





INDIA BUDGET STATEMENT 2017

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Foreword

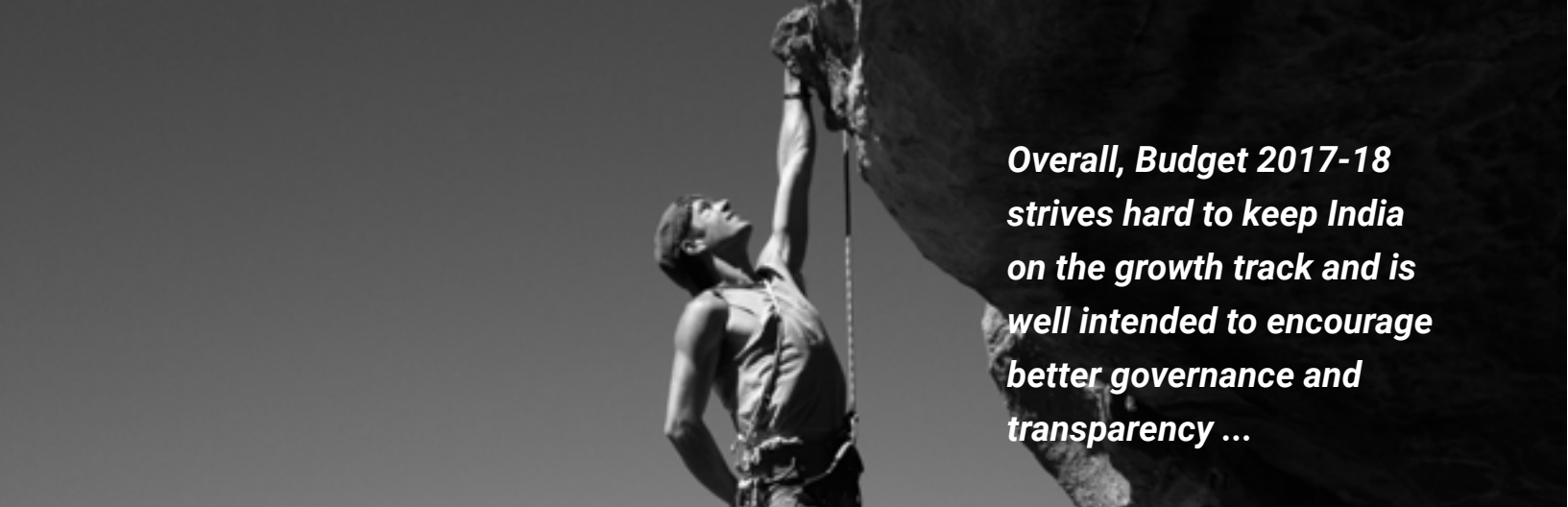
Budget 2017 is a '*unique budget*' in multiple ways, as compared to its predecessors. Many age-old conventions were done away in this budget in one stroke, namely:

- Budget was presented almost a month in advance on 1st February in place of 28th February.
- For the first time in the history of independent India, the Railway Budget was combined with the General Budget.
- The distinction between plan and non-plan expenditure was discarded.

Beyond the above stated manner in which conventions were broken, what was even more unique was the backdrop under which it was presented. Fiscal 2016-17 has been marked by several historic economic and political developments. On the domestic side, constitutional amendment paved the way for the long-awaited and transformational Goods and Services tax (GST), while 'Demonetisation' of the large currency notes launched a surgical strike on black money and terrorism, with the aim to significantly raise the costs of such illicit activities. On the global front, Brexit and the US election results heralded a tectonic shift, signaling popular sentiment in these pockets in the western world, against the universally accepted need for globalization, a sentiment to which the Indian economy can no longer remain insular, having by now steadily got integrated into the global arena. Therefore, not only the global headwinds of an unprecedented nature, but also the huge uncertainty as to where the current year will finally end in terms of GDP growth post demonetization, and the mid-2017 expected roll out of GST and its attendant uncertainties, all put together must have created complexities for the FM and his team in charting the course for the next fiscal.

With a continued emphasis on inclusive growth and employment generation, Budget 2017 provides greater thrust to India's domestic economy to sustain and drive the GDP growth. Other key reforms such as lower income tax slabs for small tax payers, measures to enable smooth transition to a 'digital or cashless economy', increased focus on infrastructure, additional tax breaks to promote start-ups, affordable housing being given infra status, etc. added to the 'feel good' quotient of the Union Budget. That the much-feared tougher capital tax regime has not materialized, has only added to this sentiment.

FM announced increase in spending on rural areas, infrastructure and fighting poverty, and sought to assure lawmakers and the country that the economic impact of the government's cash crackdown would wear off soon. Continuing with the '*unique*' theme of the budget, for a change, the finance minister has predominantly chosen investment-led growth over demand-led growth in the Indian economy. Given that India is currently grappling with low consumer and industry sentiment, his chances of churning a consumption boom through tax reduction were next to nil. Hence, taking a hit in taxes in the hope of a pick-up in demand was leaving too much to chance. He opted for investment led approach for sustained and definite growth. Perhaps, this has prompted the FM to pump the investment/supply side of the economy with nearly all the resources at his disposal. Allocation of INR 3.96 trillion for infrastructure projects; INR 2.44 trillion of loans under the UDAY scheme for entrepreneurship; INR 1.87 trillion for the rural, agricultural and allied sectors, INR 480 billion in MGNREGA to create productive assets in rural areas; INR 1.84 trillion for schemes for women & children. The good part is that



Overall, Budget 2017-18 strives hard to keep India on the growth track and is well intended to encourage better governance and transparency ...

there is a 25% projected rise in capital expenditure in this budget. The belief is that such projects will spur consumption and create enough demand for affiliated sectors, which will in turn trigger a chain reaction of higher economic activity.

Another highlight of this budget is that government borrowings are projected to fall from INR 4.25 trillion to INR 3.49 trillion, which will help in ensuring that private investment is not crowded out. The low interest rate environment post demonetization is also expected to play a major role in stimulating demand and thereby investment.

On the banking reforms side, capitalization of banks through infusion of INR 100 billion is too less an amount to make any impact. On the other hand, the NPA provisioning break has been increased to 8.5% from 7.5%, which will help lower tax burden on banks.

The attempt to cleanse political funding through restriction of tax exemptions on taking cash donations above INR 2,000 and the introduction of electoral bonds, marks a small but a welcome beginning in breaking the nexus between black money and electoral funding.

Digital transactions and broader digitisation of India has been prioritized in the Budget making 'Digital' the new buzz word. The government is betting big on the BHIM app which according to the Finance Minister has now been downloaded by 12.5 million users. To uphold its case, the government has planned to launch two new schemes to promote the app. One is a bonus scheme for individuals and a cash back scheme for merchants. Steps for petrol pumps, colleges, universities, hospitals, municipalities, block offices and many others to have facilities for digital payments through BHIM has also been deliberated. Banks have

a target to introduce 1 million POS terminals by March 2017 based on the Aadhar platform and by September that number increases to 2 million terminals. With the 2017 budget going big on digital transactions, talk of PM Modi's make-in-India push was surprisingly absent. Since the government's demonetization drive, it has been clear that digital transactions are the new flavor of the season. FM has focused on a number of new initiatives, which essentially are a boon for digital India. However, a big push towards local manufacturing has seemingly taken a back seat, except through rationalization measures on the indirect tax rates front.

Ease of doing business finds a place though the FM's announcement about scrapping of FIPB to ease the inflow of FDI in India as well as exemption of FPI category 1 & 2 from indirect transfer provisions in direct tax.



Startup's get a leg up through the benefit to carry forward losses as long as promoters retain their holding in the company as well as tax benefits, which can now be availed in 3 years out of block of 7 years as against 5 years earlier.

On the direct tax front, for companies with annual turnover for March 2016 upto INR 500 million, the headline tax rate reduces to 25% for SMEs even as the reduction in the general corporate tax rate has been deferred, despite the earlier promise of 1% reduction each year. Several positive measures were also announced for the real estate sector, especially for affordable housing. There is a reduction in the holding period for computing long-term capital gains from transfer of immovable property from 3 years to 2 years. The base year of indexation for long-term capital gains is proposed to be shifted to 1 April 2001 for all classes of assets.

MAT provisions are proposed to be amended to provide a framework for computation of book profit for IND AS compliant companies in the year of adoption and thereafter. Tax administration remains an area, which still needs much greater attention. Additional powers given in this budget for search and survey to officers will only add to the apprehension of taxpayers.

On the indirect tax front, the Finance Minister re-affirmed the commitment to implement GST within the stipulated timeline thus leaving the indirect tax regime largely unchanged and by amending only a few critical areas that needed attention, in terms of rationalization of tax rates.

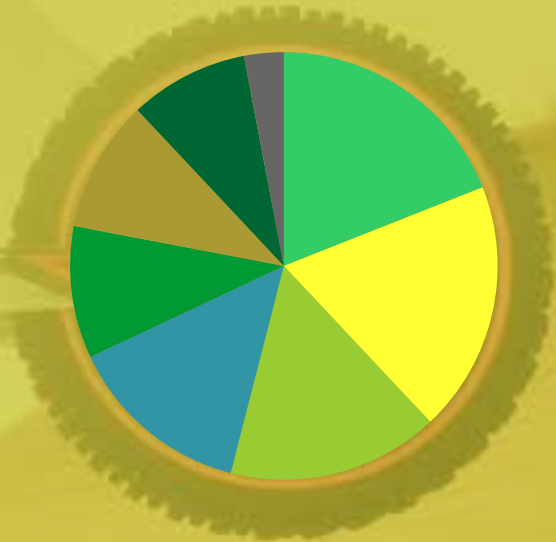
On the fiscal side, the target to peg fiscal deficit at 3.2% is prudent, in view of the need to balance the growth needs of the Indian economy. The estimate to raise INR 725 billion from PSU

disinvestment however looks ambitious.

Overall, Budget 2017-18 strives hard to keep India on the growth track and is well intended to encourage better governance and transparency through greater compliance and stricter enforcement. This budget is a no nonsense and works man like budget, and the FM has done well to eschew populist measures, especially keeping in view that elections are round the corner. The government will have to move forward nimbly to get over as fast as possible over the demonetization blues, which are holding back the economy, and thereby to meet the ambitious targets set in this budget. In nutshell, in implementation lies the key to this budget. As is commonly said, well begun is half done. We wish the FM the best as India pushes "Bharat" forward.

Verendra Kalra & Co.

Budget at a glance



Where the money comes from

Borrowing and other liabilities	19%	
Corporate Tax	19%	
Income Tax	16%	
Excise	14%	
Non-tax revenues	10%	
Service tax and other taxes	10%	
Customs	9%	
Non-debt capital receipts	3%	



Where the money goes

State Share of Taxes & duties	24%	
Interest	18%	
Other Non plan expenditure	13%	
Central Sector Scheme	11%	
Subsidies	10%	
Central Sponsored Scheme	10%	
Defence	9%	
Finance Commission & Other Transfers	5%	

Budget Financials

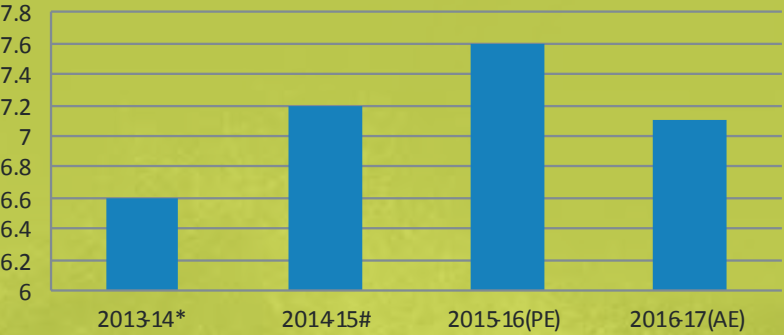
Particulars	(Amount in INR Billion)			
	2015-16 Actuals	2016-17 BE	2016-17 RE	2017-18 BE
1. Revenue Receipts (2+3)	11,950	13,770	14,236	15,158
2. Tax Revenue(Net to Centre)	9,438	10,541	10,888	12,270
3. Non-tax revenue	2,513	3,229	3,348	2,888
4. Capital Receipts(5+6+7)	5,958	6,010	5,908	6,310
5. Recoveries of loans	208	106	111	119
6. Other receipts	421	565	455	725
7. Borrowings & other liabilities	5,328	5,339	5,343	5,465
8. Total Receipts (1+4)	17,908	19,781	20,144	21,467
9. Scheme Expenditure (10+11)	7,251	8,020	8,698	9,451
10. On Revenue account	5,456	6,019	6,315	6,741
11. On Capital account	1,795	2,001	2,383	2,710
12. Expenditure on other than Schemes	10,657	11,761	11,446	12,017
13. On Revenue account	9,921	11,291	11,030	11,629
14. of which, interest payments	4,417	4,927	4,831	5,231
15. On Capital account	735	470	415	388
16. Total Expenditure (9+12)	17,908	19,781	20,144	21,467
17. Revenue Expenditure (10+13)	15,378	17,310	17,346	18,369
18. On which, grants for creation of capital assets	1,318	1,668	1,715	1,954
19. Capital expenditure (11+15)	2,530	2,470	2,798	3,098
20. Revenue deficit (17-1)	3,427 (2.50)	3,540 (2.30)	3,110 (2.10)	3,212 (1.90)
21. Effective Revenue deficit (20-18)	2,110 (1.60)	1,872 (1.20)	1,395 (0.90)	1,258 (0.70)
22. Fiscal deficit {16-(1+5+6)}	5,328 (3.90)	5,339 (3.50)	5,343 (3.20)	5,465 (3.20)
23. Primary deficit (22-14)	911 (0.70)	412 (0.30)	512 (0.30)	235 (0.10)

Capital Receipt = (Recoveries of loans + Disinvestment Receipts + Borrowings & Other Liabilities)
Revenue Deficit = (Revenue Receipt - Revenue Expenditure)
Primary Deficit = (Fiscal Deficit - Interest Payments)

Fiscal Deficit = (Total Receipts - Borrowings & Other Liabilities - Total Expenditure)
BE = Budget Estimates
RE = Revised Estimates

