VERENDRA KALRA & CO
CHARTERED ACCOUNTANTS

INDIA
BUDGET STATEMENT
2016

INDIA
BUDGET STATEMENT 2016

Foreword

Budget 2016 comes in the backdrop of a tentative global outlook, which is expected to only worsen as we go forward. Despite achieving a GDP growth rate of 7.6% in 2015-16, there was an undercurrent of anxiety in India on the eve of the budget, in view of the likely impact in the next fiscal of expected global turbulence, more so in view of the ever increasing interconnectivity of India's economy with the rest of the world.

It is heartening to note that the FM was fully conscious of this, as at the very beginning of his speech, he outlined that we must strengthen our firewalls against these risks by ensuring macro-economic stability and prudent fiscal management, thereby setting the tone for the rest of the budgetary proposals. By pegging primary deficit down to 0.3% of GDP in FY 16-17, the FM has provided the best insurance against heightened global uncertainty.

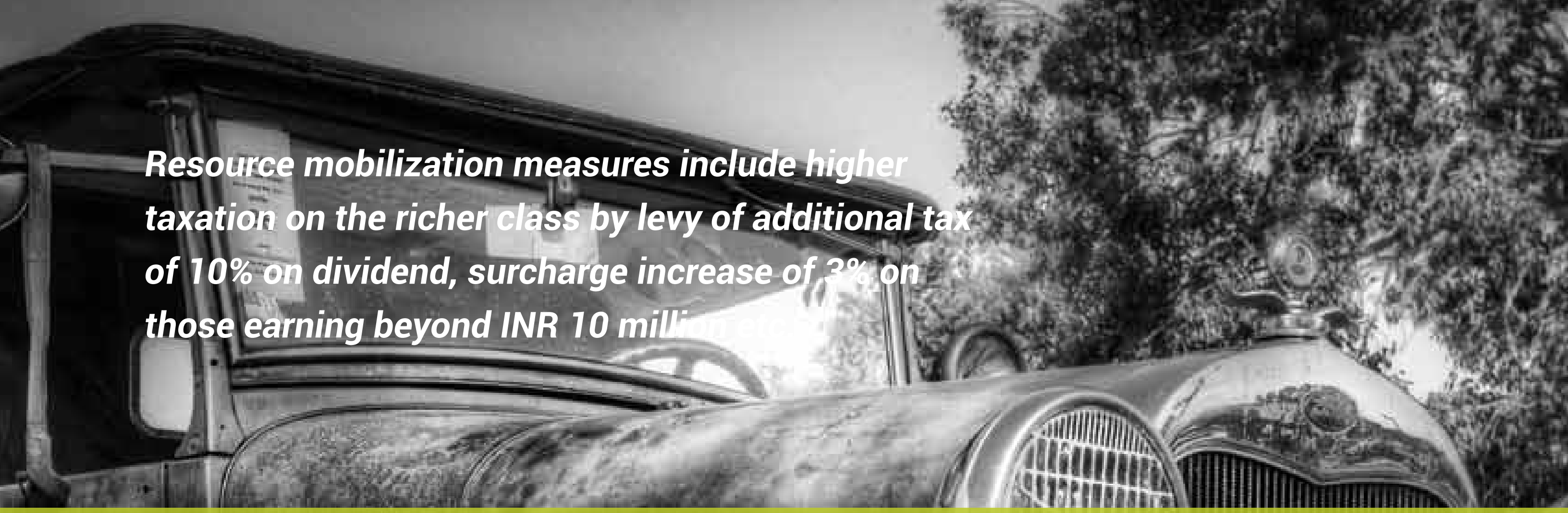
The budget comes out as a solid, credible budget with an enormous emphasis on the nine transformational initiatives as outlined in the FM's speech, built upon the economic survey's advice on *"persistent, creative, encompassing incrementalism"*

The rural and social sector centric approach of the budget is visible through initiatives announced for complete village electrification by 2018, universal coverage of cooking gas to cover 50 million BPL households and Pukka road to every village. Rural infra, health and agriculture sectors get a much higher support in this budget through increased allocations under various schemes.

Social security needs of a large ageing population will get some support through new health insurance schemes being undertaken as well as through tax rebates for senior citizens for pension schemes.

Statutory support to Aadhaar is being aimed so as to cut out wasteful administrative expenditure and corruption through targeted subsidies riding on the back of Aadhaar based delivery mechanism.

Despite achieving a GDP growth rate of 7.6% in 2015-16, there was an undercurrent of anxiety...



Resource mobilization measures include higher taxation on the richer class by levy of additional tax of 10% on dividend, surcharge increase of 3% on those earning beyond INR 10 million etc.

Ease of doing business, a persistent demand of both domestic as well as international investors, gets an impetus through moves aimed at amending the Companies Act, increased FDI in many sectors such as multi brand processed food retailing, insurance and pension, granting residency status to foreign investors, and very significant changes both in direct tax as well as indirect tax towards dispute resolution.

Infrastructure gets a leg up through the much needed proposed bill to resolve disputes in Infra PPP's, guidelines for PPP renegotiation and credit rating system that reduces lending risks. Energy needs of the country through oil exploration to get a boost as calibrated marketing freedom is proposed to be given for gas prices.

Banking sector reforms, so sorely needed to maintain credit flow and enhance capacity in the sector are proposed through the Financial Firms Resolution Bill, related reforms of ARC's as well as allowing 100% FDI in ARC's and the amendment of RBI Act to formally setup a Monetary Policy Committee.

The PM's desire to get moving on International Finance Centers gets recognized as FM proposes to waive taxes on equity, commodity transactions, DDT, LTCG and halves MAT for players in IFSCs.

Since budgetary resources through disinvestment are factored majorly in the budgetary mathematics, there is recognition to bring in enhanced focus on the "Department of Disinvestment" by renaming it as "Department of Investment and Public Asset Management (DIPAM)" and through other long term initiatives.

PM's vision on Digital India enters the transformational phase through numerous digital initiatives announced in this budget, all aimed to help drive speed, efficiency and transparency in governance. These include digitalization of mark sheets and certificates, a national digital literacy mission, creation of a consolidated electronic market place for agricultural produce to help better price discovery and realization by farmers, online market place to administer the MSP regime through FCI, creation of electronic platform to connect veterinary scientists and breeders etc.

