made on or before the expiry of 12 months from end of the month in which such order is received by the Principal Commissioner or Commissioner.

- Where an assessment is made on a partner of the firm in consequence of an assessment made on firm u/s 147, such assessment be made on or before the expiry of 12 months from the end of the month in which the assessment order in the case if the firm is passed.

❖ Providing Legal Framework for Automation of various Processes and Paperless Assessment (w.e.f. 1st June, 2016)

- It is proposed to amend the said sub-section (1) so as to provide that notices and documents required to be issued by income-tax authority under the Act shall be issued by such authority either in paper form or in electronic form in accordance with such procedure as may be prescribed.

❖ Providing Time Limit for Disposing Applications made by assessee U/S 273A, 273AA or 220 (2A) (w.e.f. 1st June, 2016)

- Under the existing provisions, no time limit has been provided regarding the passing of orders either under section 220 or sections 273A or 273AA. Further, these provisions do not specifically mandate that assessee be given an opportunity of being heard in case such application is rejected by an authority.

- It is proposed to provide an order be passed under these sections within a period of 12 months from the end of the month in which such application is received.

- It is also proposed to provide that no order rejecting the application of the assessee under these sections shall be passed without giving the assessee an opportunity of being heard. However, in respect of applications pending as on 1st day of June, 2016, the order under the said sections shall be passed on or before 31st May, 2017.

- The additional interest at the rate of 3% will be granted to the assessee in case where refund arising out of the order of Commissioner (Appeals)/ Tribunal/ High Court/ Supreme Court or revision order passed by CIT is not granted to the assessee within three months from the end of the month from receipt of order or further extended time by 6 months after approval from Principal Commissioner of Commissioner of Income Tax.

❖ Rationalisation of the Provision relating to Appellate Tribunal

- To minimize litigation, it is proposed that no appeal can be filed by the Assessing Officer against the directions issued by the Dispute Resolution Panel (w.e.f. 1st June, 2016).
- It is also proposed to provide that in case where Department is already in appeal against the direction of DRP u/s 253(2A), no fees shall be payable. (Retrospectively from 1st July, 2012).
- To bring certainty to the order of ITAT, the Appellate Tribunal may rectify any mistake apparent from record in its order at any time within 6 month from the end of the month in which the order was passed. It is proposed to amend section 255(3), that a single member bench may dispose of a case where the total income as computed by the A.O does not exceed 50 Lakhs rupees(w.e.f. 1st June, 2016).

❖ Reconciliation of Penalty Provision(w.e.f. 1st June, 2016)

- Penalty for concealment or furnishing of inaccurate particulars of income is levied under section 271(1) (c) has been replaced by a new section 270A to levy penalty in case of "under-reported and misreported" income.
  - ✓ Specified cases of misreporting/ under-reporting of income have been prescribed.
  - ✓ Penalty will be 50% of the amount of tax payable on under-reported income. However, in case of misreported income by the assessee, the penalty will be 200% on such misreported income.
  - ✓ Tax payable in case of company, firm or local authority, will be calculated as if the under-reported income is the total income. In any other case the tax payable will be 30% of the under-reported income.
  - ✓ No addition or disallowance of an amount will form the basis for imposition of penalty, if such addition or disallowance has formed the basis of imposition of penalty in the case of the person for the same or any other assessment year.

❖ Immunity from penalty and prosecution in certain cases by inserting new section 270AA (w.e.f. A.Y. 2017-18)

- Assessee may make an application to the Assessing Officer for grant of immunity from imposition of penalty under section 270A and initiation of proceedings under section 276C, provided
  - ✓ he pays the tax and interest payable as per the order of assessment or reassessment within the period specified in such notice of demand and
  - ✓ does not prefer an appeal against such assessment order.
- The assessee can make such application within 1 month from the end of the month in which the order of assessment or reassessment is received in the form and manner, as may be prescribed.
- It is proposed that the Assessing Officer shall, on fulfilment of the above conditions and after the expiry of period of filing appeal as specified in section 249(2), grant immunity from initiation of penalty and proceeding under section 276C if the penalty proceedings under section 270A has not been initiated on account of the following, namely:—

- ✓ misrepresentation or suppression of facts;
- ✓ failure to record investments in the books of account;
- ✓ claim of expenditure not substantiated by any evidence;
- ✓ recording of any false entry in the books of account;
- ✓ failure to record any receipt in books of account having a bearing on total income; or
- ✓ failure to report any international transaction or any transaction deemed to be an international transaction or any specified domestic transaction to which the provisions of Chapter X apply.

- It is proposed that the Assessing Officer shall pass an order accepting or rejecting such application within a period of 1 month from the end of the month in which such application is received.
- However, in the interest of natural justice, no order rejecting the application shall be passed by the Assessing Officer unless the assessee has been given an opportunity of being heard.
- It is proposed that order of Assessing Officer under the said section shall be final.
- It is proposed that no appeal under section 246A or an application for revision under section 264 shall be admissible against the order of assessment or reassessment referred to in clause (a) of sub-section (1), in a case where an order under section 270AA has been made accepting the application. In case of rejection by Assessing Officer, the assessee can file an appeal and time taken in process be excluded for calculating period of 30 days permissible for filling appeal.

❖ Penalty in Search case (271AAB)(w.e.f. A.Y. 2017-18)

- It is proposed that the rate of penalty is leviable at a flat rate of 60% of undisclosed income, if the assessee has neither disclosed income during search proceeding nor in the return of income filled after search.

❖ Penalty for Failure to Answer Questions, Sign Statements, Furnish Information, Returns or Statements, Allow Inspections, etc. (272A) (w.e.f. A.Y. 2017-18)

- It is proposed to prescribe penalty of ₹10,000 for specified default instead of each default or failure to comply with below:
  - ✓ notice issued under sub-section (1) of section 142 or;
  - ✓ notice issued under sub-section (2) of section 143 or;
  - ✓ directions issued under sub-section (2A) of section 142.