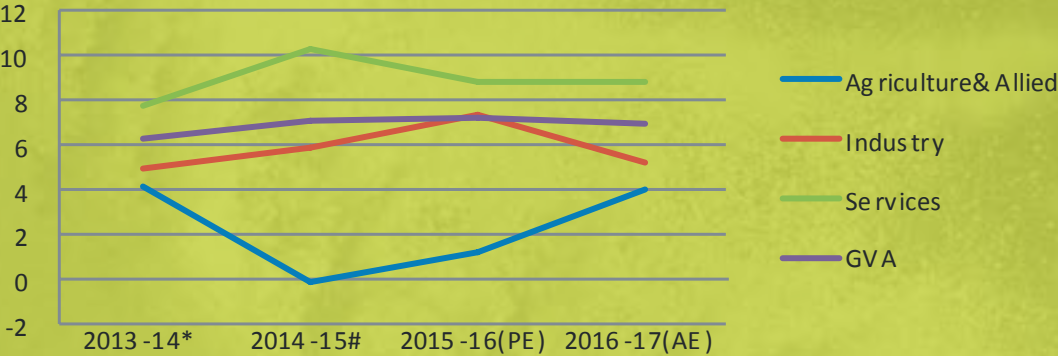
Economic Indicators

GDP Growth
(Market prices, 2011-12 prices)



Year	%
2013-14*	6.6
2014-15#	7.2
2015-16 (PE)	7.6
2016-17 (AE)	7.1

Growth in GVA
[at constant (2011-12) basic prices (%)]

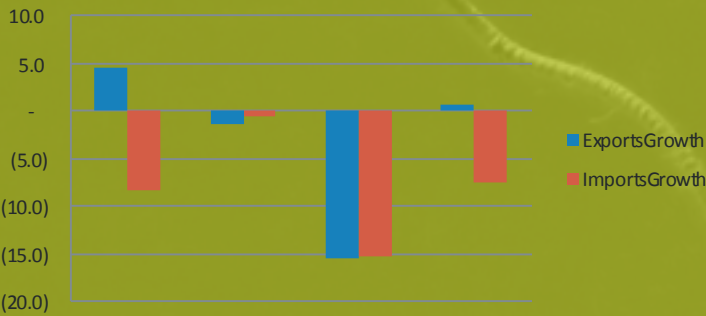


Year	Agriculture & Allied	Industry	Services	GVA
2013-14*	4.2	5.0	7.8	6.3
2014-15#	(0.2)	5.9	10.3	7.1
2015-16 (PE)	1.2	7.4	8.9	7.2
2016-17 (AE)	4.1	5.2	8.8	7.0

*2nd revised Estimate
1st revised Estimate
PE: Provisional Estimates
AE: Advance Estimates

Economic Indicators

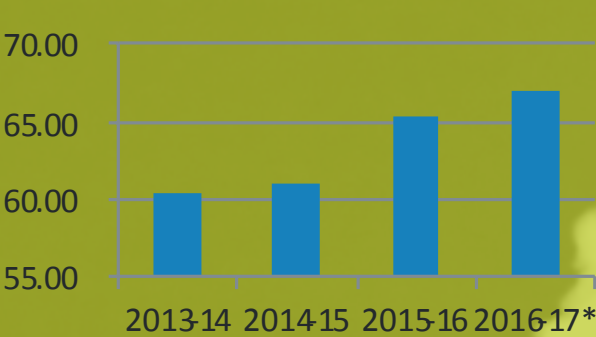
Growth in Foreign Trade [Average] %



Year	Exports Growth	Imports Growth
2013-14	4.7	(8.3)
2014-15	(1.3)	(0.5)
2015-16	(15.5)	(15.3)
2016-17*	0.7	(7.4)

* April-December 2016

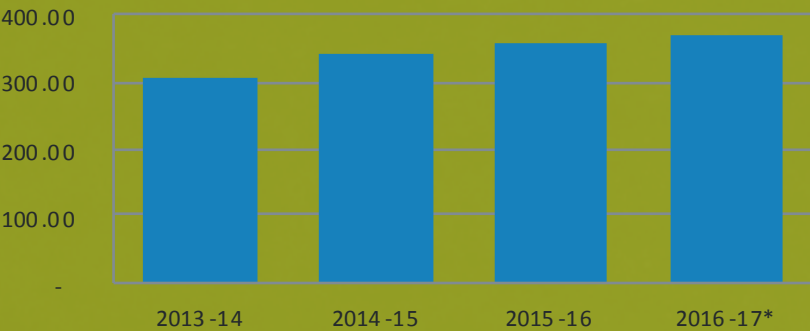
Exchange Rate (INR per USD)



Year	Exchange Rate (INR per USD)
2013-14	60.50
2014-15	61.14
2015-16	66.32
2016-17*	67.09

* Average of April-December 2016

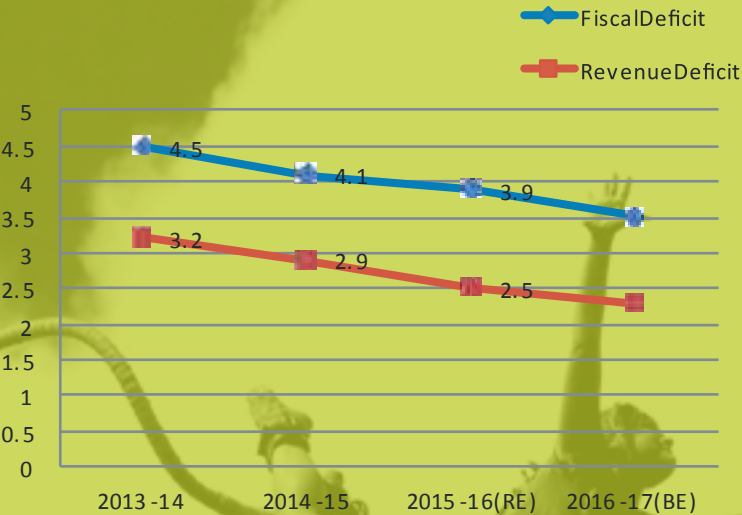
Forex Reserves In USD billion



Year	In USD billion
2013-14	304.20
2014-15	341.60
2015-16	346.90
2016-17*	360.00

* December 2016

Deficit Trends (% of GDP)

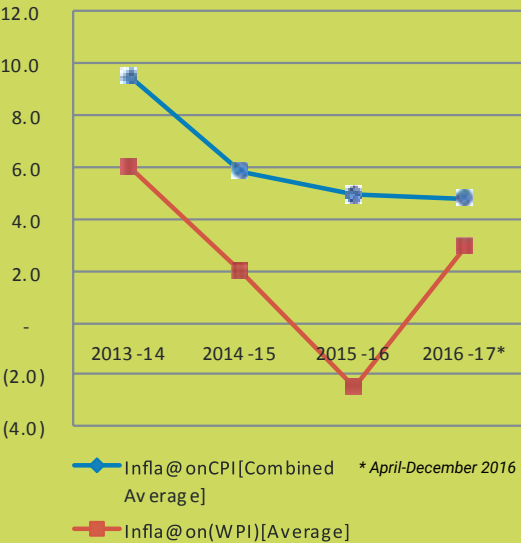


Year	Fiscal Deficit	Revenue Deficit
2013-14	4.5	3.2
2014-15	4.1	2.9
2015-16 (RE)	3.9	2.5
2016-17 (BE)	3.5	2.3

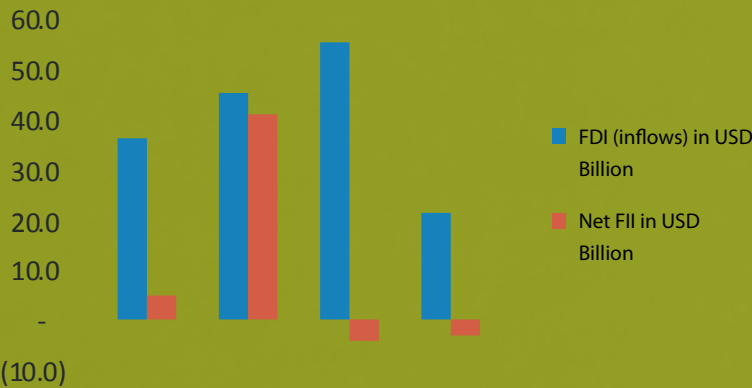
RE: Revised Estimates BE: Budget Estimates

Inflation CPI and WPI [Average] %

Year	Inflation CPI [Combined Average]	Inflation (WPI) [Average]
2013-14	9.5	6.0
2014-15	5.9	2.0
2015-16	4.9	(2.8)
2016-17*	4.8	2.9



Foreign Investment In USD billion



Year	FDI (Inflows)	Net FII
2013-14	36.0	5.0
2014-15	45.1	40.9
2015-16	55.5	(4.0)
2016-17*	21.3	(3.0)*

*April-September 2016

Economic Indicators

GDP GROWTH

The Economic Survey took into account the possible fallout of demonetisation of high value currency, and sharply cut the GDP growth for 2016-17 to 6.5%, from 7.6% last financial year. The GDP growth estimated at 6.5% is lower than 7.1% projected by CSO. The first AE released by CSO in early January 2017 were arrived at based on data mainly up to October and in some cases up to November 2016 and hence largely mirror the economic situation during the first seven to eight months of the financial year.

The growth is likely to return to trend in 2017-18, following a temporary decline in 2016-17, said the Survey, while predicting the GDP to expand by 6.75%-7.5% in the next fiscal. It expressed hope that the remonetisation exercise will eliminate cash squeeze by April 2017, while asserting that the adverse impact of demonetisation on GDP growth will be transitional.

AGRICULTURE AND ALLIED SECTOR

Growth of agriculture & allied sectors improved significantly in 2016-17, following the normal monsoon in the current year which was preceded by sub-par monsoon rainfall in 2014-15 and 2015-16. Higher growth in agriculture sector in 2016-17 is not surprising; rabi is sowing so far and the first advance estimates of the kharif crop production for the year attest to this.

INDUSTRY AND INFRASTRUCTURE

After achieving a real growth of 7.4% in terms of value added in 2015-16, the growth in industrial sector, comprising mining & quarrying, manufacturing, electricity, gas & water supply, and construction sectors moderated in 2016-17. This is in tandem with the moderation in manufacturing, mostly on account of a steep contraction in capital goods, and consumer non-durable segments. The contraction in mining and quarrying largely reflects slowdown in the production of crude oil and natural gas.

SERVICES

As in the previous years, the service sector continued to be the dominant contributor to the

overall growth of the economy, led by a significant pick-up in public administration, defence & other services, that were boosted by the payouts of the Seventh Pay

Commission. Consequently, the growth in services in 2016-17 is estimated to be close to what it was in 2015-16.

Growth in Gross Value Added at constant (2011-12) Basic Prices (%):

Industry	2012-13 *	2013-14 *	2014-15 (NS) #	2015-16 (PE)	2016-17 (AE)
Agricultural & Allied	1.5	4.2	-0.2	1.2	4.1
Industry	3.6	5.0	5.9	7.4	5.2
Mining & Quarrying	-0.5	3.0	10.8	7.4	-1.8
Manufacturing	6.0	5.6	5.5	9.3	7.4
Electricity, gas & water supply & other utility services	2.8	4.7	8.0	6.6	6.5
Construction	0.6	4.6	4.4	3.9	2.9
Services	8.1	7.8	10.3	8.9	8.8
GVA at Basic Prices	5.4	6.3	7.1	7.2	7.0

*Second Revised Estimates, # First Revised Estimates, NS: New Series Estimate, AE: Advance Estimate | Source: Central Statistics Office

INFLATION

The headline inflation as measured by the Consumer Price Index (CPI) remained under control for the third successive financial year. The average CPI inflation declined to 4.9% in 2015-16 from 5.9% in 2014-15. It was 4.8% during April-December 2016. Inflation hardened during the first few months of 2016-17, mainly due to upward pressure on the

prices of pulses and vegetables. It dipped to two-year low of 3.4% in December 2016 as a result of lower prices, especially of food items.

The average inflation based on the wholesale price index (WPI) declined to (-)2.5% in 2015-16 from 2.0% in 2014-15. The downward trend, however reversed during the current financial year partly due to impact

of rise in global commodity prices and partly owing to adverse base effect. The global commodity and energy prices have increased by 18% and 23% respectively in the first eleven months of 2016 as per IMF price indices. The WPI inflation stood at 3.4% in December 2016 and the average inflation was 2.9% during April-December 2016.



Economic Indicators

BALANCE OF PAYMENTS, RESERVES AND INVESTMENT

In line with subdued global growth and trade, India's exports declined by 1.3% and 15.5% in 2014-15 and 2015-16 respectively. The trend of negative growth was reversed somewhat during 2016-17 (April-December), with exports registering a growth of 0.7% to USD 198.8 billion from USD 197.3 billion in 2015-16 (April-December).

Value of imports declined from USD 448 billion in 2014-15 to USD 381 billion in 2015-16, mainly on account of decline in crude oil prices resulting in lower levels of

POL imports. During 2016-17 (April-December) imports declined by 7.4% to USD 275.4 billion compared to the corresponding period of previous year.

In the first half of 2016-17, India's foreign exchange reserves increased by USD 15.5 billion on BoP basis (i.e., excluding valuation effects), while in nominal terms (i.e., including valuation effect) the increase was to the tune of USD 11.8 billion. The loss due to valuation changes of USD 3.7 billion mainly reflects the appreciation of the US dollar against major currencies.

Despite higher net repayments on overseas borrowings and fall in banking capital (net) with building up of foreign currency assets by banks & decline in NRI deposits (net), robust inflow of foreign direct investment (FDI) and net positive inflow of foreign portfolio investment (FPI) were sufficient to finance the CAD leading to an accretion in foreign exchange reserves in the first half of 2016-17. The net FDI flows of USD 21.3 billion recorded a growth of about 29% over the corresponding period of last year.