On the direct tax front, there are numerous small and big changes. Whereas the smaller changes are aimed at plugging the gaps in administration and rationalization of the Act, the bigger changes are aimed to support the sector wise initiatives such as tax

incentives on making IFSCs attractive, abolition of DDT on REITs, LTCG recognition period in unlisted companies being reduced from 3 years to 2 years to make investment climate better for funding of startups. The levy of MAT on startups though remains a dampener.

Resource mobilization measures include higher taxation on the richer class by levy of additional tax of 10% on dividend, surcharge increase of 3% on those earning beyond INR 10 million etc.

Some of the negatives widely unexpected are taxing of 60% of new PF contributions made from 1st April upon withdrawal, tripling of STT options tax to 0.05% etc. On the other hand, the unexpected positives include the non-materialization of the anticipated tightening of the capital gains regime.

On the Indirect tax front, most of the changes in Service tax rates are either aimed at broadening the tax base or at giving some relief to social sector related activities. In Excise and Customs, apart from revenue enhancement measures by way of increase in duty rates, there is an attempt to rationalize duties to provide support to the Make in India campaign to strengthen the competitiveness of local manufacturing. Besides this, there are changes to reduce complexities in CENVAT regime, aimed at ease of doing business.

The big relief in indirect taxes is less than the expected increase in the Service tax rates, being only 0.5% by way of Krishi Kalyan Cess, which was widely expected so as to calibrate the rates upwards as we inch towards the GST era.

Though some of the critics would rate this budget as aimed at creating a pro poor and farmer image of the government, or lacking big ideas, there is no doubt that this budget balances fiscal prudence with need to support socio-economic development of rural India, unleashes entrepreneurial energy by improving ease of doing business and at the same time strengthens structural elements of economy through much desired policy initiatives.

Well begun is half done as the saying goes. We hope that the nation rallies behind the government to ensure that the budgetary intentions get actualized, as India right now stands upon a huge inflection point in its destiny which can catapult it into its rightful place on the global stage.

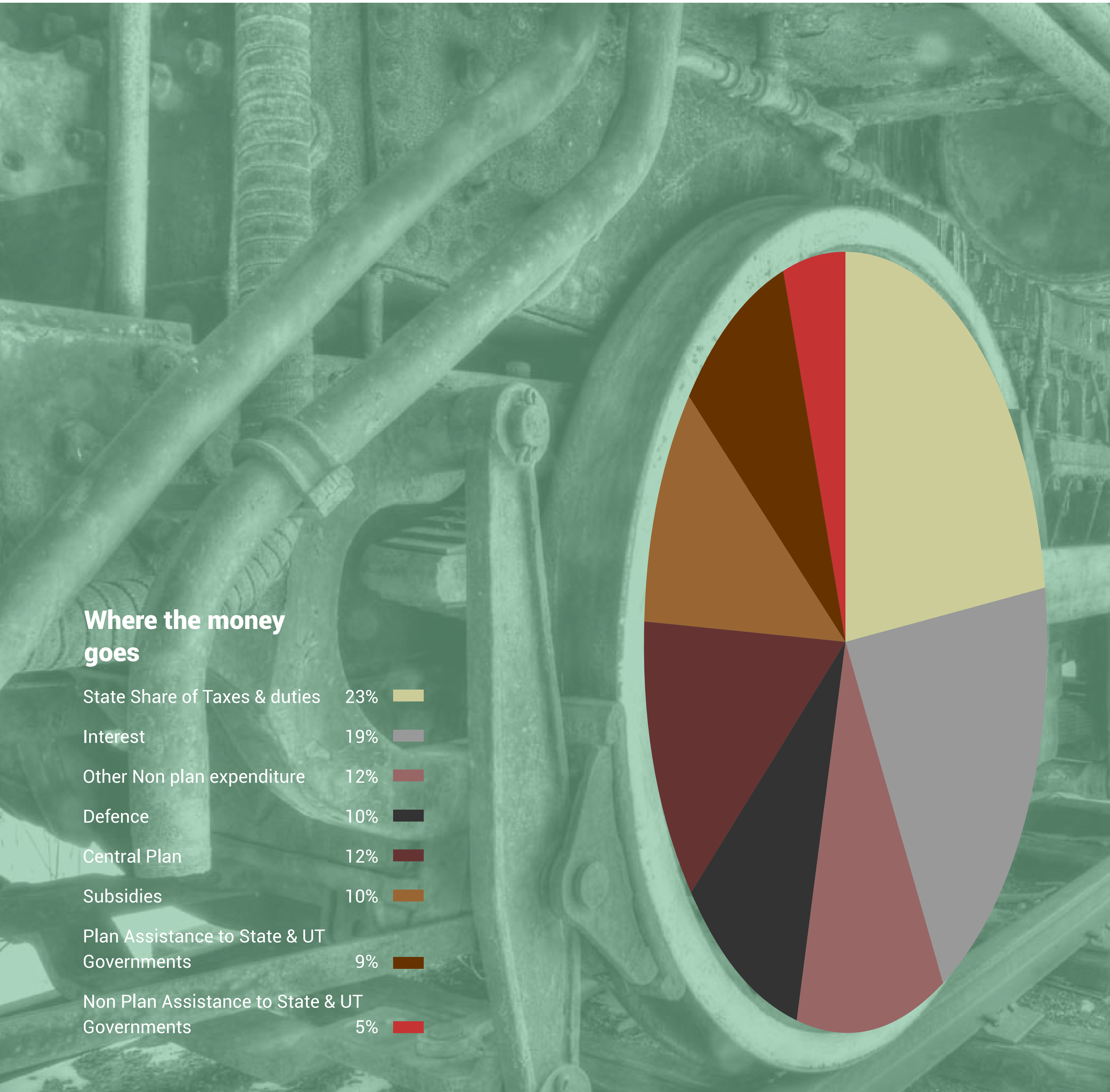
Verendra Kalra & Co.