❖ Provision for Bank Guarantee U/S 281B (w.e.f. 1st June, 2016)

- Provisional attachment to protect revenue in certain cases is provided U/S to 281B The Assessing Officer shall revoke such attachment of property made in a case where the assessee furnishes a bank guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount lower than the fair market value of the property which is sufficient to protect the interests of the revenue.

❖ Extension of time limit to Transfer Pricing Officer in certain cases (w.e.f. 1st June, 2016).

- It is proposed to amend section 92CA(3A) to provide that where assessment proceedings are stayed by any court or where a reference for exchange of information has been made by the competent authority, the time available to the Transfer Pricing Officer for making an order be after excluding time for which assessment proceedings were stayed or the time taken for receipt of information, as the case may be if time available is less than sixty days, then such remaining period shall be extended to 60 days.

- Assumption of jurisdiction of Assessing Officer (w.e.f. 1st June, 2016)
    - The existing section 124(3), inter-alia, provides that no person shall be entitled to call in question the jurisdiction of an Assessing Officer in a case where return is filed under section 139, after the expiry of 1 month from the date on which he was served with a notice issued under section 142(1) or section 143(2) or after the completion of the assessment, whichever is earlier. Currently, this provision does not specifically refer to notices issued under section 153A or section 153C which relate to assessment in cases where a search and seizure action has been taken or cases connected to such cases. Now the said provisions are extended to assessment U/S 153A/153C in Search proceedings.

Indirect Tax Proposal

CENTRAL EXCISE

- There is no change in Peak Rate of Central Excise Duty. i.e. It remains at rate 12.5%
- New Levy of Infrastructure cess on goods falling under Chapter 8703 (w.e.f 01.03.2016)

Infrastructure Cess :	Pre Budget	Post Budget
On Petrol/LPG/CNG (below 1200cc)	NIL	1%
Diesel (below 1500cc)	NIL	2.50%
Other than above	NIL	4%

- Major Change in Tariff / Effective Duty Rates:

Sr.	Particulars	Pre Budget	Post Budge
1	Paper Rolled Biris	Rs.30 per thousand	Rs.80 per thousand
2	Various Tobacco Products other than Beedi	10%	15%
3	Water including mineral & aerated water	18%	21%
4	Rubber sheets & Resin rubber sheet for soles and heels	12.50%	6%
5	Pan Masala	16%1	9%
6	Micronutrients registered under FCO	12.50%	6%
7	Oil Industries Development Cess on domestically produced crude oil	4500 MT	20% Ad Valorem
8	Schedule Rate of Clean Energy Cess on Coal, Ignite, & peat	Rs.200 per tone	Rs.400 per tone
9	Ready Mix Concrete mfg. at the site of Construction	6%	Nil
10	Aviation Turbine Fuel	8%	14%
11	Gold dore Bar, Gold coin & Silver dore Bar	9%	9.50%
12	Silver except Silver Coin	8%	8.50%
13	Readymade garments with Retail price of Rs.1000/- or more or Branded. (SSI benefits is also available for the purpose of value of clearance of goods) Tariff Value will be 60% of RSP.	NIL	12.50% (2% without CENVAT credit)
14	PSF/PFY or waste PET bottles	6% (2% without CENVAT Credit)	12.50% (2% without CENVAT Credit)
15	Disposable aluminum foil containers	6% (2% without CENVAT Credit)	12.50% (2% without CENVAT Credit)
16	Centrifugal pump	12.50%	6%
17	Carbon pultrusions, Parts and sub parts of rooter blades for wind operated electricity generator.	12.50%	6%
18	Charger/adapter, battery and wired headsets/speakers of mobile handsets.	NIL	12.50% (2% without CENVAT Credit)
19	All Goods under Chapter 39 (Sacks & Bags)	12.5%	15%
20	Routers, Broadband modems, set-top box,DVD, CCTV camera	NIL	12.50% (4% without CENVAT Credit)
21	Refrigerated Containers	12.5%	6%
22	Changes in additional duty of excise on non-filter and filter cigarettes:		
	• Non filter not exceeding 65 mm	Rs.70 per 1000 sticks	Rs.215 per 1000 sticks
	• Non filter exceeding 65 mm but not exceeding 70 mm	Rs.110 per 1000 sticks	Rs.370 per 1000 sticks
	• Filter not exceeding 65 mm	Rs.70 per 1000 sticks	Rs.215 per 1000 sticks
	• Filter exceeding 65 mm but not exceeding 70 mm	Rs.70 per 1000 sticks	Rs.260 per 1000 sticks
	• Filter exceeding 70 mm but not exceeding 75 mm	Rs.110 per 1000 sticks	Rs.370 per 1000 sticks

❖ The following changes w.e.f. 01.03.2016:

Particulars	Basic Excise Duty (without CENVAT Credit)	Basic Excise Duty (with CENVAT Credit)
Branded readymade garments & made-up articles of textiles and MRP of Rs.1000/- or above.	2 %	12.50 %
Articles of jewellery (excluding silver jewellery, other than studded with diamonds and other precious stones) subject to specified threshold.	1 %	12.50 %
Charger, battery, wired headsets/speakers, for use in the manufacture of mobile handsets.	2 %	12.50 %
Routers, broadband modems, set-top boxes, digital video recorder, close circuit camera, etc.	4 %	12.50 %

❖ Policy Changes:

- The following will be effective from 01.03.2016:
  - ✓ Two or more premises of the same factory located within jurisdiction of a range, can operate under single registration subject to certain conditions.
  - ✓ Interest under provisional assessment to be levied on unpaid amount from the due date till the date of actual payment.
  - ✓ Provisions of deemed manufacture and MRP valuation extended to the following goods:

Particulars	Abatement
Aluminum foils of a thickness not exceeding more than 0.2 mm	25%
Smart Watches	35%
Accessories of motor vehicles and certain other specified goods	30%
Soap, organic surface-active product and preparation for use as soap, etc	30%

- Changes on some other key items are set out below:
  - ✓ Abatement rate from MRP for footwear increased from 25% to 30%.
  - ✓ Tariff value on readymade garments increased from 30% to 60%.
- The following changes will be effective from 01.04.2016:
  - ✓ Interest rate on delayed payment of duty reduced from 18% to 15%.
  - ✓ EOUs would now be required to submit annual return.
- The following changes will be effective from 01.06.2016:
  - ✓ Introduction of Indirect Tax Dispute Resolution Scheme, 2016 to bring down litigations pending before Commissioner (Appeals).
- The following changes will be effective from date of enactment of Finance Bill, 2016:
  - ✓ Period of limitation increased from 1 year to 2 years in cases not involving fraud, suppression of facts, willful misstatement, etc. Now the department can issue Show Cause Notice (SCN) for TWO years.
- The following changes will be effective from a date to be notified:
  - ✓ Monthly excise returns can be revised before end of the month in which the original was submitted by the due date.

- Media containing recorded Information Technology
  - Exemption being given on media containing recorded Software on which service tax is leviable. Manufacture has to declare that he has paid Service Tax on the value of Software.

- CENVAT CREDIT (w.e.f 01/04/2016)
  - All SSI units having turnover of less than ` 4 Crore will continue to enjoy the benefits of 100% credit on capital goods in the FIRST Year.
  - Now Equipments used in office are also eligible for CENVAT credit.
  - Capital Goods having value upto ` 10,000 per unit will be treated as input. Hence 100% CENVAT credit can be taken in the FIRST year.
  - CENVAT credit of Service Tax Paid for "Right to Use" on any Natural Resources shall be spread over a period of time for which "Right to Use" has been assigned.

SERVICE TAX

- There is no change in Peak Rate of Service Tax i.e. it remains at rate 14%.
- There is no change in rate of Swachh Bharat Cess i.e. 0.5%

- Major Change in Tariff / Effective Duty Rates:

I	Krishi Kalyan Cess	Existing	Proposed
1.	An enabling provision is being made to levy Krishi Kalyan Cess on all taxable services with effect from 1st June, 2016, to finance and promote initiatives to improve agriculture.	-	0.5%
II	Broadening of Tax base	Existing	Proposed
1.	Exemption on services provided by,- (i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and (ii) a person represented on an arbitral tribunal to an arbitral tribunal, is being withdrawn with effect from 1st April, 2016 and Service Tax is being levied under forward charge.	Nil	14%
2.	Exemption on construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1st March 2016, is being withdrawn with effect from 1st March, 2016.	Nil	5.6%
3.	Exemption on the services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn with effect from 1st April, 2016.	Nil	14%
4.	The Negative List entry that covers 'service of transportation of passengers, with or without accompanied belongings, by a stage carriage' is being omitted with effect from 1st June, 2016. Service Tax is being levied on transportation of passengers by air conditioned stage carriage with effect from 1st June, 2016, at the same level of abatement as applicable to the transportation of passengers by a contract carriage, that is, 60% without credit of inputs, input services and capital goods.	Nil	5.6%

III	New Exemptions	Existing	Proposed
1.	Services by way of construction etc. in respect of- (i) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY); (ii) low cost houses up to a carpet area of 60 square meters in a housing project under "Affordable housing in Partnership" component of PMAY; (iii) low cost houses up to a carpet area of 60 square meters in a housing project under any housing scheme of the State Government, are being exempted from Service Tax with effect from 1st March, 2016.	5.6%	Nil
2.	The service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India is being exempted from Service Tax with effect from 1st April, 2016.	3.5%	Nil
3.	Services provided by Employees' Provident Fund Organization (EPFO) to employees are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
4.	Services provided by Insurance Regulatory and Development Authority (IRDA) of India are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
5.	The regulatory services provided by Securities and Exchange Board of India (SEBI) are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
6.	The rate of Service Tax on single premium annuity (insurance) policies is being reduced from 3.5% to 1.4% of the premium, in cases where the amount allocated for investment, or savings on behalf of policy holder is not intimated to the policy holder at the time of providing of service, with effect from 1st April, 2016.	3.5%	1.4%
7.	The services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
8.	Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
9.	Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubates are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
10.	Services provided by way of skill/vocational training by training partners under Deen Dayal Upadhyay Grameen Kaushalya Yojana are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil
11.	Services of assessing bodies empaneled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship are being exempted from Service Tax with effect from 1st April, 2016.	14%	Nil

12.	The threshold exemption to services provided by a performing artist in folk or classical art forms of music, dance or theatre is being enhanced from ` 1 Lakh to ` 1.5 Lakh charged per event with effect from 1st April, 2016.	14%	Nil
IV	Relief Measures	Existing	Proposed
1	To provide level playing field to Indian Shipping lines vis-a-vis foreign shipping lines, it is being proposed to: a) zero rate the services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India with effect from 1st March, 2016, and b) impose Service Tax on services provided by them by way of transportation of goods by a vessel from outside India up to the customs station in India with effect from 1st June, 2016 so as to complete the credit chain and enable Indian Shipping Lines to avail and utilize input tax credits.	No credit Nil	Inputs, input services & capital goods credit 14%
2	Notification No. 41/2012- ST, dated the 29th June, 2012 was amended by notification No.1/2016-ST dated 3rd February, 2016 so as to, inter alia, allow refund of Service Tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for the export of the said goods. This amendment is being made effective from the date of application of the parent notification (i.e. 1st July 2012).		
3	The benefit of quarterly payment of Service Tax is being extended to 'One Person Company' (OPC) and HUF with effect from 1st April, 2016.		
4	The facility of payment of Service Tax on receipt basis is being extended to 'One Person Company' (OPC) with effect from 1st April, 2016.		
5	Exemptions on services of: a) construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools, hospitals etc. b) construction of ports, airports, [which were withdrawn with effect from 01.04.2015], are being restored in respect of services provided under contracts which had been entered into prior to 01.03.2015 on payment of applicable stamp duty, with retrospective effect from 01.04.2015.	5.6% of total amount	Nil
6	Services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government but not necessarily by an Act of Parliament or a State Legislature, during the period from the 1st July, 2012 to 29th January, 2014, are being exempted from Service Tax with consequential refunds, subject to the principle of unjust enrichment.	5.6% of total amount	Nil
7	Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), Integrated Programme in Management and Fellowship Programme in Management (FPM) are being exempted from Service Tax with effect from 1st March, 2016.	14%	Nil