EXCHANGE RATE

Inflows on account of FIIs, particularly into the equity segment, and positive sentiments generated by a narrower CAD in first half of 2016-17 helped the rupee to move in a narrow range. The subsequent depreciation of the rupee could be attributed largely to the strengthening of the US dollar globally following the US presidential election results and tightening of monetary policy by the Federal Reserve. Nevertheless, in 2016-17 so far, the rupee has performed better than most of other emerging market economies.

FISCAL AND REVENUE DEFICIT

Budget 2016-17 reaffirmed Government's commitment to continue with fiscal consolidation and projected fiscal deficit at 3.5% of GDP for the year, down from 3.9% in 2015-16. Consolidation was sought to be achieved through a 11.9% increase in the gross tax revenue (over 2015-16 PA) and significant strides in non-tax revenue and non-debt capital receipts, despite upside compulsions on the expenditure side necessitated primarily by higher pay-outs on account of the implementation of the recommendations of the Seventh Pay Commission.

PRIMARY AND SECONDARY MARKET

Indian markets recorded modest growth of 1.95% - 3% (Sensex was up by 1.95% while Nifty was higher by 3.0%) for the calendar year 2016 as



compared to losses registered in 2015. The upward momentum, visible in the Indian markets peaked around September 2016, lost steam thereafter, particularly in the wake of foreign capital outflow from emerging markets. Global and domestic factors had a sizable impact on the performance of the Indian markets. Some of the closely watched developments were the Brexit, the US Presidential elections as well as policy announcements by the US Federal Reserve and the RBI. In addition, other factors which weighed on market sentiment included the policy decisions taken by the OPEC regarding oil production and the appointment of the new governor of the RBI. In August 2015 following slowdown in China and its currency devaluation and slump in stocks.

ECONOMIC SURVEY

This year's 'Economic Survey' was released in the back ground of an arguably turbulent International geo-political scenario, unexpected domestic policy changes in the western world as a result of Brexit and US Elections results, uncertainty on trade pacts and treaties and the two major domestic policy decisions that took the nation by a storm: GST and Demonetisation. The Survey throws up plethora of ideas, achievements and challenges ranging from JAM infrastructure, UBI, impact of Demonetisation on GDP, to issues of Twin Balance Sheet problem, uneven benefits of various social schemes, before finally chalking out the economic vision for the coming financial year by keeping in sight the progress already made in the year gone by.

The Survey has slashed the GDP growth estimate for FY2017 to 6.50% - 6.75% from the earlier estimate of 7.10%. However, the effect of Demonetisation on the slowdown of GDP growth is rather low and is expected to be transitional. Survey expects Demonetisation to affect growth rate by 0.25%-0.5% only, but to generate long-term benefits. The Economic Survey 2017 has suggested quick remonetisation, push for digitisation, bringing land and real estate under GST ambit, reduction in taxes and stamp duties and an improved tax administration system as key reform measures to ensure long term economic benefits. The GST will create a common Indian market, improve tax compliance and governance,

and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism.

The Survey has advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty. It also points out that a number of implementation challenges lie ahead but with the real opportunities afforded by the rapidly improving "JAM" infrastructure, UBI holds the prospects of improving upon the status quo created by the current anti- poverty and social programs. Along with schemes like UBI, the massive boost to digitization of the Indian Economy, a by-product of Demonetisation, has given way to applications like BHIM and UPI.

In other important matters, the Survey talks about the rating agencies and the plausible defunct methodology in awarding the economic risk rating to nations. The Survey recommends major reforms in labor laws in order to ensure minimal compliance and that too in paperless, presenceless and cashless mode. Appreciation in rupee valuations, importance on exports, immigration and demographic statistics in the country, skill development, creating employment, sanitation and safety for women are some of the key areas, which were looked into, and quantified analysis of the same was done.

The CEA, Mr. Arvind Subramanian quotes the great economist John Maynard Keynes in the

preface to the Economic Survey 2016-17, *"It (the Survey) must draw upon mathematics, history, statesmanship, and philosophy-in some degree. It must understand symbols and speak in words. It must contemplate the particular, in terms of the general, and touch abstract and concrete in the same flight of thought. It must study the present in the light of the past for the purposes of the future"*. The Department of Economic Affairs has done exactly that and produced a document that captures the economic vision of India in the true sense. To shape the outlook for 2017-18, the components of aggregate demand: exports, consumption, private investment and government need to be understood. Due to the Indian real export growth to global GDP, exports could contribute to higher growth next year. Outlook on consumption is less clear due to factors like higher oil prices, cheaper borrowing costs and demonetisation induced demand. Private Investment is unlikely to recover significantly from the levels of FY2017. Putting all these factors together, the expected real GDP growth to be 6.75% to 7.5% in FY2018. Even under this forecast, India would remain the fastest growing major economy in the world.



Direct Taxes

RATES OF INCOME TAX

Individual – Taxes & Surcharge

Existing Income Tax rates for Individual or HUF or every AOP

or BOI, whether incorporated or not, or every Artificial Juridical Person having income from INR 0.25 million up to INR 0.5 million is reduced to 5% from the present

rate of 10%. Comparative chart of tax rates as applicable to individual are as follows:

Total Income	Proposed tax rate (AY 2018-19)	Existing tax rate (AY 2017-18)
Up to INR 0.25 million	Nil	Nil
INR 0.25 million to INR 0.50 million	05%	10%
INR 0.50 million to INR 1 million	20%	20%
Above INR 1 million	30%	30%

Education cess and surcharge as applicable	years of age or more is INR 500,000 (unchanged).	marginal tax rate (MMR) for individuals having income up to INR 10 million will change to 33.99% (from 30.9%). There is no change in the MMR of 35.54% for income above INR 10 million (wherein a surcharge of 15% applies).
Basic exemption limit for resident individuals above 60 years but less than 80 years of age at any time during the FY is INR 300,000 and for resident individuals 80	Surcharge of 10% of tax payable has been proposed to be levied on individuals whose annual taxable income is between INR 5 million and INR 10 million. Maximum	

Domestic company

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

Particulars	Taxable income < INR 10 million	INR 10 million < taxable income < INR 100 million	Taxable income > INR 100 million
Corporate tax	25.00%	25.00%	25.00%
Surcharge	-	07.00%	12.00%
Corporate tax + surcharge	25.00%	26.75%	28.00%
Education cess thereon	03.00%	03.00%	03.00%
Effective tax rate	25.75%	27.55%	28.84%
Education cess thereon	03.00%	03.00%	03.00%
Effective tax rate	25.75%	27.55%	28.84%

ADDITIONAL RESOURCE MOBILISATION

Rationalization of taxation of income by way of dividend

Under the existing provisions of section 115BBDA, income by way of dividend in excess of INR 1 million is chargeable to tax at the rate of 10% on gross basis in case of a resident individual, HUF or firm. It is proposed to amend section 115BBDA so as to provide that the provisions of said section shall be applicable to all resident assessee except domestic company and certain funds, trusts, institutions, etc.

TDS compliance for Individuals and HUFs – other than those covered under 44AB

It is proposed to insert a new section 194-IB in the Act to provide that Individuals or a HUF (other than those covered under 44AB of the Act), responsible for paying to a resident any income by way of rent exceeding INR 50,000 for a month or part of month during the previous year, shall deduct an amount equal to 5 % of such income as income-tax thereon. It is further proposed that tax shall be deducted on such income at the time of credit of rent, for the last month of the previous year or the last month of tenancy if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

It is further proposed that the deductor shall not be required to obtain tax

deduction account number (TAN) as per section 203A of the Act. It is also proposed that the deductor shall be liable to deduct tax only once in a previous year and where the tax is required to be deducted as per the provisions of section 206AA, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

This amendment will take effect from June 01, 2017.

MEASURES FOR PROMOTING AFFORDABLE HOUSING AND REAL ESTATE SECTOR

Changes in period of holding for immovable property

It is proposed to amend Section 2 (42A) of the Act so as to reduce the period of holding from the existing 36 months to 24 months in case of immovable property, being land or building or both, for it to qualify as long term capital asset.

Rationalization of Provisions of Section 80-IBA to promote Affordable Housing

It is proposed to amend Section 80-IBA, which provides for 100% deduction in respect of the profits and gains derived from developing and building certain housing projects, so as to provide the following relaxations:


- The size of residential unit shall be measured by taking into account the “carpet area” as defined in Real Estate (Regulation and Development) Act, 2016 and not the “built-up area”.
- The restriction of 30 square meters on the size of residential units shall not be applicable to the place located within a distance of 25 kms from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai. This will allow residential units situated within the periphery of metros to avail this benefit.

- The condition of maximum period for completion of project has been increased from existing 3 to 5 years.

Tax incentive for the development of capital of Andhra Pradesh

In order to provide relief to an individual or HUF who pooled their land for the formation of new capital city of Amaravati in Andhra Pradesh, it is proposed to insert a new clause (37A) in Section 10 to provide that in respect of said persons, capital gains arising from following transfer shall not be chargeable to tax under the Act:

- Transfer of capital asset being land or building or both, under land pooling scheme.
- Sale of Land Pooling Ownership



Certificates by the said persons received in lieu of land transferred under the scheme.

- Sale of reconstituted plot or land by said persons within 2 years from the end of the financial year in which the possession of such plot or land was handed over to the said persons.

This amendment will take effect retrospectively, from April 01, 2015.

Special provisions for computation of capital gains in case of Joint Development Agreement

It is proposed to insert a new sub-section (5A) in Section 45 to provide chargeability of capital gains in case of an assessee being individual or HUF, who enters into a specified agreement for development of a project, only in the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. Presently, execution of Joint Development Agreement between the owner of immovable property and the developer triggers the capital gains tax liability in the hands of the owner in the year in which

the possession of immovable property is handed over to the developer for development of a project.

It is further proposed to provide that the stamp duty value of his share, being land or building or both, in the project on the date of issuing of said certificate of completion as increased by any monetary consideration received, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

It is further proposed that benefit of the above proposed scheme, shall not apply to an assessee who transfers his share in the project to any other person on or before the date of issue of said certificate of completion and accordingly capital gains as determined under general provisions of the Act shall be deemed to be the income of the previous year in which such transfer took place.

Consequently, it is also proposed that COA, in the hands of the land owner shall be the amount which is deemed as full value of consideration under the said proposed provision.

It is also proposed that tax @ 10% shall be deductible from such monetary consideration, which will take effect from **April 01, 2017**.

Base year for computation of capital gain shifted from 1981 to 2001

It is proposed to amend Section 55 of the Act so as to provide that the cost of acquisition of an asset acquired before April 01, 1981 shall be allowed to be taken as fair market value as on April 01, 2001 and the cost of improvement shall include only those capital expenses which are incurred after April 01, 2001.

Scope of long term bonds under 54EC expanded

The existing provision of Section 54EC provide for exemption from capital gains tax on investment of the whole or any part of capital gains in either bonds of National Highways Authority of India or Rural Electrification Corporation Limited. It is proposed to amend Section 54EC so as to provide that investment in any bond redeemable after three years which has been notified by the Central Government in this behalf shall also be eligible for

exemption.

No notional income for house property held as stock-in-trade till 1 year

It is proposed to amend Section 23 of the act to provide that where a house property is held as stock-in-trade which is not let during the whole or any part of the previous year, the annual value for the period up to 1 year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.

MEASURES FOR STIMULATING GROWTH

Extension of eligible period of concessional tax rate on interest in case of External Commercial Borrowing and Extension of benefit to Rupee Denominated Bonds

It is proposed to amend Section 194LC to provide that the concessional rate of 5% on TDS on interest payment under this Section will now be available in respect of borrowings made before the July 01, 2020.

It is further proposed to extend the benefit of Section 194LC to rupee denominated bond issued outside India will now be available till July 01, 2020.

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

Extension of eligible period of concessional tax rate under Section 194LD

It has been proposed to extend the concessional rate of 5% for withholding tax on interest payable to FIIs and QFIs in respect of investments in rupee denominated bonds of an Indian company or Government securities till July 01, 2017.

Carry forward and set off of loss for eligible start-ups in Section 80-IAC

It is proposed to amend Section 79 of the Act to provide that where a change in shareholding has taken place in a previous year in the case

of a company, not being a company in which the public are substantially interested and being an eligible start-up as referred to in Section 80-IAC of this Act, loss shall be carried forward and set off against the income of the previous year, if all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of 7 years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.

Extending the period for claiming deduction by start-ups

The existing provisions of Section 80-IAC, inter alia, provide that an eligible start-up shall be allowed a deduction of an amount equal to 100% of the profits and gains derived from eligible business for 3 consecutive assessment years out of 5 years beginning from the year in which such eligible start-up is incorporated.

It is further proposed to provide that deduction under Section 80-IAC can be claimed by an eligible start-up for any 3 consecutive assessment years out of 7 years beginning from the year in which such eligible start-up is incorporated.

Rationalization of Provisions relating to tax credit for MAT and AMT

It is proposed to amend Section 115JAA and 115JD for MAT and AMT tax credits to be carried forward up to 15 assessment years (as opposed to 10 at present) immediately succeeding the assessment years in which such tax credit becomes allowable. It is also proposed to amend the above sections so as to provide that the amount of tax credit in respect of MAT/ AMT shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the difference between the amount of foreign tax credit (FTC) allowed against MAT/ AMT and FTC allowable against the tax computed under regular provisions of Act other than the provisions relating to MAT/AMT.

PROMOTING DIGITAL ECONOMY

Limit for donation in cash Section 80G

It is proposed to amend Section 80G so as to provide that no deduction shall be allowed under the Section 80G in respect of donation of any sum exceeding INR 2,000 (from the existing limit of INR 10,000) unless such sum is paid by any mode other than cash.

Disallowance of depreciation under Section 32 and capital expenditure under Section 35AD on cash payment

It is proposed to amend the provisions of Section 43 to provide that expenditure incurred for acquisition of any asset in respect which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque, bank draft or ECS, which exceeds INR 10,000 shall be ignored for the purposes of determination of actual cost of such asset.

It is further proposed to amend Section 35AD of the Act to provide that for similar expenditure exceeding INR 10,000, no deduction shall be allowed in respect of such expenditure.