Budget at a glance

Where the money comes from

Borrowing and other liabilities	21%
Corporate Tax	19%
Income Tax	14%
Excise	12%
Non-tax revenues	13%
Customs	9%
Service tax and other taxes	9%
Non-debt capital receipts	3%

Where the money goes



Budget Financials

(Amount in INR Billion)

	Particulars	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE
1	**Revenue Receipts (2+3)**	**11,015**	**11,416**	**12,061**	**13,770**
2	Tax Revenue(Net to Centre)	9,036	9,198	9,475	10,541
3	Non-tax revenue	1,979	2,217	2,586	3,229
4	**Capital Receipts(5+6+7)**	**5,622**	**6,359**	**5,793**	**6,010**
5	Recoveries of loans	137	108	189	106
6	Other receipts	377	695	253	565
7	Borrowings & other liabilities	5,107	5,556	5,351	5,339
8	**Total Receipts (1+4)**	**16,637**	**17,775**	**17,854**	**19,781**
9	**Non Plan Expenditure**	**12,010**	**13,122**	**13,082**	**14,281**
10	On revenue account	11,094	12,060	12,127	13,274
11	Of which Interest payments	4,024	4,561	4,426	4,927
12	On Capital account	916	1,062	955	1,006
13	**Plan Expenditure**	**4,626**	**4,653**	**4,772**	**5,500**
14	On Revenue account	3,576	3,300	3,350	4,036
15	On Capital account	1,050	1,353	1,422	1,464
16	**Total Expenditure (9+13)**	**16,637**	**17,775**	**17,854**	**19,781**
17	**Revenue Expenditure (10+14)**	**14,670**	**15,360**	**15,477**	**17,310**
18	On which, grants for creation of capital assets	1,308	1,325	1,320	1,668
19	**Capital expenditure (12+15)**	**1,967**	**2,414**	**2,377**	**2,470**
20	**Revenue deficit (17-1)**	**3,655**	**3,945**	**3,416**	**3,540**
21	**Effective Revenue deficit (20-18)**	**2,348**	**2,620**	**2,096**	**1,872**
22	**Fiscal deficit {16-(1+5+6)}**	**5,107**	**5,556**	**5,351**	**5,339**
23	**Primary deficit (20-11)**	**1,083**	**995**	**925**	**412**

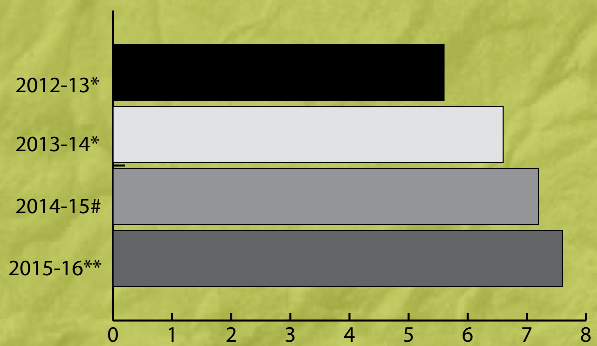
Capital Receipt = (Recoveries of loans + Disinvestment Receipts + Borrowings & Other Liabilities)
Revenue Deficit = (Revenue Receipt - Revenue Expenditure)
Primary Deficit = (Fiscal Deficit - Interest Payments)

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

Economic Indicators

GDP Growth

(Market prices, 2011-12 as base year)

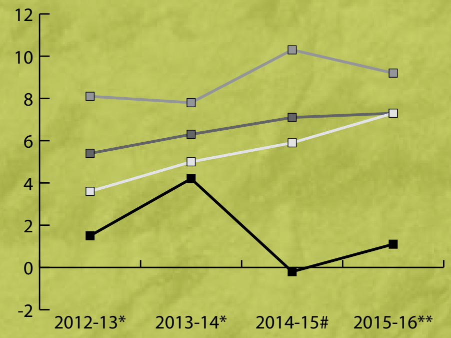


Year	%
*2012-13**	*5.6*
*2013-14**	*6.6*
2014-15#	*7.2*
*2015-16***	*7.6*

**2nd revised Estimate | # 1st revised Estimate | **Advance Estimate*

Growth in GVA

(Market prices, 2011-12 as base year)

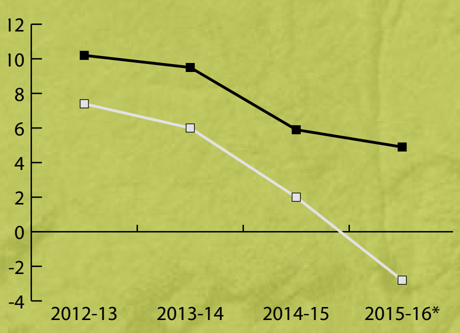


Year	*Agriculture & Allied*	*Industry*	*Services*	*GVA*
*2012-13**	*1.5*	*3.6*	*8.1*	*5.4*
*2013-14**	*4.2*	*5.0*	*7.8*	*6.3*
2014-15#	*-0.2*	*5.9*	*10.3*	*7.1*
*2015-16***	*1.1*	*7.3*	*9.2*	*7.3*

**2nd revised Estimate | # 1st revised Estimate | **Advance Estimate*

Inflation CPI and WPI

[Average] %

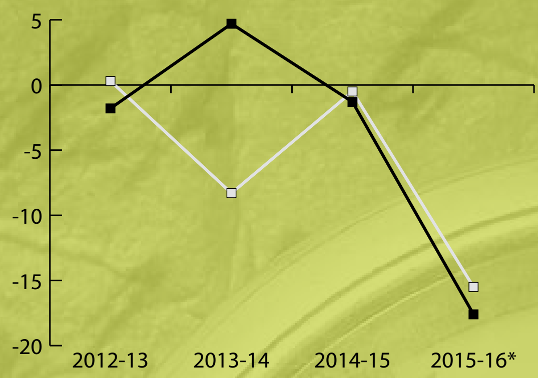


Year	*Inflation CPI [Average]*	*Inflation (WPI) [Average]*
2012-13	*10.2*	*7.4*
2013-14	*9.5*	*6.0*
2014-15	*5.9*	*2.0*
*2015-16**	*4.9*	*-2.8*

** Based on April- January 2015-16*

Economic Indicators

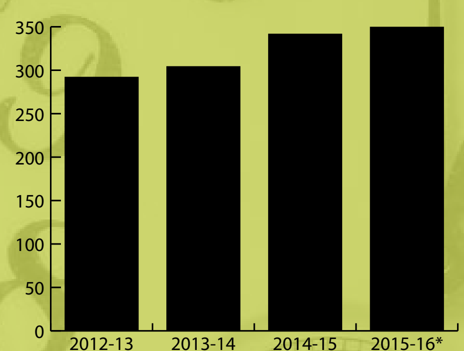
Growth in Foreign Trade [Average] %



Year	Exports Growth ■	Imports Growth □
2012-13	*-1.8*	*0.3*
2013-14	*4.7*	*-8.3*
2014-15	*-1.3*	*-0.5*
*2015-16**	*-17.6*	*-15.5*