8	The services provided by mutual fund agent/distributor to a mutual fund or asset management company, are being made taxable under forward charge with effect from 1st April, 2016, so as to enable the small sub-agents down the distribution chain to avail small scale exemption having threshold turnover of ` 10 lakh per year, subject to fulfillment of other conditions prescribed.	14%	14%
V	Interest Rate	Existing	Proposed
1.	Interest rates on delayed payment of duty/tax across all indirect taxes are being rationalized and made uniform at 15%, except in case of Service Tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the Service Tax payment became due. In case of assessees, whose value of taxable services in the preceding year/years covered by the notice is less than Rs.60 Lakh, the rate of interest on delayed payment of Service Tax will be 12%. [The above changes will come into effect on the day the Finance Bill receives the assent of the President.]	Custom 18% Excise 18% Service Tax 18% / 24% / 30%	Custom, Excise & Service Tax - 15% 24% in case of Service but not deposited to the exchequer
VI	Rationalization of Abatements	Existing	Proposed
1	Credit of input services is being allowed on transport of passengers by rail at the existing rate of abatement of 70%.	4.2% without credit	4.2% with input service credit
2	Credit of input services is being allowed on transport of goods, other than in containers, by rail at the existing rate of abatement of 70%.	4.2% without credit	4.2% with input service credit
3	Credit of input services is being allowed on transport of goods in containers by rail at a reduced abatement rate of 60%.	4.2% without credit	5.6% with input service credit
4	Credit of input services is being allowed on transport of goods by vessel at the existing rate of abatement of 70%.	4.2% without credit	4.2% with input service credit
5	The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).	3.5% / 4.2% of amount charged	4.2% of amount charged
6	The abatement rate in respect of services by a tour operator in relation to packaged tour (defined where tour operator provides to the service recipient transportation, accommodation, food etc.) and other than packaged tour is being rationalized at 70%.	3.5% / 5.6% of amount charged	4.2% of amount charged

	(The above changes will come into effect from 1st April, 2016)
VII	Reduce litigation and providing certainty in taxation
1	Indirect tax Dispute Resolution Scheme, 2016, a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% Of duty, can file a declaration, is being introduced. In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in cases
2	Section 67A is being amended to obtain rule making powers in respect of the Point of Taxation Rules, 2011, so as to provide that the point in time when service has been provided or agreed to be provided shall be determined by rules made in this regard. Point of Taxation Rules, 2011 is being amended accordingly.
3	Section 93A of the Finance Act, 1994 is being amended so as to allow rebate by way of notification as well as rules.
4	Explanation 2 in section 65B (44) of the Finance Act, 1994 is being amended so as to clarify that any activity carried out by a lottery distributor or selling agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner, of the State Government as per the provisions of the Lotteries (Regulation) Act, 1998 (17 of 1998), is leviable to Service Tax.
5	Notification No. 27/2012 – C.E. (N.T.) dated 18.06.2012 is being amended with effect from 1st March, 2016 so as to provide that time limit for filing application for refund of CENVAT Credit under Rule 5 of the CENVAT Credit Rules, 2004, in case of export of services, is 1 year from the date of : (a) receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or (b) issue of invoice, where payment, for the service has been received in advance prior to the date of issue of the invoice.
6	Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is being declared as a service under section 66E of the Finance Act, 1994 so as to make it clear that assignment of right to use the spectrum is a service leviable to Service Tax and not sale of intangible goods.
7	A condition mandating inclusion of cost of fuel in the consideration for availing abatement on the services by way of renting of motor-cab is being prescribed with effect from 1st April, 2016.
8	Service tax on the services of Information Technology Software on media bearing RSP is being exempted from Service Tax with effect from 1st March, 2016 provided Central Excise duty is paid on RSP in accordance with Section 4A of the Central Excise Act.
9	Mutual exclusiveness of levy of excise duty and Service Tax on Information Technology Software in respect of software recorded on media "NOT FOR RETAIL SALE" is being ensured by exempting from excise duty only that portion of the transaction value on which Service Tax is paid.
VIII	CENVAT Credit Rules
1	The rules are being amended so as to allow banks and other financial institutions to reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal.
2	The rules are being amended to improve credit flow, reduce the compliance burden and associated litigation, particularly those relating to apportionment of credit between exempted and non-exempted final products / services. Changes are also being made in the provisions relating to input service distributor, including extension of this facility to transfer input services credit to outsourced manufacturers, under certain circumstances. The amendments in these rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.
3	The rules are being amended to provide for reversal of CENVAT Credit of inputs/input services which have been commonly used in providing taxable output service and an activity which is not a 'service' under the Finance Act, 1994.