Cash expenditure limited to INR 10,000 in Section 40A(3)

It is proposed to amend the provision of Section 40A(3) of the Act to provide the following:

- To reduce the existing threshold of cash payment from INR 20,000 to INR 10,000 in a single day.

- Deeming a payment as profits and gains of business of profession if the expenditure is incurred in a particular year but the cash payment is made in any subsequent year of a sum exceeding INR 10,000 to a person in a single day; and

- Further expand the specified mode of payment under respective sub-section of Section 40A(3) to include ECS apart from modes of an account payee cheque and bank draft.

Reduction of deemed rate of taxation in Section 44AD

It is proposed to amend Section 44AD of the Act to reduce the existing rate of deemed total income of 8% to 6% in respect of the amount of such total turnover or gross receipts received by an account payee cheque, bank draft or ECS, during the previous year or before the due date specified in Section 139(1) in respect of that previous year. The existing rate of deemed profit of 8% referred to in Section 44AD of the Act, shall continue to apply in respect of total turnover or gross receipts received in any other mode.

This amendment will take effect from April 01, 2017.

Restriction on cash transactions: New Section 269ST

It is proposed to insert Section

269ST in the Act to provide that no person shall receive an amount of INR 0.30 million or more:

- in aggregate from a person in a day; or
- in respect of a single transaction; or
- in respect of transactions relating to one event or occasion from a person,

Otherwise than by an account payee cheque, bank draft or ECS.

Government, any banking company, post office savings bank or co-operative bank and persons notified by the Central Government are exempt from the applicability of this section. Transactions of the nature referred to in Section 269SS are proposed to be excluded from the scope of the said section.

It is also proposed to insert new Section 271DA to provide for levy of penalty on contravention of Section 269ST of a sum equal of such receipt, to be levied by the Joint Commissioner. The said penalty shall however not be levied if the person proves that there were good and sufficient reasons for such contravention.

It is also proposed to consequentially amend the provisions of Section 206C to omit the provision relating to tax collection at source at the rate of 1% of sale consideration on cash sale of jewellery exceeding INR 0.50 million.

This amendment will take effect from April 01, 2017.

TRANSPARENCY IN ELECTORAL FUNDING

Cash donations and due date of filing return for Political Parties

It is proposed to amend the provisions of Section 13A to provide for additional conditions for availing the benefit of the said Section by political parties. The amendments are as under:

- No donations of INR 2,000 or more should be received otherwise by an account payee cheque, bank draft, ECS or through electoral bonds,
- Political party to furnish its return in accordance with Section 139(4B) on or before the due date as per Section 139

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

EASE OF DOING BUSINESS

Clarity relating to Indirect transfer provisions

The Explanation 5 to Section 9 provides that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India. It is proposed to amend the said Section so as to clarify that the Explanation 5 shall not apply to any asset or capital asset mentioned therein being investment held by non-resident, directly or indirectly, in a Foreign Institutional Investor, as referred to in clause (a) of the Explanation to Section 115AD, and registered as Category-I or Category II Foreign Portfolio Investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992, as these entities are regulated and broad based.

This amendment will take effect retrospectively from April 01, 2012

Modification in conditions of special taxation regime for off shore funds under Section 9A

It is proposed to provide that in the previous year in which an eligible investment fund is wound up, the condition that the monthly average of the corpus of the fund shall not be less than INR 1 billion, shall not apply.

This amendment will take effect retrospectively from April 01, 2016

Exemption of income of Foreign Company from sale of leftover stock of crude oil from strategic reserves at the expiry of agreement or arrangement

It is proposed to insert a new clause (48B) in Section 10 so as to provide that any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in clause (48A) of Section 10 of the Act shall also be exempt subject to such conditions as

may be notified by the Central Government in this behalf.

This amendment will take effect retrospectively from April 01, 2016

Enabling of Filing of Form 15G/15H for commission payments specified under Section 194D

In order to reduce compliance burden in the case of Individuals and HUFs, it is proposed to amend Section 197A so as to make them eligible for filing self-declaration in Form No. 15G/15H for non-deduction of tax at source in respect insurance commission referred to in Section 194D.

This amendment will take effect from June 01, 2017.

Threshold limit for Section 44AA increased

Obligation on every person carrying on business or profession to maintain such books of accounts and documents is prescribed in Section 44AA. It is proposed to amend the provisions of Section 44AA to increase monetary limits of income and total sales or turn over or gross receipts, etc. specified in said clauses for maintenance of books of accounts from INR 0.12 million to INR 0.25 million (in respect of income) and from INR 1 million to 2.5 million (in respect of sales/

gross receipts), respectively in the case of Individuals and HUF carrying on business or profession.

Exclusion of certain specified person from requirement of audit of accounts under Section 44AB

The existing provision of Section 44AB of the Act, provides that every person carrying on the business is required to get his accounts audited if the total sales, turnover or gross receipts in the previous year exceeds INR 10 million. The threshold limit for applicability of presumptive taxation in case of eligible business carried on by eligible person under Section 44AD was increased to INR 20 million from INR 10 million with effect from April 01, 2017.

Further vide press release dated June 20, 2016, it was clarified that if an eligible person opts for presumptive taxation scheme as per Section 44AD(1) of the Act, he shall not be required to get his accounts audited if the total turnover or gross receipts of the relevant previous year does not exceed INR 20 million.

In order to reduce the compliance burden of the small tax payers and facilitate the ease of doing business, it is proposed to amend the Section 44AB to exclude the eligible person, who declares

profits for the previous year in accordance with the provisions of sub-section (1) of Section 44AD and his total sales, total turnover or gross receipts, as the case may be, in business does not exceed INR 20 million in such previous year, from requirement of audit of books of accounts under Section 44AB.

This amendment will take effect from April 01, 2017.

Non-deduction of tax in case of exempt compensation under RFCTLAAR Act, 2013

A new law enacted by the Central Government, namely, Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, ('RFCTLARR Act') on 26th September, 2013 came into force on 1st January, 2014. Section 96 of the RFCTLARR Act inter-alia, provides that income-tax shall not be levied on award or agreement made subject to limitations mentioned in Section 46 of the said Act. Therefore, compensation received for compulsory acquisition of land under the RFCTLARR Act (except those made under Section 46 of RFTCLARR Act), is exempted from the levy of income-tax. it is proposed to amend the Section 194LA to provide that no deduction shall be made under this Section where such payment

is made in respect of any award or agreement which has been exempted from levy of income-tax under Section 96 (except those made under Section 46) of RFCTLARR Act.

This amendment will take effect from April 01, 2017.

Exemption from tax collection at source under Section 206C (1F) in case of certain specified buyers.

The existing provision of 206C(1F) of the Act, provides that the seller who receives consideration for sale of a motor vehicle exceeding INR 1 million, shall collect 1% of the sale consideration as tax from the buyer.

It is now proposed to amend Section 206C, to exempt the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to clause (20) of Section 10; a public sector company which is engaged in the business of carrying passengers, from the applicability of the provision of sub- Section (1F) of Section 206C of the Act.

This amendment will take effect from April 01, 2017.



Reduction in rate of TDS u/s Section 194J for call centers

It is proposed to amend Section 194J to reduce the rate of TDS to 2% (from the existing rate of 10%) in case of payments received or credited to a payee, being a person engaged only in the business of operation of call center.

This amendment will take effect from June 01, 2017.

Exclusion of Section 40A(2)(b) to Specified Domestic Transactions

It is proposed to provide that expenditure in respect of which payment has been made by the assessee to a person referred to in under Section 40A(2)(b) are to be excluded from the scope of Section 92BA of the Act. Accordingly, the reporting requirement in Form 3CEB for Domestic Transfer Pricing will be phased out. It is also proposed to make a consequential amendment in Section 40(A)(2)(b) of the Act.

These amendments will take effect from April 01, 2017.

Tax neutral conversion of preference shares to equity shares proposed

It is proposed to amend Section 47 to provide tax neutrality on conversion of preference share of a company into its equity share.

Consequential amendments are also proposed in Section 49 and Section 2(42A) in respect of cost of acquisition and period of holding.

Cost of acquisition in Tax neutral demerger of a foreign company

It is proposed to amend Section 49 so as to provide that cost of acquisition of the shares of Indian company referred to in Section 47(vic) in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company.

Concessional rate of ten% on income from transfer of Carbon credits

Whether the income on transfer of carbon credits is a revenue receipt or capital receipt or to be treated as business income, subject to tax at the rate of 30%, has been a subject matter of several judicial decisions. In order to bring clarity on the issue, it is proposed to insert a new Section 115BBG to provide that income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. No expenditure or allowance in respect of such income shall be allowed under the Act.

Processing of return within the prescribed time on cases routinely selected for scrutiny assessment, withholding refunds in certain cases

The existing provisions of Section 143(1D) provide that processing of return is not necessary, where a notice for assessment has been issued to the assessee under Section 143(2). In order to address the grievance of delay in issuance of refund in genuine cases which are routinely selected for scrutiny assessment, it is proposed Section 143(1D), shall cease to apply in respect of returns furnished for AY 2017-18 and onwards. Accordingly, such returns will be processed under Section 143(1) within the prescribed time frame and due refunds granted.

However, to address the concern of recovery of revenue in doubtful cases, it is proposed to insert a new Section 241A to provide that, for the returns furnished on or after April 01, 2017, where refund becomes due to the assessee under Section 143(1) and the AO is of the opinion that grant of refund may adversely affect the recovery of revenue, he may, for the reasons recorded in writing and with the previous approval of the Principal Commissioner or Commissioner, withhold the refund up to the date on which the

assessment is made.

This amendment will take effect from April 01, 2017.

Rationalization of Section 211 and Section 234C relating to advance tax

• Section 44ADA

It is proposed to amend the clause (b) of Section 211 to provide that the professionals who declares profits and gains in accordance with presumptive taxation regime provided under Section 44ADA, shall be liable to pay advance tax in one installment on or before March 15. It is also proposed to make consequential amendments in sub-section (1) of Section 234C.

• Section 115BBDA

Section 115BBDA provides for tax on certain dividends received from domestic companies is to be levied if such income exceeds INR 1 million. It is proposed to provide that that if shortfall in payment of advance tax is on account of under-estimation or failure in estimation of income of the nature referred to in this section, interest under Section 234C shall not be levied subject to fulfillment of conditions specified therein.

These amendments will take effect from April 01, 2017.

Interest on TDS Refunds

It is proposed to insert a new sub-section (1B) to Section 244A to provide that where refund of any amount becomes due to the deductor, such person shall be entitled to receive, in addition to the refund, simple interest on such refund, calculated at the rate of one half% for every month or part of a month comprised in the period, from the date on which claim for refund is made in the prescribed form or in case of an order passed in appeal, from the date on which the tax is paid, to the date on which refund is granted. However, interest shall not be allowed for the period for which the delay in the proceedings resulting in the refund is attributable to the deductor.

This amendment will take effect from April 01, 2017.

Extension of capital gain exemption to Rupee Denominated Bonds

In order to further provide relief in respect of gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company to secondary holders as well, it is proposed to amend Section 48 providing that the said appreciation of rupee shall

be ignored for the purposes of computation of full value of consideration. Further, with a view to facilitate transfer of Rupee Denominated Bonds from non-resident to non-resident, it is proposed to amend Section 47 so as to provide that any transfer of capital asset, being rupee denominated bond of Indian company issued outside India, by a non- resident to another non-resident shall not be regarded as transfer.

Enabling claim of credit for foreign tax paid in cases of dispute

The existing provisions of Section 155 of the Act provide for procedure for amendment of assessment order in case of certain specified errors. In view of rule 128 of the Income-tax Rules, 1962, which provides a mechanism for claim of foreign tax credit, it is proposed to insert sub-section (14A) in Section 155 to provide that where credit for foreign taxes paid is not given for the relevant AY on the grounds that the payment of such foreign tax was in dispute, the AO shall

rectify the assessment order or an intimation under sub-section (1) of Section 143, if the assessee, within 6 months from the end of the month in which the dispute is settled, furnishes proof of settlement of such dispute, submits evidence before the AO that the foreign tax liability has been discharged and furnishes an undertaking that credit of such amount of foreign tax paid has not been directly or indirectly claimed or shall not be claimed for any other assessment year.

Amendments to the structure of Authority for Advance Rulings

With a view to promote ease of doing business, it has been decided by the Government to merge the Authority for Advance Ruling (AAR) for income-tax, central excise, customs duty and service tax. Accordingly, necessary amendments, have been made to Chapter XIX-B to allow merger of these AARs. It is also proposed to amend the definition of applicant in Section 245N of the Act to provide reference of applications for Advance Ruling made under the above mentioned laws. Similarly, amendment has been proposed to Section 245Q which relates to application for advance ruling.

Amendment of Section 253

The existing provisions of sub-

clause (f) of sub-section (1) of Section 253 provide that an order passed by the prescribed authority under sub-clause (vi) or sub-clause (via) of clause (23C) of Section 10 shall be appealable before the Appellate Tribunal. It is proposed to expand the scope of the said Section to provide that the orders passed by the prescribed authority under sub-clauses (iv) and (v) of sub-section (23C) of Section 10 shall also be appealable before the Appellate Tribunal.

Rationalization of time limits for completion of assessment, reassessment and reduction of time limit for filing of a revised return of income

Amendments for modification of the limitation periods for completion of various assessments under the Act have been proposed. A gist of these proposals to Section 153 is as under:

• Limitation Period for orders under Section 143 or 144 – Section 153(1)

- o For the AY 2018-19, the time limit for making an assessment order under sections 143 or 144 shall be reduced from existing 21 months to 18 months from the end of the assessment year
- o For the AY 2019-20 and onwards, the said time limit shall

be 12 months from the end of the AY in which the income was first assessable.

This amendment will take effect from April 01, 2017.

• Limitation Period for orders under Section 147– Section 153(2)

Time limit for making an order of assessment, reassessment or re-computation under Section 147, in respect of notices served under Section 148 on or after the April 01, 2019 shall be 12 months from the end of the financial year in which notice under Section 148 is served. This amendment will take effect from April 01, 2017.