** April-January 2015-16*

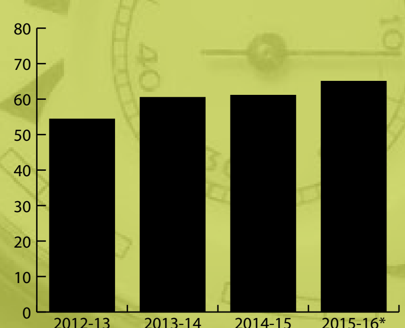
Forex Reserves
In USD billion



Year	In USD billion
2012-13	*292.00*
2013-14	*304.20*
2014-15	*341.60*
*2015-16**	*349.60*

** April-January 2015-16*

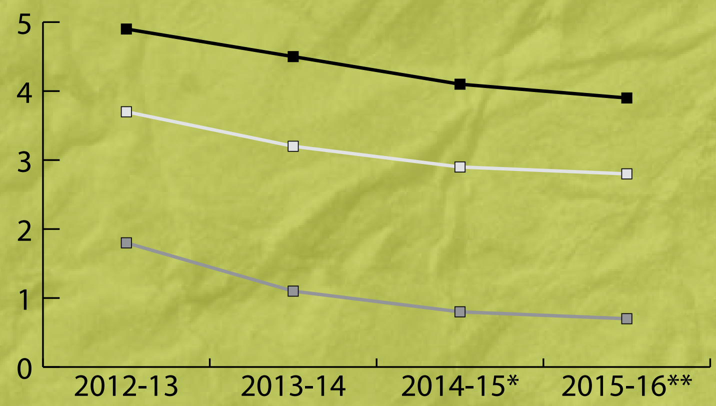
Exchange Rate
(INR per USD)



Year	Exchange Rate (INR per USD)
2012-13	*54.40*
2013-14	*60.50*
2014-15	*61.10*
*2015-16**	*65.04*

** April-January 2015-16*

Deficit Trends (% of GDP)



Year	*Gross Fiscal Deficit*	*Revenue Deficit*	*Primary Deficit*
2012-13	*4.9*	*3.7*	*1.8*
2013-14	*4.5*	*3.2*	*1.1*
*2014-15**	*4.1*	*2.9*	*0.8*
*2015-16***	*3.9*	*2.8*	*0.7*

**Provisional Actuals   ** Budget Estimates*

Economic Indicators

GDP GROWTH

The Economic Survey forecasted that the Indian economy would grow by between 7.0% and 7.75% in the 2016-17 fiscal year that starts on April 1. The wide range is on account of external and monsoon uncertainties. India can grow at 8% or higher in next two years, according to the Survey due to reform measures initiated by the government.

In the Advance Estimates of GDP that the CSO released recently, the growth rate of GDP at constant market prices is projected to increase to 7.6% in 2015-16 from 7.2% in 2014-15. Similarly, the growth rate of GVA for 2015-16 is estimated at 7.3% vis-à-vis 7.1% in 2014-15. Despite global headwinds and a truant monsoon, India registered robust growth thus becoming the fastest growing macro economy in the world.

AGRICULTURE AND ALLIED SECTOR

Agriculture is likely to register low growth for the second year in a row on account of weak monsoons; however it has performed better than last year. The growth rate for Agriculture and Allied sector has been estimated at 1.1% in 2015-16. The shortfall in growth in agriculture is explained by the fact that 60% of agriculture in India is rainfall dependent and there have been two consecutive drought years in 2013-14 and 2014-15.

INDUSTRY AND INFRASTRUCTURE

The Advance Estimates for industrial growth show in 2015-16 a rise to 7.3% as against 5.9% in 2014-15. Industry has shown such a significant improvement primarily on account of the acceleration in manufacturing (9.5% vis-à-vis 5.5% in 2014-15).

Many policy measures taken by the government for creating enabling environment for industrial growth have started showing its impact on increased FDI inflows and better performance of infrastructure sector. The landmark initiatives like Make in India, Ease of Doing Business, Start Up India, Digital India, and Smart Cities, etc. will provide further impetus

to industries and the industrial sector is expected to be the key driver of economic growth in the country.

SERVICES

The services sector continues to expand rapidly but the growth in the services sector has declined from 10.3% in 2014-15 to 9.2% in 2015-16. This sector remains the key driver of India's economic growth, contributing almost 66.1% of its gross value added growth in 2015-16,important net foreign exchange earner and the most attractive sector for foreign direct investment inflows. However, the global slowdown has cast a shadow even on this promising sector leading to its declined growth rate.

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

Particulars	2012-13 (NS)*	2013-14 (NS)*	2014-15 (NS)#	2015-16 (AE)
Agricultural & Allied	**1.5**	**4.2**	**-0.2**	**1.1**
Industry	**3.6**	**5.0**	**5.9**	**7.3**
Mining & Quarrying	-0.5	3.0	10.8	6.9
Manufacturing	6.0	5.6	5.5	9.5
Electricity, gas & water supply & other utility services	2.8	4.7	8.0	5.9
Construction	0.6	4.6	4.4	3.7
Services	**8.1**	**7.8**	**10.3**	**9.2**
GVA at Basic Prices	**5.4**	**6.3**	**7.1**	**7.3**

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

Economic Indicators

has fluctuated around 5.5% in 2014-15 and 2015-16, while measures of underlying trends—core inflation, rural wage growth and minimum support price increases—have similarly remained muted.

Meanwhile, the WPI has been in negative territory since November 2014 (-2.8% in 2015-16), the result of the large falls in international commodity prices, especially oil. As low inflation has taken hold and confidence in price stability has improved, gold imports have largely stabilized, notwithstanding the end of a period of import controls.

BALANCE OF PAYMENTS, RESERVES AND INVESTMENT

Trade deficit (on BoP basis) declined from USD 74.7 billion in 2014-15 (April-September) to USD 71.6 billion in 2015-16 (April-September)

India's foreign exchange reserves were at USD 351.5 billion as on February 5, 2016 which mainly comprised of foreign currency assets amounting to USD 328.4 billion, accounting for about 93.4% of the total. With an increase in reserves in 2015-16, all traditional reserve-based external sector vulnerability indicators, namely foreign exchange cover for imports and short-term debt, have improved.