4	The CENVAT credit rules are being amended so as to allow CENVAT credit of Service Tax paid on amount charged for assignment by Government or any other person of a natural resource, over such period of time as the period for which the rights have been assigned. [The above amendment shall come into effect from 1st April, 2016.]
XI	Miscellaneous
1	Period for issuing demand notices Section 73 of the Finance Act, 1994 is being amended so as to increase the limitation period from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of Service Tax.
2	Other changes in the Finance Act, 1994 The Negative List entry covering 'educational services by way of (a) pre-school education and education up to higher and secondary school or equivalent, (b) education as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force and (c) education as a part of an approved vocational education course [Section 66D (l)] and the definition of 'approved vocational education course' [section 65B (11) are being omitted. Howeever the exemption shall continue by way of exemption notification No. 25/2012 – ST.
3	In the last Budget, the Customs, Central Excise and Service Tax laws were amended to provide for closure of proceedings where the assessee pays duty/tax due, interest and specified penalty. Further amendments are being made to Service Tax law so as to provide for closure of proceedings against conoticees, once the proceedings against the main noticee have been closed.
4	The power to arrest in Service Tax is being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer, and that too above a threshold of ` 2 crore. The monetary limit for launching prosecution is being increased from ` 1 crore to ` 2 crore of Service Tax evasion.

CENTRAL SALES TAX

- An Explanation has been added under Section 3 of Central Sales Tax Act to provide that where the gas sold or purchased and transported through a common carrier pipeline or any other common transport distribution systems becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase ofgas shall be deemed to be a movement of goods from one state to another.

CUSTOMS

- No change in Peak rate i.e it remains at rate 10%.
- Effective on Enactment of Finance Bill (unless otherwise specified)
  - Normal period of limitation for issuance of the Show Cause Notice (SCN) increased from 1 year to 2 years.
  - The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with a view to simplify the rules, including allowing duty exemptions to importer/ manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities.
  - Warehousing station has been omitted under Customs Act. Importer can warehoused imported goods outside customs stations. The amount of Bond required to be executed to avail benefits of Warehousing Provisions have been increased from TWICE to THRICE the amount of Duty assessed.
  - Exemption from customs duty on Import of bona fide gifts by Post or by Air freight has been increased from ` 10,000 to ` 20,000.
  - Duty free allowance for bonafide baggage increased to ` 50,000 for resident / Indian tourist & ` 15,000 while returning from Nepal / Bhutan / Myanmar.
  - Jewellery limit lower of 20gm or ` 50,000 for men and lower of 40gm or ` 1,00,000 for women.
  - Under Section 28AA Interest Rate on delayed Payment of Custom Duty has been decreased from 18% to 15% w.e.f 01/04/2016.
  - Time period for re-export of unutilized imported goods have been reduced from 6 to 3 months.
  - Deferred payment of Duty facility is proposed for certain class of Importer.

PARTICULARS	DUTY	EXISTING RATE (%)	NEW RATE (%)
• CHEMICALS & PETRO CHEMICAL			
Denatured Ethyl Alcohol	BCD	5%	2.5%
Aluminium Oxide	BCD	7.5 %	5%
Polypropylene Granules / Resins	BCD	7.5 %	NIL
Super Absorbent Polymer	BCD	7.5%	5%
Strene	BCD	2%	2.5%
• ENERGY			
Coal Gas	BCD	10%	5%
Oil and other Distillation	BCD	10%	2.5%
• MINERAL PRODUCTS			
Iron ore lumps (below 58% fe Center)	Export Duty	30%	Nil
Chromium ores and concentrates	Export Duty	30%	Nil
Bauxite	Export Duty	20%	15%
Coke	BCD	10%	5%
Pitch and Pitch coke	BCD	10%	5%
• METALS			
Coal, Lignite, Peat	BCD	10%	2.5%
Tar distilled coal, Lignite	BCD	10%	5%
Preform of Silica	BCD	NIL	10%

PARTICULARS	DUTY	EXISTING RATE (%)	NEW RATE (%)
Brass Scrap	BCD	5%	2.5%
Primary aluminum products	BCD	5%	7.5%
Other aluminum products	BCD	7.5%	10%
Zinc Alloys	BCD	5%	7.5%
Machinery,Mechanical Appliances, Electrical equipment and Parts	BCD	7.5%	10%
• ELECTRONIC HARDWARE			
Refrigerated Containers	BCD	10%	5%
Electrolysers, Membranes and their Parts	BCD	2.5%	NIL
Allpratus and Equipment For Photograph Laboratories	BCD	7.5%	10%
Industrial Solar Water Heater	BCD	7.5%	10%
• JEWELLERY			
Gold Dore Bar	CVD	8%	8.75%
Silver Dore Bar	CVD	7%	7.75%
Imitation Jewellery	BCD	10%	15%
• AGRICULTURAL PRODUCE			
Cashew Nuts in Shell	BCD	NIL	5%
Braille paper	BCD	10%	NIL
Fibers, Filaments/ Yarn	BCD	5%	2.5%
Natural Latex Rubber Wood in Chips or Particle	BCD	10%	20%
Wood in Chips or Particle	BCD	5%	NIL
Pulp of Wood	BCD	5%	2.5%
Natural Latex Rubber made Balloons	BCD	10%	20%
• PLASTIC AND ARTICLES			
Plans, Drawing and Designs	BCD	Nil	10%
• MISCELLANEOUS			
Silica Sand	BCD	5%	2.5%
Medical use Fission Molybdenum-99	BCD	7.5%	NIL
Solar Tempered glass	BCD	NIL	5%
Golf Cars	BCD	10%	60%
Orthoxylene (Mfg. of Phthalic Anhydride)	SAD	4%	2%
Populated printed circuit board (Use in Laptop and Desktop)	SAD	NIL	4%
E- Readers	BCD	7.5%	NIL

Key Features of Budget 2016-2017

Introduction

- Growth of Economy accelerated to 7.6% in 2015-16.
- India hailed as a 'bright spot' amidst a slowing global economy by IMF.
- Robust growth achieved despite very unfavourable global conditions and two consecutive years shortfall in monsoon by 13%
- Foreign exchange reserves touched highest ever level of about 350 billion US dollars.
- Despite increased devolution to States by 55% as a result of the 14th Finance Commission award, plan expenditure increased at RE stage in 2015-16 – in contrast to earlier years.