• Limitation Period for orders under Section 254, 263 or 264– Section 153(3)

Time limit for making an order of fresh assessment in pursuance of an order passed or received in the financial year 2019-20 and onwards under sections 254 or 263 or 264 shall be 12 months from the end of the financial year in which order under Section 254 is received or order under Section 263 or 264 is passed by the authority referred therein. This amendment will take effect from April 01, 2017.

• Limitation Period for orders under Section 250, 254, 260, 262, 263 or 264– Section 153(5)

It is proposed to amend sub-section (5) of Section 153 to provide that where an order under Section 250 or 254 or 260 or 262 or 263 or 264 requires verification of any issue by way of submission of any document by the assessee or any other person or where an opportunity of being heard is to be provided to the assessee, the time limit relating to fresh assessment provided in sub-section (3) shall apply to the order giving effect to such order. This amendment will take effect retrospectively from June 1, 2016.

• Limitation Period for orders of assessment/reassessment not completed due to exclusion of time

It is also proposed to amend sub-section (9) of the said Section to provide that where a notice under sub-section (1) of Section 142 or sub-section (2) of Section 143 or under Section 148 has been issued prior to the June 1, 2016 and the assessment or reassessment has not been completed by such date due to exclusion of time referred to in Explanation 1, such assessment or reassessment shall be completed in accordance with the provisions of Section 153 as it stood immediately before its substitution by the Finance Act, 2016. This amendment will take effect retrospectively from June

1, 2016.

• Other amendments

It is also proposed to amend third proviso to Explanation 1 of the said Section to omit the reference of Section 153B therein. It is also proposed to consequentially amend the meaning of conclusion of proceeding in the Explanation to clause (b) of Section 245A so as to provide that conclusion of proceedings shall be construed in accordance with the time specified for making assessment or reassessment under sub-section (1) of Section 153. These amendments will take effect from April 01, 2017.

• Limitation period to furnish a revised return of income

In order to expedite assessments of the Department as proposed above, it is proposed to amend the provisions of sub-section (5) of Section 139 to provide that the time for furnishing of revised return shall be available up to the end of the relevant AY or before the completion of assessment, whichever is earlier.

Time limits for completion of search assessment

In alignment to amendment to Section 153, consequential rationalization to the limitation periods for search assessments have also been proposed, as



summarized below:

• Limitation Period for orders under Section 153A

It is proposed to amend sub-Section (1) Section 153B to provide that for search and seizure cases conducted in the financial year 2018-19, the time limit for making an assessment order under Section 153A shall be reduced from existing 21 months to 18 months from the end of the financial year in which the last of the authorizations for search under Section 132 or for requisition under Section 132A was executed. It is further proposed that for search and seizure cases conducted in the financial year 2019-20 and onwards, the said time limit shall be further reduced to 12 months from the end of the financial year in which the last of the authorizations for search under Section 132 or for requisition under Section 132A was executed. This amendment will

take effect from April 01, 2017.

• Limitation Period for orders under Section 153B

It is further proposed to provide that period of limitation for making the assessment or reassessment in case of other person referred to in Section 153C, shall be the period available to make assessment or reassessment in case of person on whom search is conducted or 12 months from the end of the financial year in which books of accounts or documents or assets seized or requisitioned are handed over under Section 153C to the AO having jurisdiction over such other persons, whichever is later. This amendment will take effect from April 01, 2017.

• Limitation Period where proceeding before Settlement Commission abates

It is proposed to insert a proviso to the Explanation of the said Section to provide that where a

proceeding before the Settlement Commission abates under Section 245HA, the period of limitation available under this Section for assessment or reassessment shall after the exclusion of the period under sub-section (4) of Section 245HA shall not be less than 1 year; and where such period of limitation is less than 1 year, it shall be deemed to have been extended to 1 year. This amendment will take effect from April 01, 2017.

• Limitation Period for orders of assessment/reassessment not completed due to exclusion of time

It is also proposed to amend sub-section (3) of Section 153B to provide that where a notice under Section 153A or Section 153C has been issued prior to June 1, 2016 and the assessment has not been completed by such date due to exclusion of time referred to in the Explanation, such assessment shall be completed in accordance

with the provisions of this Section as it stood immediately before its substitution by the Finance Act, 2016. This amendment will take effect retrospectively from June 1, 2016.

ANTI-ABUSE MEASURES

Exemption for LTCG in Section 10(38)

With a view to prevent this abuse of the exemption of LTCG arising from sale of shares by sham transactions, it is proposed to amend Section 10(38) to provide availability of exemption only if the acquisition of share is chargeable to STT. However, to protect the exemption for genuine cases where the STT could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc., it is also proposed to notify

transfers for which the condition of chargeability to Securities Transactions Tax on acquisition shall not be applicable.

Fair Market Value to be full value of consideration in certain cases

In order to rationalize the provisions relating to deeming of full value of consideration for computation of income under the head “capital gains”, it is proposed to insert a new Section 50CA to provide that where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, the FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head “Capital gains”.

Provisions of Section 56(2)(vii) widened

Whereas the existing provisions of Section 56(2)(vii), (which

provides for taxing any sum of money or any property which is received without consideration or for inadequate consideration in excess of the specified limit of INR 50,000) is applicable only to individuals or HUFs, it has been proposed to insert a new clause (x) in sub-section (2) of Section 56 so as to provide that receipt of the sum of money or the property by any person without consideration or for inadequate consideration in excess of INR 50,000 shall be chargeable to tax in the hands of the recipient under the head “Income from other sources”. It is also proposed to widen the scope of existing exceptions by including the receipt by certain trusts or institutions and receipt by way of certain transfers not regarded as transfer under Section 47. Consequential amendment is also proposed in Section 49 for determination of cost of acquisition.

This amendment will take effect from April 01, 2017.

40(a)(ia) to apply on income from other sources

With a view to improve compliance of provision relating to tax deduction at source (TDS), it is proposed to amend the said Section so as to provide that provisions of Section 40(a)(ia) shall, so far as they may be, apply in computing income chargeable under the head “Income from other sources” as they apply in computing income chargeable under the head “Profit and gains of business or Profession”.

Limitation of Interest deduction in certain cases claimed by an entity to its AE.

It is proposed to insert a new Section 94B, in line with the recommendations of Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Action Plan 4, to provide that interest expenses claimed by an entity to its AE shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated AE, whichever is less.

The provision shall be applicable to an Indian company, or a PE of a foreign company being the borrower who pays interest in respect of any form of debt issued to a non-resident or to a

PE of a non-resident and who is an AE of the borrower. The provisions shall allow for carry forward of disallowed interest expense to eight assessment years immediately succeeding the AY for which the disallowance was first made. It is proposed to provide for a threshold of interest expenditure of INR 10 million exceeding which the provision would be applicable. It is further proposed to exclude Banks and Insurance business from the ambit of the said provisions keeping in view of special nature of these businesses.

Transfer Pricing: Secondary adjustments in certain cases.

In order to align the transfer pricing provisions in line with OECD transfer pricing guidelines and international best practices, it is proposed to insert a new Section 92CE to provide that the assessee shall be required to carry out secondary adjustment where the primary adjustment to transfer price, has been made suo-motu by the assessee in his return of income; or made by the AO has been accepted by the assessee; or is determined by an APA entered into by the assessee under Section 92CC; or is made as per the safe harbour rules framed under Section 92CB; or is arising as a result of resolution of an assessment by way of the

mutual agreement procedure under an agreement entered into under Section 90 or 90A.

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

It is also proposed to provide that such secondary adjustment shall not be carried out if, the amount of primary adjustment made in the case of an assessee in any previous year does not exceed INR 10 million and the primary adjustment is made in respect of an AY commencing on or before April 01,2016.

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

Donation given by an exempt entity to another exempt entity, with specific direction that it shall form part of corpus, is though considered application of income in the hands of donor trust but

is not considered as income of the recipient trust. It is proposed to insert a new Explanation to Section 11 of the Act to provide that any amount credited or paid, out of income referred to in clause (a) or clause (b) of sub-section (1) of Section 11, being contributions with specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income.

It is also proposed to insert a proviso in clause (23C) of Section 10 so as to provide similar restriction as above on the entities exempt under sub-clauses (iv), (v), (vi) or (via) of said clause in respect of any amount credited or paid out of their income.

Mandatory furnishing of return by certain exempt entities

It is proposed that any person as referred to in clause (23AAA), Investor Protection Fund referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and any Board or Authority referred to in clause (29A) of Section 10 shall be mandatorily required to furnish a return of income to claim exemption under Section 10.

Fee for delayed filing of return

It is proposed to insert a new Section 234F in the Act to provide that a fee for delay in furnishing

of return shall be levied for AY 2018-19 and onwards in a case where the return is not filed within the due dates specified for filing of return under sub-section (1) of Section 139. The proposed fee structure is as follows:

- a fee of INR 5,000 shall be payable, if the return is furnished after the due date but on or before the December 31 of the assessment year;
- a fee of INR 10,000 shall be payable in any other case.
- in a case where the total income does not exceed INR 0.5 million it is proposed that the fee amount shall not exceed INR 1,000

It is also proposed to make consequential amendment in Section 140A to include that in case of delay in furnishing of return of income, along with the tax and interest payable, fee for delay in furnishing of return of income shall also be payable.

It is also proposed to make consequential amendment in sub-section (1) of Section 143, to provide that in computation of amount payable or refund due, as the case may be, on account of processing of return under the said sub-section, the fee payable under Section 234F shall also be taken into account.

Consequently, it is also

proposed that the provisions of Section 271F in respect of penalty for failure to furnish return of income shall not apply in respect of AY 2018-19 and onwards.

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

In order to ensure due diligence before making a certification, it is proposed to insert a new Section 271J so as to provide that if an accountant or a merchant banker or a registered valuer, furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder, the AO or the Commissioner (Appeals) may direct him to pay a sum of INR 10,000 for each such report or certificate by way of penalty.

It is further proposed to define the expressions “accountant”, “merchant banker” and “registered valuer” and to provide through amendment of Section 273B that if the person proves that there was reasonable cause for the failure referred to in the said section, then penalty shall not be imposable in respect of the proposed Section 271J.

This amendment will take effect from April 01, 2017.



**RATIONALISATION
MEASURES**

**Rationalization of provisions of
Section 115JB in line with Ind-AS**

Under the existing provisions, book profit is computed by making prescribed adjustments to the net profit in the profit and loss account drawn up as per Indian GAAP. As the book profit based on Ind-AS compliant financial statement is likely to be different from the book profit based on existing Indian GAAP, it is proposed to amend section 115JB so as to provide the framework for computation of book profit for Ind-AS compliant companies in the year of adoption and thereafter.

**Retrospective amendment to
Section 112**

Section 112(1)(c) was amended from April 01, 2013 to provide concessional rate of taxation of ten% for long-term capital gains arising from the transfer of unlisted securities in case of non-resident. Finance Act, 2016 further amended Section 112(1)

(c) to clarify that the share of company in which public are not substantially interested shall be chargeable to tax at the rate of 10% with effect from April 01, 2017. With a view to clarify that the amendment made by Finance Act, 2016 shall also apply to the period from April 01, 2013 to March 31, 2017, it is proposed to amend Section 50 of the Finance Act, 2016 so as to provide that the effective date of amendment made to Section 112(1)(c)(iii) vide Finance Act,2016 shall be April 1, 2013 instead of April 1, 2017.

This amendment will take effect, retrospectively from April 01, 2013 and will, accordingly, apply in relation to the AY 2013-14 and subsequent assessment years.

**Reduction in the amount of
rebate under Section 87A**

It is proposed to amend Section 87A so as to reduce the maximum amount of rebate from existing INR 5,000 to INR 2,500. It is also proposed to provide that this rebate shall be available to only resident individuals whose total income does not exceed INR

0.35 million

**Rationalization of provisions of
Section 10AA**

In respect of profits and gains from unit operating in SEZ, it is proposed to clarify that the amount of deduction referred to in Section 10AA shall be allowed from the total income of the assessee computed in accordance with the provisions of the Act before giving effect to the provisions of the Section 10AA and the deduction under Section 10AA in no case shall exceed the said total income.

**Consolidation of plans within a
scheme of mutual fund**

It is proposed to amend Section 2(42A) and Section 49 to provide that cost of acquisition of the units in the consolidated plan of mutual fund scheme referred to in Section 47(xix) shall be the cost of units in consolidating plan of mutual fund scheme and period of holding of the units of consolidated plan of mutual fund scheme shall include the period for which the units in consolidating plan of mutual

fund scheme were held by the assessee.

This amendment will take effect from April 01, 2017.

**Definition of ‘person responsible
for paying’ in case of payments
covered under sub-section (6) of
Section 195**

In order to bring clarity to the meaning of ‘person responsible for paying’ in case of payment by a resident to a non-resident in accordance with Section 195(6) of the Act, it is proposed to amend the said Section of the Act to provide that in the case of furnishing of information relating to payment to a non-resident, not being a company, or to a foreign company, of any sum, whether or not chargeable under the provisions of this Act, ‘person responsible for paying’ shall be the payer himself, or, if the payer is a company, the company itself including the principal officer thereof.

This amendment will take effect from April 01, 2017.

Actual cost of asset in case of withdrawal of deduction in terms of Sub-section (7B) of Section 35AD

Sub-section (7B) of Section 35AD provides that where any asset on which benefit of Section 35AD is claimed, is used for a purpose other than specified business, the benefit of deduction already granted under Section 35AD shall be deemed to be the income of the assessee, net of the normal depreciation. To provide clarity on determination of actual cost for the purposes of allowance of depreciation of such assets, it is proposed to amend the provisions of the Section 43 of the Act, to provide that, the actual cost shall be the actual cost, as reduced by an amount equal to the amount of depreciation calculated at the rate in force that would have been allowable had the asset been used for the purposes of business since the date of its acquisition.

Clarity of procedure in respect of change or modifications of object and filing of return of income in case of entities exempt under sections 11 and 12

It is proposed to amend Section 12A so as to provide that where a trust or an institution has been granted registration under Section 12AA or has obtained registration at any time under Section 12A [as it stood before its amendment

by the Finance (No. 2) Act, 1996] and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, it shall be required to obtain fresh registration by making an application within a period of thirty days from the date of such adoption or modifications of the objects in the prescribed form and manner.