Net portfolio investment recorded an outflow of USD 8.7 billion in first half of 2015-16 as against net inflow of USD 22.2 billion in first half of 2014-15. Net FDI reached the level of USD 16.7 billion in first half of 2015-16 (USD 15.1 billion in first half of 2014-15).

EXCHANGE RATE

During 2015-16 (April-January), the average exchange rate of the rupee depreciated to INR 65.04 per USD as compared to INR 60.92 per USD in 2014-15 (April-January). This was mainly on account of the fact that the dollar strengthened against all the major currencies because of stronger growth in the USA as well as the fact that China's growth and currency developments this year deteriorated.

FISCAL, REVENUE AND PRIMARY DEFICIT

Budget 2015-16 sought to contain the fiscal deficit at INR 5,560 billion (3.9% of GDP) as against INR 5,130 billion (4.1% of GDP) in 2014-15 (RE). The financing of fiscal deficit in India is mostly from domestic sources. Domestic sources constitute roughly 98% of the deficit financing, and approximately 84% of domestic financing is from market borrowings.

Revenue deficit was estimated at INR 3,940 billion (2.8% of GDP) in 2015-16 (BE) as against INR 3,620 billion (2.9% of GDP) in 2014-15 (RE)

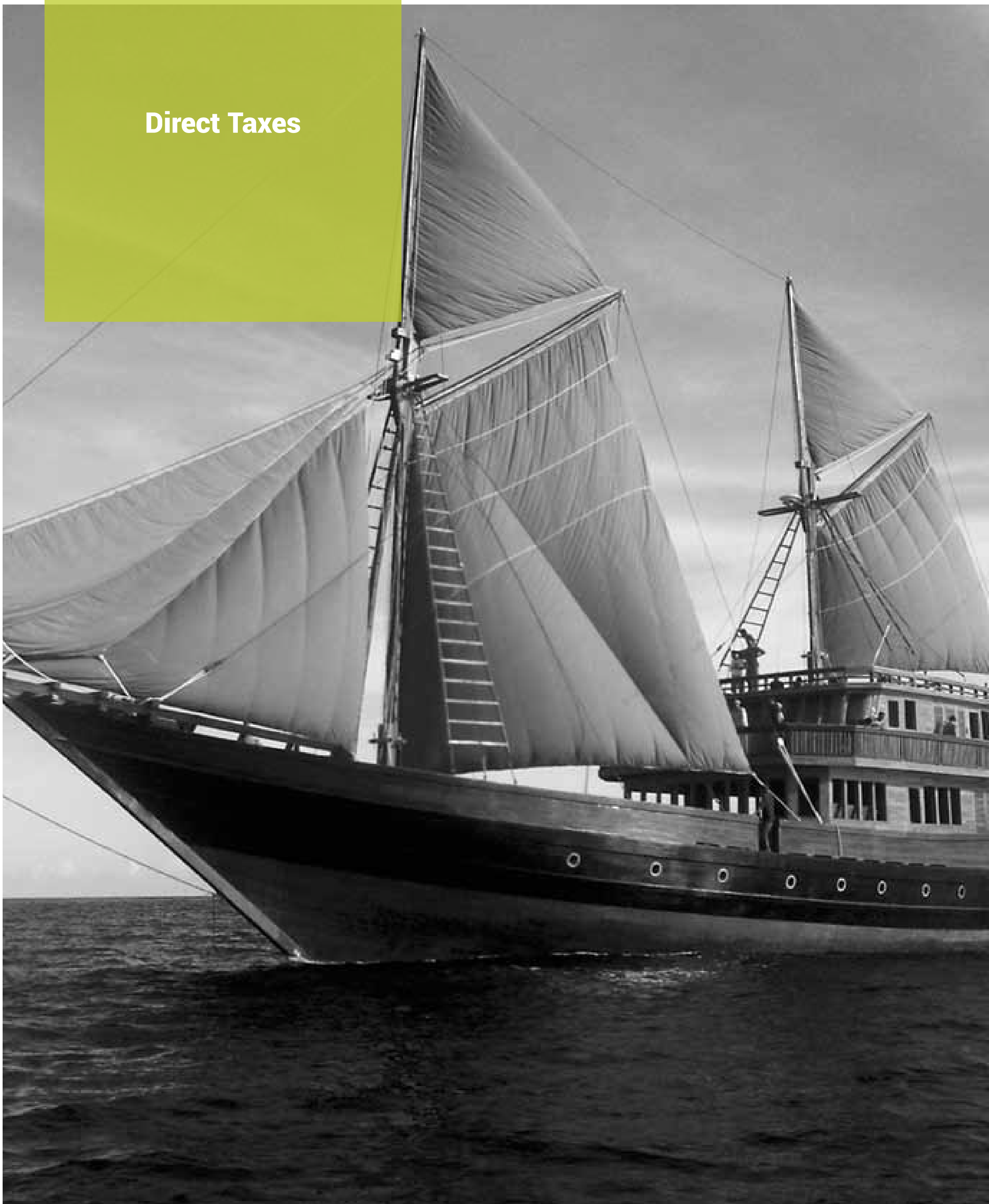
Primary deficit has been estimated to remain constant in absolute terms at INR 1,000 billion while being 0.7% of GDP in 2015-16 (BE) as against 0.8% of GDP in 2014-15 (RE)

PRIMARY AND SECONDARY MARKET

In 2015-16 (April-December), resource mobilization through the public and right issues has surged rapidly as compared to the last financial year. During 2015-16 (April-December), 71 companies have accessed the capital market and raised INR 513.11 billion compared to INR 115.81 billion raised through 61 issues during the corresponding period of 2014-15.

During 2015-16 so far, the Indian securities market has remained subdued. The Bombay Stock Exchange(BSE) Sensex declined by 8.5% (upto January 5, 2016) over end-March 2015, mainly on account of turmoil in global equity markets in August 2015 following slowdown in China and its currency devaluation and slump in stocks.

Direct Taxes



RATES OF INCOME TAX

Individuals/ HUF/ BOI

The rates of income tax are the same as those specified for assessment year 2016-2017. The surcharge on persons, other than companies, firms and cooperatives societies having income above INR 10 million, shall be levied at the rate of 15%, as against the existing rate of 12%. Marginal relief will be provided.

Co-operative societies/ Firms/ Local authorities

The rates of tax continue to be the same as that specified for assessment year 2016-2017. The surcharge in case of income above INR 10 million continue to be the same as that specified for assessment year 2016-2017.