Challenges In 2016-17

- Risks of further global slowdown and turbulence.
- Additional fiscal burden due to 7th Central Pay Commission recommendations and OROP.

Roadmap & Priorities

- 'Transform India' to have a significant impact on economy and lives of people.
- Government to focus on -
  - Ensuring macro-economic stability and prudent fiscal management.
  - Boosting on domestic demand
  - continuing with the pace of economic reforms and policy initiatives to change the lives of our people for the better.

- Focus on enhancing expenditure in priority areas of - farm and rural sector, social sector, infrastructure sector employment generation and recapitalisation of the banks.
- Focus on Vulnerable sections through:
  - Pradhan Mantri Fasal Bima Yojana
  - New health insurance scheme to protect against hospitalisation expenditure
  - Facility of cooking gas connection for BPL families

- Continue with the ongoing reform programme and ensure passage of the Goods and Service Tax bill and Insolvency and Bankruptcy law
- Undertake important reforms by:
  - Giving a statutory backing to AADHAR platform to ensure benefits reach the deserving.
  - Freeing the transport sector from constraints and restrictions

- incentivising gas discovery and exploration by providing calibrated marketing freedom
- Enactment of a comprehensive law to deal with resolution of financial firms
- Provide legal framework for dispute resolution and re-negotiations in PPP projects and public utility contracts
- undertake important banking sector reforms and public listing of general insurance companies undertake significant changes in FDI policy.

Agriculture And Farmers' Welfare

- Allocation for Agriculture and Farmers' welfare is ₹ 35,984 crore
- Pradhan Mantri Krishi Sinchai Yojana' to be implemented in mission mode. 28.5 lakh hectares will be brought under irrigation.
- Implementation of 89 irrigation projects under AIBP, which are languishing for a long time, will be fast tracked
- A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about ₹ 20,000 crore
- Programme for sustainable management of ground water resources with an estimated cost of ₹ 6,000 crore will be implemented through multilateral funding
- 5 lakh farm ponds and dug wells in rain fed areas and 10 lakh compost pits for production of organic manure will be taken up under MGNREGA
- Soil Health Card scheme will cover all 14 crore farm holdings by March 2017.
- 2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next three years
- Promote organic farming through 'Parmparagat Krishi Vikas Yojana' and 'Organic Value Chain Development in North East Region'.
- Unified Agricultural Marketing ePlatform to provide a common e-market platform for wholesale markets
- Allocation under Pradhan Mantri Gram Sadak Yojana increased to ₹19,000 crore. Will connect remaining 65,000 eligible habitations by 2019.
- To reduce the burden of loan repayment on farmers, a provision of ₹15,000 crore has been made in the BE 2016-17 towards interest subvention
- Allocation under Prime Minister Fasal Bima Yojana ₹5,500 crore.
- ₹ 850 crore for four dairying projects - 'Pashudhan Sanjivani', 'Nakul Swasthya Patra', 'E-Pashudhan Haat' and National Genomic Centre for indigenous breeds

Rural Sector

- Allocation for rural sector - ₹ 87,765 crore.
- ₹2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and

Municipalities as per the recommendations of the 14th Finance Commission

- Every block under drought and rural distress will be taken up as an intensive Block under the Deen Dayal Antyodaya Mission
- A sum of ₹ 38,500 crore allocated for MGNREGS.
- 300 Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission
- 100% village electrification by 1st May, 2018.
- District Level Committees under Chairmanship of senior most Lok Sabha MP from the district for monitoring and implementation of designated Central Sector and Centrally Sponsored Schemes.
- Priority allocation from Centrally Sponsored Schemes to be made to reward villages that have become free from open defecation.
- A new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional household within the next 3 years.
- National Land Record Modernisation Programme has been revamped.
- New scheme Rashtriya Gram Swaraj Abhiyan proposed with allocation of ₹ 655 crore.

Social Sector Including Health Care

- Allocation for social sector including education and health care – ₹ 1,51,581 crore.
- ₹ 2,000 crore allocated for initial cost of providing LPG connections to BPL families.
- New health protection scheme will provide health cover up to ₹ 1 lakh per family. For senior citizens an additional top-up package up to ₹ 30,000 will be provided.
- 3,000 Stores under Prime Minister's Jan Aushadhi Yojana will be opened during 2016-17.
- 'National Dialysis Services Programme' to be started under National Health Mission through PPP mode
- "Stand Up India Scheme" to facilitate at least two projects per bank branch. This will benefit at least ₹2.5 lakh entrepreneurs.
- National Scheduled Caste and Scheduled Tribe Hub to be set up in partnership with industry associations
- Allocation of ₹ 100 crore each for celebrating the Birth Centenary of Pandit Deen Dayal Upadhyay and the 350th Birth Anniversary of Guru Gobind Singh.

Education, Skills And Job Creation

- 62 new Navodaya Vidyalayas will be opened
- Sarva Shiksha Abhiyan to increasing focus on quality of education

- Regulatory architecture to be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions
- Higher Education Financing Agency to be set-up with initial capital base of ₹ 1000 Crores

- Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets to be set-up.

Skill Development

- Allocation for skill development – ₹ 1804. crore.
- 1500 Multi Skill Training Institutes to be set-up.
- National Board for Skill Development Certification to be setup in partnership with the industry and academia
- Entrepreneurship Education and Training through Massive Open Online Courses

Job Creation

- GoI will pay contribution of 8.33% for of all new employees enrolling in EPFO for the first three years of their employment. Budget provision of ₹ 1000 crore for this scheme.
- Deduction under Section 80JJAA of the Income Tax Act will be available to all assesses who are subject to statutory audit under the Act
- 100 Model Career Centres to operational by the end of 2016-17 under National Career Service.
- Model Shops and Establishments Bill to be circulated to States.