Further, it is proposed to further amend Section 12A so as to provide for further condition that the person in receipt of the income chargeable to income-tax shall furnish the return of income within the time allowed under Section 139 of the Act.

Cost of Acquisition of capital assets of entities in case of levy of tax on accreted income under Section 115TD

The existing provisions of the Section 49 of the Act provides for computation of cost with reference to certain modes of acquisition of capital asset. It is proposed to amend said Section so as to provide that where the capital gain arises from the transfer of an asset, being the asset held by a trust or an institution in respect of which accreted income has been computed, and the tax has been paid thereon in accordance with the provisions of Chapter

XII-EB, the cost of acquisition of such asset shall be deemed to be the fair market value of the asset which has been taken into account for computation of accreted income as on the specified date referred to in sub-section (2) of Section 115TD.

The proposed amendment is consequential in nature.

This amendment will take effect retrospectively from June 1, 2016 and will, accordingly, apply in relation to the AY 2016-17 and subsequent years.

Strengthening of PAN quoting mechanism in the TCS regime

In order to strengthen the PAN mechanism on sums on which tax is collectable at source under Chapter XVII BB, it is proposed to insert new Section 206CC to provide the following:

- The collectee, shall furnish his PAN to the collector, failing which tax shall be collected at the twice the rate mentioned in the relevant Section under Chapter XVII BB or at the rate of 5%, whichever is higher.
- The declaration filed under sub Section (1A) of Section 206C shall not be valid unless the person filing the declaration furnishes his PAN in such declaration.
- In case any declaration becomes invalid under sub-section (2), the

collector shall collect the tax at source in accordance with the provisions of sub-section (1).

- No certificate under sub Section (9) of Section 206C shall be granted unless it contains the PAN of the applicant.

- When the collector knows about the correct PAN of the collectee, it is also proposed to provide for mandatory quoting of PAN of the collectee by both the collector and the collectee in all correspondence, bills and vouchers exchanged between them.

- The collectee shall furnish his PAN to the collector who shall indicate the same in all its correspondence, bills, vouchers and other documents which are sent to collectee.

- Where the PAN provided by the collectee is invalid or it does not belong to the collectee, then it shall be deemed that PAN has not been furnished to the collector.

- To exempt the non-resident who does not have PE in India from the provisions of this proposed Section 206CC of the Act.

This amendment will take effect from April 01, 2017.

Rationalization of deduction under Section 80CCG.

It is proposed to phase out

deduction under Section 80CCG by providing that no such deduction shall be allowed from AY 2018-19. However, an assessee who has claimed deduction under this Section for AY 2017-18 and earlier assessment years shall be allowed deduction under this Section till the AY 2019-20 if he is otherwise eligible to claim the deduction as per the provisions of this section.

Restriction on set-off of loss from House property

It is proposed to insert sub-section (3A) in Section 71 to provide that set-off of loss under the head “Income from house property” against any other head of income shall be restricted to INR 0.2 million for any assessment year. However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years in accordance with the existing provisions of the Act.

Reason to believe to conduct a search, etc. not to be disclosed

It is therefore proposed to insert an Explanation to sub-section (1) and to sub-section (1A) of Section 132 and to sub-section (1) of Section 132A to declare that the ‘reason to believe’ or ‘reason to suspect’, as the case may be, shall not be disclosed to

any person or any authority or the Appellate Tribunal.

These amendments will take effect retrospectively from the date of enactment of the said provisions viz. to sub-section (1) of Section 132 from April 01, 1962 and to sub-section (1A) of Section 132 and to sub-section (1) of Section 132A from October 1, 1975.

Power of provisional attachment and to make reference to Valuation Officer to authorised officer

It is proposed to insert sub-section (9B) and (9C) in the Section 132, to provide that during the course of a search or seizure or within a period of 60 days from the date on which the last of the authorizations for search was executed, the authorized officer, may attach provisionally any property belonging to the assessee with the prior approval of Principal Director General or Director General or Principal Director or Director. It has been proposed that such provisional attachment shall cease to have effect after the expiry of six months from the date of order of such attachment.

It is further proposed to insert a new sub-section (9D) in the said Section to provide that, the authorized officer may, for the

purpose of estimation of FMV of a property, make a reference to a Valuation Officer referred to in Section 142A who shall furnish the valuation report within 60 days of receipt of such reference.

This amendment will take effect from April 01, 2017.

Extension of the power to survey

It is proposed to widen the scope of Section 133A by amending sub-section (1) to include any place, at which an activity for charitable purpose is carried on, for the purposes of conducting a survey.

This amendment will take effect from April 01, 2017.

Rationalization of provisions of the Income Declaration Scheme, 2016 and consequential amendment to Section 153A and 153C

The existing provisions of clause (c) of the Section 197 of the Finance Act, 2016 provide that where any income has accrued, arisen or been received or any asset has been acquired out of such income prior to commencement of the IDS'16 and no declaration in respect of such income was made, then, such income shall be deemed to have accrued in the year in which a notice was issued under the Income-tax Act by the AO. It

is proposed to omit clause (c) of Section 197 of the Finance Act, 2016.

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

However, in order to protect the interest of the revenue in cases where tangible evidence(s) are found during a search or seizure operation (including 132A cases) and the same is represented in the form of undisclosed investment in any asset, it is proposed that Section 153A relating to search assessments be amended to provide that notice under the said Section can be issued for an AY or years beyond the sixth AY already provided up to the 10th assessment year if—

- the AO has in his possession books of accounts or other documents or evidence which reveal that the income which has escaped assessment amounts to or is likely to amount to INR 5 million or more in one year or in aggregate in the relevant 4 assessment years (falling beyond the 6th year);
- such income escaping assessment is represented in the form of asset;
- the income escaping assessment or part thereof relates to such year or years.

It is however proposed that the

amended provisions of Section 153A shall apply where search under Section 132 is initiated or requisition under Section 132A is made on or after the April 01, 2017.

This amendment will take effect from April 01, 2017.

Exemption of income of Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund

It is proposed to amend clause (23C) of Section 10 to provide the benefit of exemption to the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund also.

This amendment will take effect retrospectively from the April 01, 1998, the date on which sub-clause (iihf) of clause (a) of sub-section (2) of Section 80G relating to deduction in any sum paid to the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund came into force, and will, accordingly, apply in relation to AY 1998-99 and subsequent years.

BENEFIT FOR NPS SUBSCRIBERS

Tax-exemption to partial withdrawal from National Pension System

It is proposed to amend the Section 10 so as to provide exemption to partial withdrawal not exceeding 25% of the contribution made by an employee in accordance with the terms and conditions specified under Pension Fund Regulatory and Development Authority Act, 2013 and regulations made there under.

Rationalization of deduction under Section 80CCD for self-employed individual

In order to provide parity between an individual who is an employee and an individual who is self-employed, it is proposed to amend Section 80CCD so as to increase the upper limit of 10% of gross total income to 20% in case of individual other than employee.

POEM AND GAAR

Place of effective management (POEM)

No changes have been proposed with respect to the POEM criteria for tax residency of foreign companies. Thus, the existing provisions pertaining to POEM continue to be applicable.

In Circular No. 6/2017, dated January 24, 2017, the Board laid down the guidelines for determination of the POEM of a foreign company, taking forward the concept laid down in the draft guidelines for POEM determination based on the bifurcation of companies engaged in active business outside India and other companies. It further provides clarification on other key areas.

General Anti-Avoidance Rules (GAAR)

No changes have been proposed in the General Anti-Avoidance Rules (GAAR) provisions. Thus, GAAR provisions would come into force with effect from April 01, 2017.

In Circular No. 7/2017, dated January 27, 2017, the Board has issues clarifications on the implementation of GAAR provisions.



Indirect Taxes

SERVICE TAX

Changes in the Negative list

Services mentioned below have been omitted from the Negative List. These changes shall be applicable w.e.f. the date the Finance Bill receives presidential assent.

- ☐ Services by way of carrying out any process amounting to manufacture or production of goods (excluding alcoholic liquor for human consumption), although the exemption on such services shall continue by incorporating them in the mega exemption notification. Consequently as per Clause 120 and 121 of the Finance Bill, 2017, the definition of ‘process amounting to manufacture’ [clause (40) section 65B] is also proposed to be omitted from the Finance Act, 1994 and is being incorporated in the general exemption notification.

Introduction/enhancement of Exemptions

Following new exemptions have been introduced/enhanced, as the case may be w.e.f February 2, 2017.

- ☐ Exemption of service tax now provided on taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government
- ☐ Exemption of service tax now given on one

time upfront amount (premium, salami, cost, price, development charge or by whatever name called) payable for grant of long term lease of industrial plots (30 years or more) by the State Government Industrial Development corporations/undertakings to industrial units, during the period commencing from June 1, 2007 and ending with September 21, 2016 (both days inclusive). (Notwithstanding anything contained in this Chapter, an application for claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2017 receives the assent of the President.)

- ☐ Amendments of exemption given vide S. No. 9B of notification No. 25/2012-ST dated June 20, 2012 so as to omit the word “residential” appearing in the notification. The exemption remains the same in all other respects. Hence, the enhanced service tax exemption now covers a non-residential two year full time PGP and PGDM offered by IIMs as well.

- ☐ Exemption of service tax now given in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers, with or without accompanied belongings, by air, under the Regional Connectivity Scheme.

Changes in Service Tax (Determination of Value) Rules, 2006

As per clause 128 of the Finance Bill, 2017, Rule 2A is being amended retrospectively from July 01, 2010 to clarify that the service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall

not include value of property in such land or undivided share of land, w.e.f. July 1, 2010.

Other legislative changes regarding Authority of Advance Ruling being transferred to the Authority constitute under Section 245-O of the Income Tax Act, 1961.

- ☐ Insertion of new section 96HA so as to provide for transferring the pending applications before the Authority for Advance rulings to the Authority constituted under section 245-O of the Income Tax Act.
- ☐ Amendment of Section 96A so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling.
- ☐ Consequentially, Section 96B, relating to vacancies not to invalidate proceedings stands omitted.
- ☐ Amendment of Sub-section (3) of section 96C so as to increase the application fee for seeking advance ruling from INR 2500 to INR 10,000.
- ☐ Amendment of Sub-section (6) of section 96D to provide time limit of six months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.

CENTRAL EXCISE

Policy Changes

The following changes will be effective from the date from which the Finance Bill receives presidential assent:

- ☐ A new section 23-I is being inserted so as to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs, and Service Tax) to the Authority constituted under section 245-O of the Income Tax Act from the stage at which such proceeding stood as on the date the Finance Bill, 2017 receives assent of the President. With respect the said amendment the following changes have also been implemented:

- ✖ Clause (e) of Section 23A is being amended so as to substitute the definition of ‘Authority’ to mean the Authority for Advance Ruling.
- ✖ Consequentially, Section 23B relating to vacancies not to invalidate proceedings is being omitted.
- ✖ Sub-section (3) of section 23C is being amended so as to increase the application fee for seeking advance ruling from INR 2500 to INR 10,000 on the lines of the Income-tax Act.
- ✖ Sub-section (6) of section 23D is being amended so as to provide time of limit of 6 months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.
- ☐ Section 32E is being amended so as to insert a new sub-section (5) therein to enable any person other than an assessee, to make an application to the Settlement Commission in respect of a show cause notice issued to him in

a case relating to the assessee which has been settled or is pending before the Settlement Commission and such notice is pending before an adjudicating authority. (Similar amendments have been made on these exact lines in the Customs Laws).

☐ Clause 117 of the Finance Bill, 2017 seeks to insert a new sub section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section 5, to rectify any error apparent on the face of the record within a time period of 3 months. (Similar amendments have been made on these exact lines in the Customs Laws).

The following changes will be effective retrospectively with effect from January 1, 2017:

Amendments in the First Schedule to the Central Excise Tariff Act, 1985 [Clause 118 of the Finance Bill, 2017] and Other Proposals involving changes in Excise Duty Rates

☐ Amendments involving change in the rate of Basic Excise Duty:

Commodity	Existing Rates	New Rates	Increase/(Decrease)
Cigar and Cheroots	12.5% or INR 3755 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher	INR 251 per thousand
Cigarillos	12.5% or INR 3755 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher	INR 251 per thousand
Cigarettes and tobacco substitutes	or INR 3755 per thousand	INR 4006 per thousand	INR 251 per thousand
Cigarillos of tobacco substitutes	12.5% or INR 3755 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher	INR 251 per thousand
Other tobacco substitutes	12.5% or INR 3755 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher	INR 251 per thousand

☐ Tariff rate of excise duty changes to 12.5% (as against the present tariff rate of 27%) on motor vehicles for transport of more than 13 persons falling under tariff items 8702 90 21 to 8702 90 29 of the First Schedule to the Central Excise Tariff Act, 1985 as per the clause 119 of the Finance Bill, 2016

☐ Other proposals involving changes in Excise Duty Rates:

Commodity	Existing Rates	New Rates	Increase/ (Decrease)
Pan Masala	6%	9%	3%
Unmanufactured Tobacco	4.2%	8.3%	4.1%
Paper rolled biris - handmade	INR 21 per thousand	INR 28 per thousand	INR 7 per thousand
Paper rolled biris – machine made	INR 21 per thousand	INR 78 per thousand	INR 57 per thousand
Solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	Nil	6%	6%
Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	12.5%	6%	(6.5%)
Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	12.5%	Nil	(12.5%)
All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes	12.5%	6%	(6.5%)
All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen	12.5%	6%	(6.5%)
Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	12.5%	6%	(6.5%)
All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable Duty	6%	
Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner	Applicable Duty	6%	
Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner, subject to actual user condition	Applicable Duty	6%	



Waste and scrap of precious metals or metals clad with precious metals arising in course of manufacture of goods falling in Chapter 71

Strips, wires, sheets, plates and foils of silver

Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire

Silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on

Nil

Nil, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods

** The amendments involving change in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.*

Amendments in the Seventh Schedule to the Finance Act, 2005 [Clause 146 of the Finance Bill, 2017]

Commodity	Existing Rates	New Rates	Increase/(Decrease)
Non-filter Cigarettes of length not exceeding 65mm	INR 215 per thousand	INR 311 per thousand	INR 96 per thousand
Non-filter Cigarettes of length exceeding 65mm but not exceeding 70mm	INR 370 per thousand	INR 541 per thousand	INR 171 per thousand
Filter Cigarettes of length not exceeding 65mm	INR 215 per thousand	INR 311 per thousand	INR 96 per thousand
Filter Cigarettes of length exceeding 65mm but not exceeding 70mm	INR 260 per thousand	INR 386 per thousand	INR 126 per thousand
Filter Cigarettes of length exceeding 70mm but not exceeding 75mm	INR 370 per thousand	INR 541 per thousand	INR 171 per thousand
Other Cigarettes	INR 560 per thousand	INR 811 per thousand	INR 251 per thousand
Chewing tobacco (including filter khaini)	10%	12%	2%
Jarda scented tobacco	10%	12%	2%
Pan Masala containing Tobacco (Gutkha)	10%	12%	2%

** The amendments involving change in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.*

AMENDMENTS IN THE CENTRAL EXCISE RULES, 2002 AND THE CENVAT CREDIT RULES, 2004

☐ Notification No. 5/2017-Central Excise (NT) seeks to amend Central Excise Rules, 2002 by inserting sub-rule (2) in rule 21 of the Central Excise Rules, 2002, so as to provide for a time limit of 3 months for granting remission of duty under the said rule 21 read with section 5 of the Central Excise Act, 1944. (Provided that further extension by 6 months is available upon sufficient cause being shown and reasons to be recorded in writing to an authority next higher than the authority before whom the application for remission of duty is pending)

☐ Notification No. 4/2017-Central Excise (NT) seeks to amend Rule 10 of the Cenvat Credit Rules, 2004 by inserting sub-rule (2) so as to provide for a time limit of 3 months for approval of requests transfer of CENVAT credit on shifting, sale, merger, etc. of the factory.