Companies

Nature of company	Income tax rate	Income slab	Existing surcharge	Proposed sur-charge
Domestic company	30% (It is proposed to reduce tax rate to 29% plus surcharge and cess,for relatively small enterprises i.e. companies with turnover not exceeding INR 50 million (in the financial year ending March 2015)	INR 10 million < Income < INR 100 million	7%	7%
		Income > INR 100 million	12%	12%
Foreign company	40%	INR 10 million < Income < INR 100 million	2%	2%
		Income > INR 100 million	5%	5%

Marginal relief will be provided.

It is also proposed to provide relief to new manufacturing companies incorporated on or after March 1, 2016 by way of insertion of new section 115BA, to give an option to be taxed at 25% plus surcharge and cess provided they do not claim any benefit u/s 10AA, benefit of accelerated depreciation, benefit of additional depreciation, investment allowance, expenditure on scientific research and any deduction in respect of certain income under Part-C of Chapter-VI-A other than the provisions of section 80JJAA

‘Education cess’ and ‘Secondary and Higher Education Cess’

Cess @ 2% and 1% respectively shall continue to remain the same. No marginal relief shall be available in respect of such cess.

‘Rationalization of taxation of income by way of dividend’

It is proposed to amend Income Tax Act so as to provide that any income by way of dividend in excess of INR 1 million per annum shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India, at the rate of 10%.

'Securities Transaction tax'

Securities Transaction tax in case of 'Options' is proposed to increase from .017% to .05%.

Section 87A: Rebate to be allowed in computing income tax

Raise the ceiling of tax rebate under section 87A from INR 2,000 to 5,000 to lessen tax burden on individuals with income upto INR 5,00,000.

PERSONAL TAXATION

Tax treatment of Gold Monetization Scheme, 2015

It is proposed to amend Clause 14 of section 10 so as to exclude such monetized gold from the definition of capital asset and thereby to exempt it from Income-tax.

It is also proposed to amend Clause 15 of section 10 so as to provide that the interest on deposits certificates issued under the scheme shall be exempt from Income Tax.

These amendments are proposed to be made effective retrospectively from April 01, 2016 and shall accordingly apply in relation to AY 2016-17 and subsequent assessment years.

Section 2(42A): Period of holding

It is proposed to amend the aforesaid section so that the period for getting benefit of long-term capital gains in case of unlisted companies is to be reduced from 3 to 2 years.

Section 14A: Expenditure in relation to income not includible in Total Income

It is proposed to amend section 14A read with rule 8D so as to provide that the disallowance will

be limited to 1% of the average monthly value of investment yielding exempt income subject to maximum of expenditure claimed under rule 8D of Income Tax Rules, 1962

Increased limit under section 80GG

In order to provide relief to the individual tax payers, it is proposed to amend section 80GG so as to increase the maximum limit of deduction from existing INR 2,000 to 5,000 per month.

This amendment will take effect from April 01, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 56(2)(vii): Income from other source

The existing provision provides chargeability of income from other source, in case any money, immovable property or other property with or without consideration is received by an individual or HUF. An amendment has been proposed to amend the said section in order to provide exemption from tax in the hands of an Individual or HUF, on receipt of shares as a consequence of demerger or amalgamation of a company.

This amendment will take effect from April 01, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 24(b): Deduction on borrowed capital

The existing section provides deduction of INR 2,00,000 if house property is acquired or constructed within 3 years from the end of the FY in which capital was borrowed. An amendment has been proposed to increase

this time limit to 5 years.

This amendment will take effect from April 01, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Simplification and rationalization of provisions relating to unrealised and arrears of rent

It is proposed to simplify and merge sections 25A, 25AA and 25B under a single new section 25A.

CHARITABLE INSTITUTIONS

Levy of tax where the charitable institution ceases to exist or converts into a non-charitable organisation

It is proposed to amend the provisions of the Act and introduce a new Chapter to provide for levy of additional income-tax in case of conversion into, or merger with, any non-charitable form or on transfer of assets of a charitable organisation on its dissolution to a non-charitable institution.

This amendment will take effect from June 01, 2016.

Section 2(24)

It is proposed to amend section 2(24) so as to provide that subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or State government shall not form part of income.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

EASE OF DOING BUSINESS/ DISPUTE RESOLUTION

Tax Collection at Source (TCS) on sale of Vehicles; goods or services

It is proposed to amend sub-section (1) of section 206C to provide that the seller shall collect the tax at the rate of 1% from the purchaser on sale of motor vehicle of the value exceeding INR 1 million.

It is also proposed to amend sub-section 1D of the aforesaid section to provide that the seller shall collect the tax at the rate of 1% from the purchaser on cash sale of any goods (other than bullion and jewellery), or providing of any services exceeding INR 2,00,000.

Provided that no tax shall be collected at source under sub-section 1D on any amount on which tax has been deducted by the payer under Chapter XVII-B.

This amendment will take effect from June 01, 2016.

Tax on distributed income to shareholder

The existing provisions of section 115QA of the Act are confined to the provisions of section 77A of the Companies Act, 1956. An amendment has been proposed to provide clarity and remove any ambiguity on the above issues that the provisions of this section shall apply to any buy back of unlisted share undertaken by the company in accordance with the provisions of the law relating to the Companies and not necessarily restricted to section 77A of the Companies Act, 1956. It is further proposed to provide that for the purpose of computing distributed income, the amount received by the Company in respect of the shares being bought back shall be determined in the prescribed manner.

This amendment will take effect from June 01, 2016.

Proposed Phasing out of deduction and exemptions under Income Tax:

- **Section 32: depreciation**

Accelerated depreciation under section 32 read with rule 5 of Income Tax Rules, 1962 shall be restricted to 40% w.e.f. April 1, 2017.

- **Benefit of deductions for research would be limited to 150% from April 1, 2017 and 100% from April 1, 2020:**

Section 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA) and 35(2AB) – Expenditure on Scientific Research

The existing provisions of aforesaid sections provide weighted Deduction from the business. An amendment has been proposed to restrict deduction under the above sections to 150% from April 1, 2017 and 100% from April 1, 2020 onwards.

- **Section-35AD & 35CCC: Expenditure on cold chain facility and notified agricultural extension project**

It is proposed to amend the above sections to restrict deduction to 100%, against existing deduction of 150% from April 1, 2017 onwards.