Infrastructure And Investment

- Total investment in the road sector, including PMGSY allocation, would be ₹ 97,000 crore during 2016-17.
- India's highest ever kilometres of new highways were awarded in 2015. To approve nearly 10,000 kms of National Highways in 2016-17.
- Allocation of ₹ 55,000 crore in the Budget for Roads. Additional ₹ 15,000 crore to be raised by NHAI through bonds.
- Total outlay for infrastructure - ₹ 2,21,246crore.
- Amendments to be made in Motor Vehicles Act to open up the road transport sector in the passenger segment

- Action plan for revival of unserved and underserved airports to be drawn up in partnership with State Governments.
- To provide calibrated marketing freedom in order to incentivise gas production from deep-water, ultra deep-water and high pressure-high temperature areas
- Comprehensive plan, spanning next 15 to 20 years, to augment the investment in

nuclear power generation to be drawn up.

- Steps to re-vitalise PPPs:
  - Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17
  - Guidelines for renegotiation of PPP Concession Agreements will be issued
  - New credit rating system for infrastructure projects to be introduced
- Reforms in FDI policy in the areas of Insurance and Pension, Asset Reconstruction Companies, Stock Exchanges.
- 100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India.
- A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, approved.

Financial Sector Reforms

- A comprehensive Code on Resolution of Financial Firms to be introduced.
- Statutory basis for a Monetary Policy framework and a Monetary Policy Committee through the Finance Bill 2016.
- A Financial Data Management Centre to be set up.
- RBI to facilitate retail participation in Government securities.
- New derivative products will be developed by SEBI in the Commodity Derivatives market.

- Amendments in the SARFAESI Act 2002 to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non institutional investors to invest in Securitization Receipts.
- Comprehensive Central Legislation to be bought to deal with the menace of illicit deposit taking schemes.
- Increasing members and benches of the Securities Appellate Tribunal.
- Allocation of ₹ 25,000 crore towards recapitalisation of Public Sector Banks.
- Target of amount sanctioned under Pradhan Mantri Mudra Yojana increased to ₹ 1,80,000 crore.
- General Insurance Companies owned by the Government to be listed in the stock exchanges.

Governance And Ease Of Doing Business

- A Task Force has been constituted for rationalisation of human resources in various Ministries.
- Comprehensive review and rationalisation of Autonomous Bodies.
- Bill for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by

using the Aadhar framework to be introduced.

- Introduce DBT on pilot basis for fertilizer.
- Automation facilities will be provided in 3 lakh fair price shops by March 2017.
- Amendments in Companies Act to improve enabling environment for start-ups.
- Price Stabilisation Fund with a corpus of ₹ 900 crore to help maintain stable prices of Pulses.
- "Ek Bharat Shreshtha Bharat" programme will be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.

Fiscal Discipline

- Fiscal deficit in RE 2015-16 and BE 2016-17 retained at 3.9% and 3.5%.
- Revenue Deficit target from 2.8% to 2.5% in RE 2015-16
- Total expenditure projected at ₹ 19.78 lakh crore
- Plan expenditure pegged at ₹ 5.50 lakh crore under Plan, increase of 15.3%
- Non-Plan expenditure kept at ₹ 14.28 lakh crores
- Special emphasis to sectors such as agriculture, irrigation, social sector including health, women and child development, welfare of Scheduled Castes and Scheduled Tribes, minorities, infrastructure.
- Mobilisation of additional finances to the extent of ₹ 31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority by raising Bonds.
- Plan / Non-Plan classification to be done away with from 2017-18.
- Every new scheme sanctioned will have a sunset date and outcome review.

- Rationalised and restructured more than 1500 Central Plan Schemes into about 300 Central Sector and 30 Centrally Sponsored Schemes.
- Committee to review the implementation of the FRBM Act.

Relief To Small Tax Payers

- Raise the ceiling of tax rebate under section 87A from ₹ 2000 to ₹ 5000 to lessen tax burden on individuals with income upto ₹ 5 lakh.
- Increase the limit of deduction of rent paid under section 80GG from ₹ 24000 per annum to ₹ 60000, to provide relief to those who live in rented houses.

Boost Employment And Growth

- Increase the turnover limit under Presumptive taxation scheme under section 44AD of the Income Tax Act to ₹ 2 crores to bring big relief to a large number of assesses in the MSME category.
- Extend the presumptive taxation scheme with profit deemed to be 50%, to

professionals with gross receipts up to ₹ 50 lakh.

- Phasing out deduction under Income Tax:
  - Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 1.4.2017
  - Benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020
  - Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
  - The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020
- Corporate Tax rate proposals:
  - New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.
  - Lower the corporate tax rate for the next financial year for relatively small enterprises i.e companies with turnover not exceeding ₹5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

- 100% deduction of profits for 3 out of 5 years for startups setup during April, 2016 to March,2019. MAT will apply in such cases.
- 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident.
- Complete pass through of income-tax to securitization trusts including trusts of ARCs. Securitisation trusts required to deduct tax at source.
- Period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.
- Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.
- Determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.

- Commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.
- Exemption of service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development & Entrepreneurship.
- Exemption of Service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.
- Basic custom and excise duty on refrigerated containers reduced to 5% and 6%.

Make In India

- Changes in customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.

Promoting Affordable Housing

- 100% deduction for profits to an undertaking in housing project for flats upto30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019 and completed in three years. MAT to apply.
- Deduction for additional interest of ₹ 50,000 per annum for loans up to ₹ 35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed ₹ 50 lakh.
- Distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax, in respect of dividend distributed after the specified date.
- Exemption from service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.
- Extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work to Ready Mix Concrete.