(Provided that the period specified in this sub-rule may, on sufficient cause being shown and reasons to be recorded in writing, be extended by the Principal Commissioner of Central Excise or Commissioner of Central Excise, as the case may be, for a further period not exceeding 6 months.)

(Further, provided that this clause shall not apply to a banking company and a financial institution including a non-banking financial company,



engaged in providing services by way of extending deposits, loans or advances.)

□ Explanation I-(e) to sub rule 3 and 3A of Rule 6 of the CENVAT Credit Rules, 2006 has been amended by the Finance Bill, 2017. The above-mentioned explanation gives the meaning of the term ‘Value’ for Sub rule 3 and 3A and excludes value of services by way of extending deposits, loans or advances. The amendment excludes banking companies including NBFCs from the ambit of this explanation thereby allowing banks and NBFCs to take CENVAT credit against output tax on value of services by way of extending deposits, loans and/or advances.

CUSTOMS

Changes in Customs law

(The following changes will be come into effect on the date of the enactment of the Finance Bill, 2017 when it receives assent from the President, unless otherwise specified.)

□ Section 2 of The Customs Act, 1962 has been amended to

- ✱ Insert clause (3A) to define a beneficial owner as any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported.
- ✱ include Foreign Post Office and International Courier Terminal in the definition of a Customs Station in clause (13)
- ✱ define Foreign Post Office and International Courier Terminal

□ Sub-section (2) of section 27 is being amended so as to keep outside the ambit of unjust enrichment, the refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where-

- ✱ such excess payment is evident from the bill of entry in the case of self-assessed bill of entry or
- ✱ The duty actually payable is reflected in the reassessed bill of entry in the case of reassessment.

□ Section 28F is being amended so as to provide that the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act shall be the Authority for giving advance rulings for the purposes of the Customs Act. It further seeks to provide that the Member of the Indian Revenue Service (Customs and Central Excise),

who is qualified to be a Member of the Board, shall be the revenue Member of the Authority for the purposes of Customs Act. It also seeks to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President. With regards to this change, the following amendments have also been made:

- ✱ Clause (e) of section 28E is being amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.
- ✱ Section 28G relating to vacancies not to invalidate proceedings is being omitted.
- ✱ Sub-section (3) of section 28H is being amended so as to increase the application fee for seeking advance ruling from INR 2500 to INR 10,000 on the lines of the Income-tax Act.
- ✱ Sub-section (6) of section 28I is being amended so as to provide time of limit of six months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.

□ New sections 30A and 41A are being introduced so as to make it obligatory on the person-in charge of a conveyance that enters/ leaves India from any place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew arrival/ departure manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and passenger name record information of arriving passengers in such form, containing such

particulars, in such manner and within such time as may be prescribed. The section also intends to provide for imposition of a penalty not exceeding INR 50,000 as may be prescribed, in the case of delay in delivering the information. Further Section 157 is being amended to empower the Board to make specifying the regulations for the newly inserted sections.

□ Section 49 is being amended to extend the facility of storage under section 49 to imported goods entered for warehousing before their removal. Thereby, the goods which are pending clearance or removal, as the case may be, will now be permitted to be stored in a public warehouse for a period not exceeding thirty days. It has been provided further that the Principal Commissioner of Customs or Commissioner of Customs may extend the period of storage for a further period not exceeding thirty days at a time.



Amendment in the Customs Tariff Act, 1975

☐ Clause (c) of sub-section (3) of section 9 is being substituted so as to withdraw the exemption to three categories of non-actionable subsidies specified therein from the scope of anti-subsidy investigations.

Amendment in the First Schedule to the Customs Tariff Act, 1975

☐ Certain tariff items have been deleted or substituted to new tariff items in order to harmonize the Customs Tariff with HS

Nomenclature or to maintain the Customs Tariff in accordance with the WCO Classification decision as per Clause 109(b) of the Finance Bill, 2017.

☐ Clause 109(b) of the Finance Bill, 2017 further seeks to amend Chapter Note (4) of Chapter 98 so as to remove the non-applicability of certain headings in the said chapter 98 to goods imported through courier service. Also, to amend heading 9804 so as to extend the classification of personal imports by courier, sea or land under this heading.

Amendments affecting rate of BCD [Clause 109(a) of the Finance Bill, 2017]

Items	Existing rates	New rates	Increase/ (Decrease)
Cashew Nut, roasted, salted or roasted and salted	30%	45%	15%
RO membrane element for household type filters	7.5%	10%	2.5%

* The amendments involving change in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

Changes in rates of Customs Duty

Amendment in the Second schedule to the Customs Tariff Act, 1975 [Clause 110 of the Finance Bill,2017]

Items	Existing rates	New rates	Increase/ (Decrease)
Other aluminum ores and concentrates	NIL	30%	30%

Other Proposals involving change in BCD, CVD, SAD and Export Duty Rates

Items	Existing rates	New rates	Increase/ (Decrease)
Other aluminum ores, including laterite	Export Duty - Nil	Export Duty – 15%	15%
Liquefied Natural Gas	BCD – 5%	BCD – 2.5%	(2.5%)
o-Xylene	BCD – 2.5%	BCD – Nil	2.5%
Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	BCD – 7.5%	BCD – 5%	(2.5%)
2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide, subject to actual user condition	BCD – 7.5%	BCD – 2.5%	(5%)
Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	BCD – 7.5%	BCD – 5%	(2.5%)
Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether, subject to actual user condition	BCD – 10%	BCD – 7.5%	(2.5%)
Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions	BCD – 7.5%	BCD – 5%	(2.5%)
Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	BCD – 7.5%	BCD – 2.5%	(5%)
Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export	3% of FOB value of said goods exported during the preceding financial year	5% of FOB value of said goods exported during the preceding financial year	2%
Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibers or optical fiber cables, subject to actual user condition	BCD – Nil	BCD – 10%	10%
Nickel	BCD – 2.5%	BCD – Nil	(2.5%)
MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel, subject to actual user condition	BCD – 10%	BCD – 5%	(5%)
Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	BCD – 12.5%	BCD – 10%	(2.5%)

Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools, subject to actual user condition	Ball screws, linear motion guides BCD – 7.5% CNC systems BCD – 10%	BCD – 2.5%	Ball screws and liner motion guides-(5%) CNC systems (7.5%)
Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition	SAD – Nil	SAD – 2%	2%
Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition	BCD – 5%	BCD – Nil	(5%)
Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	CVD – 12.5%	CVD – 6%	(6.5%)
Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	BCD – 7.5% CVD – 12.5% SAD – 4%	CD – 5% CVD – Nil SAD – Nil	BCD – 2.5%) CVD – (12.5%) SAD – (4%)
All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions	BCD – 10% / 7.5% CVD – 12.5%	BCD – 5% CVD – 6%	BCD – (5%)/ (2.5%) CVD – (6.5%)
All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions	BCD – 10% / 7.5% CVD – 12.5%	BCD – 5% CVD – 6%	BCD – (5%)/ (2.5%) CVD – (6.5%)

Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	CVD – 12.5%	CVD – 6%	CVD – (6.5%)
All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD, CVD	BCD – 5% CVD – 6%	BCD – 5% CVD – 6%
All inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD	5%	-
De-Minimis customs duties exemption limit for goods imported through parcels, packets and letters	Duty payable not exceeding INR 100 per	CIF value not exceeding INR 1000 per consignment	INR 900 per consignment
Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner	Applicable BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil	-
Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner, subject to actual user condition	Applicable BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil	-
Silver medallion, silver coins having silver content not below 99.9%, semi manufactured form of silver and articles of silver	CVD - Nil	CVD – 12.5%	12.5%

SECTOR WISE IMPACT

AGRICULTURE SECTOR

❑ The target for agricultural credit has been fixed at a record level of INR 10 trillion

❑ The Primary Agriculture Credit Societies act as the front end for loan disbursements. Support to be provided to NABARD for computerisation and integration of all 63,000 functional PACS with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of INR 19 billion, with financial participation from State Governments.

❑ The coverage of the Fasal Bima Yojana scheme to be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19. Fund of INR 90 billion has been allocated to the scheme and sum insured under this scheme has more than doubled from INR 690 billion in Kharif 2015 to INR 1416.25 billion in Kharif 2016.

❑ Mini labs to be set in all 648 KVKs in the country. In addition, 1000 mini labs will be set up by qualified local entrepreneurs.

❑ Addition of INR 200 billion to the corpus of Long Term Irrigation Fund already set up in NABARD. A dedicated Micro Irrigation Fund will be set up in NABARD with an initial corpus of INR 50 billion.

❑ Dairy Processing and Infrastructure Development Fund would be set up in NABARD with a corpus of INR 80 billion over 3 years. Initially, the Fund will start with a corpus of INR 20 billion

INFRASTRUCTURE SECTOR

❑ The National Housing Bank to refinance individual housing loans of about INR 200 billion in 2017-18.

❑ For 2017-18, the total capital and development expenditure of Railways has been pegged at INR 1310 billion.

❑ For passenger safety, a Rashtriya Rail Sanraksha Kosh will be created with a corpus of INR 1000 billion over a period of 5 years.

❑ At least 25 stations to be awarded during 2017-18 for station redevelopment. 500 stations will be made differently abled friendly by providing lifts and escalators.

❑ 7,000 stations with solar power in the medium term.

❑ SMS based Clean My Coach Service has been started. It is now proposed to introduce 'Coach Mitra' facility, a single window interface, to register all coach related complaints and requirements.

❑ Railways will offer competitive ticket booking facility to the public at large. Service charge on e-tickets booked through IRCTC has been withdrawn.

❑ A new Metro Rail Act to be enacted by rationalising the existing laws to facilitate greater private participation and investment in construction and operation.

❑ In the road sector, the budget allocation for highways stepped up from INR 579.76 billion in BE 2016-17 to INR 649 billion in 2017-18

❑ A specific programme for development of multi-modal logistics parks, together with multi modal transport facilities, to be drawn up and implemented.

❑ Select airports in Tier 2 cities to be taken up for operation and maintenance in the PPP mode

❑ For transportation sector as a whole, including rail,

roads, shipping, provision of INR 2413.87 billion made for 2017-18.

❑ Increased allocation for BharatNet Project to INR 100 billion in 2017-18

❑ In solar energy, the second phase of Solar Park development for additional 20,000 MW capacity to be taken up.

❑ Allocation for incentive schemes like M-SIPS and EDF to INR 7.45 billion for 2017-18

❑ A new and restructured Central scheme, namely, TIES to be launched for 2017-18.

❑ The total allocation for infrastructure development for 2017-18 stands at INR 3961.35 billion.

FINANCIAL SECTOR

❑ FIPB to be abolished in 2017-18.

❑ Amendment in Multi State Cooperative Societies Act, 2002 in consultation with various stakeholders, as part of our 'Clean India' agenda.