- **Section-10AA: Special provision in respect of newly established units in special economic zones (SEZ)**

The existing provisions provide profit linked deductions from units in SEZ for profit derived from export of articles or things or services. An amendment has been proposed that no deduction shall be available to units commencing manufacture or production of article or thing or start providing services on or after April 1, 2020.

- **Section-35CCD: Expenditure on skill development project**

The existing provisions provide weighted deductions of 150%on any expenditure incurred (not being expenditure in the nature of cost of any land or building) on any notified skill development project by a company. An amendment has been proposed to restrict the deduction to 100%w.e.f. April 1, 2020. (i.e. from previous year 2020-21 and subsequent years).

¤ **Section-35AC: Expenditure on eligible projects or schemes**

The existing provisions provide deductions for expenditure incurred by way of payment of any sum to a public sector company or a local authority or to an approved association or institution, etc. on certain eligible social development project or a scheme. An amendment has been proposed that no deduction shall be available w.e.f. April 1, 2017. (i.e. from previous year 2017-18 and subsequent years).

¤ **Section-80IA; 80IAB and 80IB: Deduction in respect of profit derive from development, operation and maintenance of an infrastructure facility, development of SEZ and production of mineral oil and natural gas**

It is proposed to amend that no deduction shall be available if the specified activity commences on or after April 1, 2017. (i.e. from previous year 2017-18 and subsequent years).

These amendments will take effect from April 01, 2017.

Section 32: allowance of depreciation for power sector

To encourage investment in plant or machinery in respect of transmission of power as well, additional depreciation of 20% of the cost of new plant or machinery acquired and installed will now be allowed under the existing provisions of section 32(1) (iia) of the Act over and above the general depreciation allowance, as was available to generation and distribution activities.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Taxation of income from patents

It is proposed to insert a new section 115BBF to provide that where the total income of the eligible assessee income includes any income by way of royalty in respect of a patent developed and registered in India, then such royalty shall be taxable at the rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.

It is further proposed to provide that the assessee shall not be eligible for deduction in respect of any expenditure or allowance under any provisions of the Act in computing his income referred to in the above clause of the proposed section.

It is also proposed to provide an Explanation in the said section to define certain expressions used therein.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Tax Incentives for start-ups

With a view to providing an impetus to start-ups and facilitate their growth in the initial phase of their business, it is proposed to provide a deduction of 100% of the profits for 3 out of 5 years for startups setup during April, 2016 to March, 2019. MAT provisions will however apply in such cases.

¤ **Section 54EE: Exemption from capital Gain**

It is proposed to insert section 54EE so as to provide exemption from capital gains if proceeds are invested by an assessee in units of specified funds, as may be notified by the Central Government in this behalf.

¤ **Section 54GB: Exemption from capital Gains arising on account of a residential property**

It is proposed to amend section 54GB so as to provide that the expression "new asset" includes computers or computer software in case of technology driven start-ups so certified by the Inter-Ministerial Board of Certification notified by the Central Government in the official Gazette.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Incentives for Promoting affordable housing

- **Section 80IBA: Deductions in respect of profits and gains from housing project**

With a view to incentivise affordable housing sector as a part of larger objective of 'Housing for All', it is proposed to amend the Income-tax Act so as to provide for 100% deduction of the profits and gains of an assessee engaged in developing and building affordable housing projects for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, which are approved during June 2016 to March 2019 and completed in 3 years. Such assessee is required to complete the said project within 3 years failing which the entire deduction claimed in previous years shall be deemed as his income. MAT to apply.

- **Section 80EE: Deduction in respect of interest on loan taken for residential house property**

It is proposed to substitute the existing section so as to provide deduction for additional interest of INR 50,000 per annum for loans up to INR 3.5 million sanctioned in 2016-17 for first time home buyers, where house cost does not exceed INR 5 million.

The deduction under the proposed section is over and above the limit of INR 2,00,000 provided for a self-occupied property under section 24(b) of the Act.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 80JJAA: Deduction in respect of employment of new employees

The existing provision of this section is confined only to business of manufacture of goods in a factory. It is proposed to amend this section to extend the benefit to all assessee who are required to get their accounts audited under section 44AB.

It is further proposed to reduce the minimum number of days of employment in a FY from 300 days to 240 days and also the condition of 10% increase in number of employees every year is proposed to be done away with so that any increase in the number of employees will be eligible for deduction under the provision.

It is also proposed to provide that in the first year of a new business, 30% of all emoluments paid or payable to the employees employed during the previous year shall be allowed as deduction. Emoluments for this section will be considered only for those cases, where they do not exceed INR 25000 per month, subject to other conditions as well.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Relief and Welfare Measures

- **Section 47: Certain transaction not treated as transfer**
  - It is proposed to amend Section 47 of the Income-tax Act, so as to provide that any redemption of Sovereign Gold Bond under the Scheme, by an individual shall not be treated as transfer and

therefore shall be exempt from tax on capital gains.

- It is also proposed to amend section 48, so as to provide indexation benefits on transfer of such bonds.
- The consolidation of mutual fund plans as per SEBI guidelines to be tax neutral.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Presumptive taxation scheme

¤ In the case of persons having income from profession

There is no provision in the Act which provides presumptive taxation in the case of professionals, it has been proposed to inset a new section 44ADA extending the presumptive taxation scheme with profit deemed to be 50% to professionals with gross receipts up to INR 5 million.

It is further proposed to make consequential amendment is section 44AB to increase the threshold limit from INR 2.5 million to 5 million in case of professionals.

¤ Section 44AD: Presumptive taxation for persons having income form business

The existing provisions provide threshold limit of INR 10 million. It has been proposed to increase this limit to INR 20 million.

It is also proposed that the expenditure in the nature of salary, interest, commission etc. paid to the partner as per clause (b) of section 40 shall not be deductible while computing income under this section.

It is also proposed to amend that if an eligible assessee does not declare profit for any of the 5 consecutive assessment years as per provisions of this section, then in accordance with the provisions of this section, he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year in which the profit has not been declared in accordance with the provisions of this section.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 206AA: Furnishing PAN

In order to reduce compliance burden, it is proposed to amend the said section so as to provide that the provisions of this section shall not apply to a non-resident, not being a company, or to a foreign company, in respect of any other payment, other than interest on bonds, provided an alternate document to PAN card is furnished.