Resource Mobilization For Agriculture, Rural Economy And Clean Environment

- Additional tax at the rate of 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of ₹ 10 lakh per annum.
- Surcharge to be raised from 12% to 15% on persons, other than companies, firms and cooperative societies having income above ₹ 1 crore.
- Tax to be deducted at source at the rate of 1% on purchase of luxury cars exceeding value of ₹ 10 lakh and purchase of goods and services in cash exceeding ₹ 2 lakh.
- Securities Transaction tax in case of 'Options' is proposed to be increased from 0.017% to 0.05%.
- Equalization levy of 6% of gross amount for payment made to non-residents exceeding ₹ 1 lakh a year in case of B2B transactions.

- Krishi Kalyan Cess, @ 0.5% on all taxable services, w.e.f. 1st June 2016. Proceeds would be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers. Input tax credit of this cess will be available for payment of this cess.
- Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs. No credit of this cess will be available nor credit of any other tax or duty be utilized for paying this cess.

- Excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of ₹ 6 crores and ₹ 12 crores respectively.
- Excise on readymade garments and textiles made ups with retail price of ₹ 1000 or more raised to 2% without input tax credit or 12.5% with input tax credit.
- Clean Energy Cess' levied on coal, lignite and peat renamed to 'Clean Environment Cess' and rate increased from `200 per tonne to `400 per tonne.
- Excise duties on various tobacco products other than beedi raised by about 10% to 15%.

- Assignment of right to use the spectrum and its transfers has been deducted as a service leviable to service tax and not sale of intangible goods.

Providing Certainity In Taxation

- Committed to providing a stable and predictable taxation regime and reduce black money.
- Domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. Declarants will have immunity from prosecution.
- Surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy.

- New Dispute Resolution Scheme to be introduced. No penalty in respect of cases with disputed tax up to ₹ 10 lakh. Cases with disputed tax exceeding ₹ 10 lakh to be subjected to 25% of the minimum of the imposable penalty. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty and tax interest on quantum addition.
- High Level Committee chaired by Revenue Secretary to oversee fresh cases where assessing officer applies the retrospective amendment.
- One-time scheme of Dispute Resolution for ongoing cases under retrospective amendment.

- Penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts.
- Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.
- Time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.
- Mandatory for the assessing officer to grant stay of demand once the assesse pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals).

- Monetary limit for deciding an appeal by a single member Bench of ITAT enhanced from ₹ 15 lakhs to ₹ 50 lakhs.
- 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

Simplification And Rationalization Of Taxes

- 13 cesses, levied by various Ministries in which revenue collection is less than ₹ 50 crore in a year to be abolished.
- For non-residents providing alternative documents to PAN card, higher TDS not to apply.
- Revision of return extended to Central Excise assessees.
- Additional options to banking companies and financial institutions, including NBFCs, for reversal of input tax credits with respect to non-taxable services.

- Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.
- Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year.
- Increase in free baggage allowance for international passengers. Filing of baggage only for those carrying dutiable goods.

Technology For Accountability

- Expansion in the scope of e-assessments to all assessees in 7 mega cities in the coming years.
- Interest at the rate of 9% p.a against normal rate of 6% p.a for delay in giving effect to Appellate order beyond ninety days.
- e-Sahyog' to be expanded to reduce compliance cost, especially for small taxpayers.

(In crore of Rupees)				
Particulars	2014-2015 Actuals	2015-2016 Budget Estimates	2015-2016 Revised Estimates	2016-2017 Budget Estimates
1. Revenue Receipts	1101472	1141575	1206084	1377022
2. Tax Revenue (Net to Centre)	903615	919842	947508	1054101
3. Non-Tax Revenue	197857	221733	258576	322921
4. Capital Receipts (5+6+7)$	562201	635902	579307	601038
5. Recoveries of Loans	13738	10753	18905	10634
6. Other Receipts	37737	69500	25312	56500
7. Borrowings and other liabilities *	510725	555649	535090	533904
8. Total Receipts (1+4)$	1663673	1777477	1785391	1978060
9. Non-Plan Expenditure	1201029	1312200	1308194	1428050
10. On Revenue Account of which,	1109394	1206027	1212669	1327408
11. Interest Payments	402444	456145	442620	492670
12. On Capital Account	91635	106173	95525	100642
13. Plan Expenditure	462644	465277	477197	550010
14. On Revenue Account	357597	330020	335004	403628
15. On Capital Account	105047	135257	142193	146382
16. Total Expenditure (9+13)	1663673	1777477	1785391	1978060
17. Revenue Expenditure (10+14)	1466992	1536047	1547673	1731037
18. Of Which, Grants for creation of Capital Assets	130760	132472	132004	166840
19. Capital Expenditure (12+15)	196681	241430	237718	247023
20. Revenue Deficit (17-1)	365519 (2.9)	394472 (2.8)	341589 (2.5)	354015 (2.3)
21. Effective Revenue 227630 Deficit (20-18)	234759 (1.9)	268000 (2.0)	209585 (1.5)	187175 (1.2)
22. Fiscal Deficit {16-(1+5+6)}	510725 (4.1)	555649 (3.9) (	535090 3.9)	533904 (3.5)
23. Primary Deficit (22-11)	108281 (0.9)	99504 (0.7)	92469 (0.7)	41234 (0.3)
$ Deviation in BE 2015-16 is due to better caption of information				
* Excludes receipts under marked stabilisation scheme				

Notes : 1. GDP for BE 2016-2017 has been projected at ` 1,50,65,010 crore assuming 11% growth over the Advance Estimates of 2015-2016 (` 1,35,67,192 crore) released by CSO.

2. Individual items in this document may not sum up to the totals due to rounding off.

Notes

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STAND UP INDIA

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