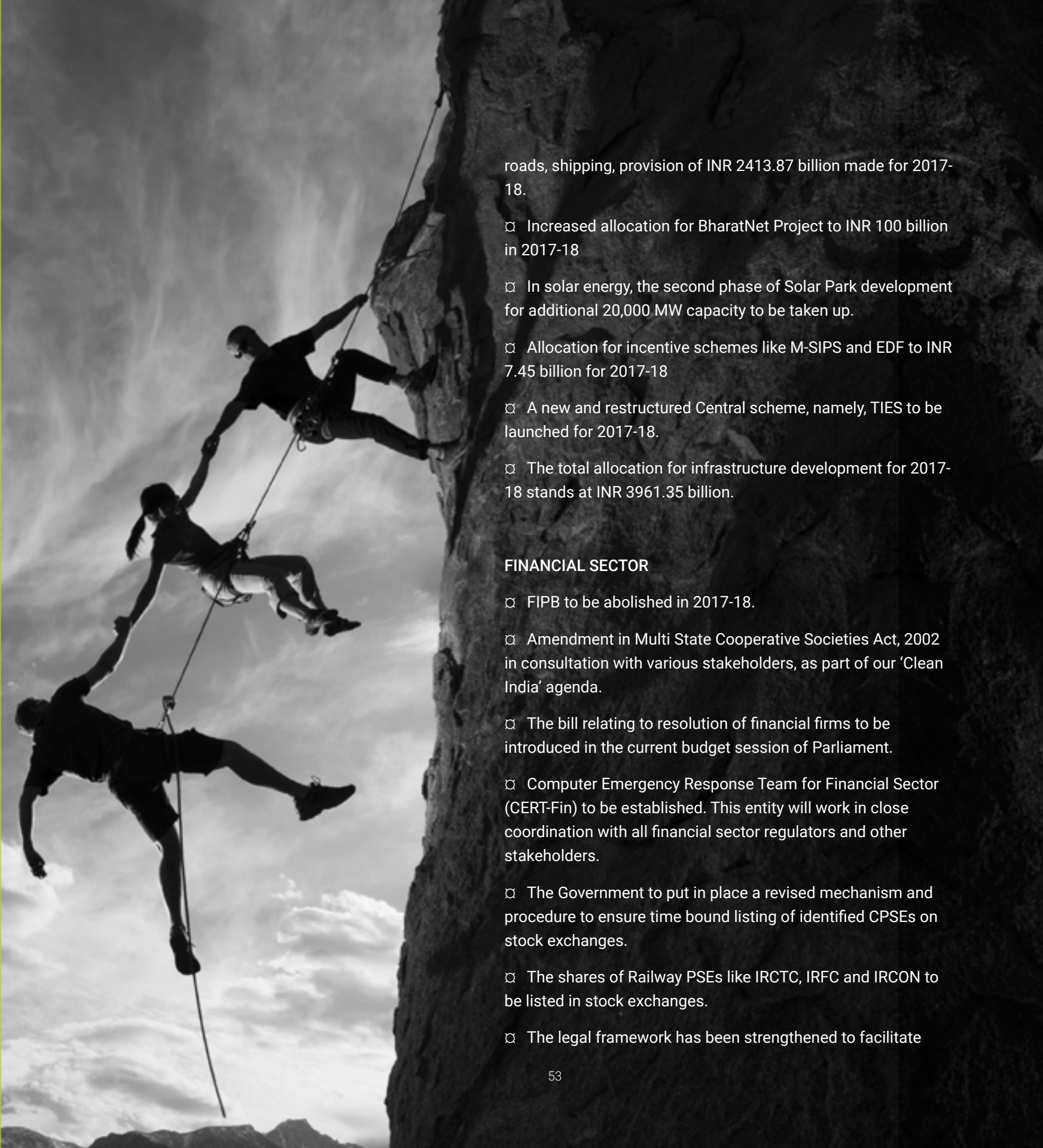
❑ The bill relating to resolution of financial firms to be introduced in the current budget session of Parliament.

❑ Computer Emergency Response Team for Financial Sector (CERT-Fin) to be established. This entity will work in close coordination with all financial sector regulators and other stakeholders.

❑ The Government to put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.

❑ The shares of Railway PSEs like IRCTC, IRFC and IRCON to be listed in stock exchanges.

❑ The legal framework has been strengthened to facilitate



resolution, through the enactment of the Insolvency and Bankruptcy Code and the amendments to the SARFAESI and Debt Recovery Tribunal Acts. INR 100 billion provided for recapitalisation of Banks in 2017-18.

☐ Under PMMY, for 2017-18, the lending target to be doubled and to be set at INR 2440 billion as compared to 2015-16.

☐ The Government to launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.

☐ Aadhar Pay, a merchant version of Aadhar Enabled Payment System, to be launched for those who do not have debit cards, mobile wallets and mobile phones.

☐ Banks have been targeted to introduce additional 1 million new PoS terminals by March 2017.

☐ Government to encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.

RURAL SECTOR

☐ Mission Antyodaya to bring 10 million households out of poverty and to make 50,000 gram panchayats poverty free by 2019.

☐ During 2017-18, another 0.5 million farm ponds to be developed to contribute greatly to drought proofing of gram panchayats.

☐ Provision of INR 385 billion under MGNREGA in 2016-17 has been increased to INR 480 billion in 2017-18.

☐ Central allocation of 190 billion to PMGSY to accelerate the pace of construction of PMGSY roads.

☐ Allocation for PMAY increased from INR 150 billion in 2016-17 to INR 230 billion for 2017-18.

☐ 100% village electrification by 1st May 2018. An increased allocation of INR 48.14 billion has been proposed under the Deendayal Upadhyaya Gram Jyoti Yojana for 2017-18

☐ For imparting new skills to the people in the rural areas, mason training will be provided to 0.5 million persons by 2022, with an immediate target of training at least 20,000 persons by 2017-18.

☐ The total allocation for the rural, agriculture and allied sectors for 2017-18 is INR 1872.23 billion, which is 24% higher than the previous year.

☐ Mahila Shakti Kendra will be set up at village level with an allocation of INR 5 billion for 1.4 million ICDS Anganwadi Centres

SOCIAL SECTOR

☐ In 2017-18, SANKALP at a cost of INR 40 billion to be launched to provide market relevant training to 35 million youth.

☐ The next phase of STRIVE to be launched in 2017-18 at a cost of INR 22 billion.

☐ Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018 and Measles by 2020. Elimination of tuberculosis by 2025 is also targeted. Similarly, action plan has been prepared to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020.

☐ Two new AIIMS will be set up in the States of Jharkhand and Gujarat.

☐ The allocation for the welfare of Scheduled Castes has been stepped up from INR 388.33 billion in BE 2016-17 to INR 523.93 billion in 2017-18, representing an increase of about 35%. The allocation for Scheduled Tribes has been increased to INR 319.20 billion and for Minority Affairs to INR 41.95 billion.

☐ For senior citizens, Aadhar based Smart Cards containing their health details will be introduced. A beginning will be made through a pilot project in 15 districts during 2017-18.

☐ The LIC to implement a scheme for senior citizens to provide assured pension, with a guaranteed return of 8% per annum for 10 years.

☐ A Centralised Defence Travel System has been developed through which travel tickets can be booked online by our soldiers and officers.

☐ A comprehensive web based interactive Pension Disbursement System for Defence Pensioners to be established.

EDUCATION SECTOR

☐ An Innovation Fund for Secondary Education to be created to encourage local innovation for ensuring universal access, gender parity and quality improvement.

☐ SWAYAM platform to be launched with at least 350 online courses.

☐ National Testing Agency to be established as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions



GLOSSARY

AAR	Authority for Advance Ruling	FMV	Fair Market Value	PE	Permanent Establishment
AE	Associated Enterprise	FOB	Free on Board	PKVY	Paramparagat Krishi Vikas Yojana
AIF	Alternative Investment Funds	FPO	Follow-on Public Offer	PMAY	Pradhan Mantri Awaas Yojana
AIIMS	All India Institute of Medical Sciences	FTP	Foreign Trade Policy	PMFBY	Pradhan Mantri Fasal Bima Yojana
AIM	Atal Innovation Mission	GAAR	General Anti Avoidance Rules	PMGSY	Pradhan Mantri Gram Sadak Yojana
AMT	Alternate Minimum Tax	GCF	Gross Capital Formation	PMMY	Pradhan Mantri Mudra Yojana
AO	Assessing Officer	GDP	Gross Domestic Product	POEM	Place of Effective Management
AOP	Association of Persons	GDR	Global Depository Receipt	POS	Point of Sales
APA	Advance Pricing Agreement	GST	Goods & Services Tax	PPA	Power Purchase Agreement
AY	Assessment Year	GTA	Goods Transport Agency	PPP	Public Private Partnership
B2B	Business-to-Business	HEFA	Higher Education Financing Agency	PSU	Public Sector Undertaking
BCD	Basic Custom Duty	HSD	High Speed Diesel	PY	Previous Year
BE	Budget Estimate	HUF	Hindu Undivided Family	QFI	Qualified Foreign Investors
BEPS	Base Erosion and Profit Shifting	ICD	Inland Container Depot	QIB	Qualified Institutional Buyer
BHIM	Bharat Interface for Money	ICDS	Integrated Child Development Services	QIP	Qualified institutional Placement
BOD	Board of Directors	ICT	Information & Communication Technology	R & D	Research & Development
BOI	Body of Individuals	IDR	Indian Depository Receipts	RBI	Reserve Bank of India
BPL	Below Poverty Line	IDS'16	Income Declaration Scheme, 2016	REIT	Real Estate Investment Fund
BSE	Bombay Stock Exchange	Ind-AS	Indian Accounting Standards	RHF	Rural Housing Fund
CbC	County-By-Country	IEO	Independent Evaluation Officer	RIDF	Rural Infrastructure Development Fund
CBDT	Central Board of Direct Taxes	IFSC	International Financial Services Centre	RPF	Recognised Provident Fund
CDT	Commodities Transaction Tax	IIFCL	India Infrastructure Finance Company Limited	RRB	Regional Rural Bank
CEA	Central Excise Duty	IIM	Indian Institute of Management	RSE	Recognised Stock Exchange
CENVAT	Central Value Added Tax,1944	IIT	Indian Institute of Technology	RSP	Retail Sale Price
CER	Central Excise Rules,1944	IMR	Infant Mortality Rate	RTE	Right to Education
CETA	Central Excise Tariff Act	INR	Indian National Rupee	SAD	Specific Advaloram Duty
CFS	Consolidated Financial Statements	Invit	Infrastructure Investment Fund	SANKALP	Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme
CIF	Cost Insurance Freight	IPO	Initial Public Offer	SARFAESI	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
CIT	Commissioner of Income Tax	IPTV	Internet Protocol Television	SC/ST	Scheduled Cast/Scheduled Tribe
COA	Cost of Acquisition	IRDA	Insurance Regulatory and Development Authority	SEBI	Securities & Exchange Board of India
COI	Cost of Improvement	IT	Information Technology	SETU	Self-Employment and Talent Utilization
CPSE	Central Public Sector Enterprises	ITAT	Income Tax Appellate Tribunal	SEZ	Special Economic Zones
CSI	Continental Shelf of India	JV/ WOS	Joint Venture/Wholly Owned Subsidiary	SFC	State Finance Corporations
CST	Central Sales Tax	KCC	Kisan Credit Card	SHB	State Housing Bank
CVD	Counter Vailing Duty	KVK	Krishi Vigyan Kendra	SHG	Self Help Groups
DAVP	Directorate of Advertising and Visual Publicity	LCD	Liquid Crystal Display	SIDBI	Small Industries and Development Bank of India
DDT	Dividend Distribution Tax	LLP	Limited Liability Partnership	SITP	Software Information Technology Park
DEPB	Duty Entitlement Pass Book	LPG	Liquified Petroleum Gas	SLBC	State Level Bankers Committee
DGCA	Directorate General of Civil Aviation	LTCG	Long-term Capital Gain	SPV	Special Purpose Vehicle
DIN	Document Identification Number	MAT	Minimum Alternate Tax	SSA	Sarva Shiksha Abhiyan
DISCOM	Distribution Company (India)	MCA	Ministry of Corporate affairs	SSI	Small Scale Industry
DOT	Department of Telecommunications	MGNREGS	Mahatma Gandhi National Rural Employment Gaurantee Scheme	STRIVE	Skill Strengthening for Industrial Value Enhancement
DRI	Differential Rate of Interest	MMR	Measles, Mumps and Rubella	STT	Securities Transaction Tax
DRP	Dispute Resolution Panel	MRP	Maximum Retail Price	TAN	Tax Collection/ Deduction Account number
DTA	Domestic Tariff Area	MS	Motor Spirit	TCS	Tax Collected at Source
DTAA	Double Tax Avoidance Agreement	MSE	Micro and Small Enterprises	TDS	Tax Deducted at Source
DTC	Direct Tax Code	M-SIPS	Modified Special Investment Package Scheme	TIES	Trade Infrastructure for Export Scheme
DTH	Direct to Home	MSME	Micro Small and Medium Enterprises	TP	Tansfer Pricing
DUGJY	Deendayal Upadhyaya Gram Jyoti Yojana	MSP	Maximum Selling Price	TPO	Transfer Pricing Officer
ECB	External Commercial Borrowings	MUDRA	Micro Units Development Refinance Agency	TReDS	Trade Receivables Discounting System
ECGC	Export Credit and Guarantee Corporation	NABARD	National Bank for Agriculture and Rural Development	UID	Unique Identification
ECS	Electronic Clearing System	NCD	Non-convertible Debentures	UIDAI	Unique Identification Authority of India
EDF	Electronic Development Fund	NHAI	National Highways Authority of India	ULIP	Unit Linked Insurance Plan
EEFC	Exchange Earners' Foreign Currency	NHB	National Housing Bank	USD	US Dollar
EEZ	Exclusive Economic Zones	NPS	National Pension Scheme	VAT	Value Added Tax
EHTP	Electronic Hardware Technology Park	NRHM	National Rural Health Mission	VCC	Venture Capital Company
EOU	Export Oriented Unit	NRI	Non-Resident Indian	VCF	Venture Capital Funds
EPGC	Export Promotion Capital Goods Scheme	NSAP	National Social Assistance Programme	VCU	Venture Capital Undertaking
EPFS	Employee's Provident Fund Scheme	NSE	National Stock Exchange	VRS	Voluntary Retirement Scheme
ESOP	Employee Stock Option Plan	ONGC	Oil and Natural Gas Corporation	WPI	Wholesale Price Index
FBT	Fringe Benefit Tax	OTS	One Time Settlement	WTO	World Trade Organization
FCCB	Foreign Currency Convertible Bonds	PACS	Primary Agriculture Credit Societies		
FCEB	Foreign Currency Exchangeable Bonds	PAN	Permanent Account Number		
FCI	Food Corporation of India	PDMA	Public Debt Management Agency		
FDI	Foreign Direct Investment				
FEMA	Foreign Exchange Management Act				
FIF	Financial Inclusion Fund				
FII	Foreign Institutional Investor				
FIPB	Foreign Investment Promotion Board				

This document summarises the important provisions of the Budget 2017 proposals as placed before the Parliament. Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from AY 2018-2019. Indirect Tax Proposals will however, be applicable with immediate effect under the Provisional Collection of Taxes Act, 1931 unless stated otherwise.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

All reasonable care has been taken in preparing this document. **M/s Verendra Kalra & Co.**, Chartered Accountants, accepts no responsibility for any errors, if it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained by the person who relies on it.

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