Section 194LBB: Income in respect of units of investment funds

In order to rationalise the TDS regime in respect of payments made by the investment funds to its investors, it is proposed to amend section 194LBB to provide that the person responsible for making the payment to the investor shall deduct income-tax at 10% where the payee is a resident and at the rates in force where the payee is anon-resident (not being a company) or a foreign company. Further, it is proposed to amend section 197 to include section 194LBBin the list of sections for which a certificate for deduction of tax at lower rate or no deduction of tax can be obtained. Consequential changes are also proposed to be made to the definition of "rates in force" so as to include section 194LBB in it.

BEPS Action plan – Country-By-country (CbC) Report and Master file

In the existing provisions of section 92, there is requirement for maintenance of prescribed information and documents relating to the International Transaction and Specified Domestic Transaction. In order to implement the international consensus, it is proposed to provide a specific reporting regime in respect of CbC reporting and also the master file. It is proposed to include essential elements in the Act while remaining aspects will be detailed in rules. The CbC reporting requirement for a reporting year does not apply unless the consolidated revenues of the preceding year of the group, based on CFS, exceeds a threshold, which based on current international consensus is € 750 million.

Section 28(va): taxation of non-compete fees in case of profession

The existing provisions of this section cover activities not carrying out in relation to any business only, it is proposed to amend this section so as to bring the non-compete fee received/ receivable in relation to not carrying out any profession.

Consequential amendments has also been proposed to clarify that receipts for transfer of right to carry on any profession, which are chargeable to tax under the head "Capital gains", would not be taxable as profits and gains of business or profession. Further it is also proposed to amend section 55 so as to provide that the COA and COI shall also be taken as 'nil'.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 112(1)(c): Tax rate in case of long-term capital gain

The existing provisions of this section are confined to the securities as defined under Securities Contracts (Regulations) Act, 1956. An amendment has been proposed so as to provide that long-term capital gains arising from the transfer of a capital asset being shares of a company not being a company in which the public are substantially interested, shall be chargeable to tax at the rate of 10%.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 80: to cover losses computed under section 73A

The existing provisions of section 80 provides that losses can't be carried forward and set-off if return was not filed on or before the due date but this section doesn't cover losses computed under section 73A (loss computed in respect of any specified business referred to in section 35AD), it is proposed to amend this section so as to provide that the loss determined as per section 73A of the Act shall not be allowed to be carried forward and set off if such loss has not been determined in pursuance of a return filed in accordance with the provisions of sub-section (3) of section 139.

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

Amortisation of Spectrum fee for purchase of spectrum

Government has newly introduced spectrum fee for auction of airwaves. There is uncertainty in tax treatment of payments in respect of Spectrum i.e. whether spectrum is an intangible asset and the spectrum fees paid is eligible for depreciation under section 32 of the Act or whether it

is in the nature of a 'license to operate telecommunication business' and eligible for deduction under section 35ABB of the Act.

In order to provide clarity and avoid any future litigation and controversy, it is proposed to insert a new section 35ABA in the Act to provide for tax treatment of spectrum fee.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Rationalization of tax deduction at source

In order to rationalise the rates and base for TDS provisions, the existing threshold limit for deduction of tax at source and the rates of deduction of tax at source are proposed to be revised as mentioned below:

¤ Increase in threshold Limit

Section	Existing Threshold Limit (INR)	Proposed Threshold limit (INR)
192A	30,000	50,000
194BB	5,000	10,000
194C	75,000 (Aggregate annual limit)	1,00,000 (Aggregate annual limit)
194LA	2,00,000	2,50,000
194D	20,000	15,000
194G	1,000	15,000
194H	5,000	15,000

¤ Revision in Rates of Deduction of tax at source

Section	Existing Rate	Proposed Rate
194DA	2%	1%
194EE	20%	10%
194D	10%	5%
194G	10%	5%
194H	10%	5%

¤ Certain non-operational provisions to be omitted

Section	Proposal
194K	To be omitted w.e.f June 1, 2016
194L	To be omitted w.e.f June 1, 2016

¤ **Enabling of filing of form 15G/15H for rentals payments**

It is proposed to amend the provisions of section 197A for providing that the recipients of payments referred to in section 194-I are also eligible for filing self-declaration in Form no 15G/15H for non-deduction of tax at source in accordance with the provisions of section 197A.

This amendment will take effect from June 1, 2016

Rationalization of Section 50C in case of sale consideration is fixed under agreement

It is proposed to amend the provisions of this section so as to provide that the where the date of the agreement fixing the amount of consideration and date of registration are not the same, stamp duty on the date of agreement may be taken for computing the full value of consideration.

Provided the amount of consideration referred therein, or part thereof has been paid by a/c payee cheque or bank draft or use of ECS system through a bank account, on or before the date of agreement.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Rationalization conversion of a company into LLP

It is proposed to amend the section 47(xiiib) so as to provide that, for availing tax-neutral conversion, in addition to the existing conditions, the value of the total assets in the books of accounts of the company in any of the three previous years preceding the previous year in which the conversion takes place, should not exceed INR 50 million.

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Rationalization of tax treatment of RPF, PF and NPS

It is proposed to amend section 80CCD that withdrawal up to 40% of the corpus at the time of retirement to be tax exempt in the case of National Pension Scheme (NPS). Annuity fund which goes to legal heir will not be taxable.

In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made on or from 1.4.2016.

It is proposed to amend section 80C so as to increase the Limit for contribution of employer in recognized Provident and Superannuation Fund of INR 1,50,000 per annum (existing limit INR 1,00,000) for taking tax benefit.

Section 139: filing of Return of income

It is proposed to amend the provisions of section 139 so as to include that if a person during the PY earns income which is exempt u/s10(38) and income of such person without giving effect to the said section exceeds the maximum amount which is not chargeable to tax, shall also be liable to file return of income for the previous year within the due date.

It is also proposed to substitute sub-section (4) of the aforesaid section to provide that any person who has not furnished a return within the time allowed u/s 139(1), may furnish the return at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

It is also proposed to substitute sub-section (5) of the aforesaid section so as to provide that if any person, having furnished a return originally or belatedly, or furnished in response to notice issued u/s 142(1), he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

It is also proposed to amend the provisions of Act so as to provide that the return would not be treated as defective for non-payment of self-assessment tax and interest as per section 140A on or before the date of furnishing of the return.

Section 143(1): Processing of Return

It is proposed to amend sub-section (1D) of the aforesaid section to provide that before making an assessment under sub-section (3) of section 143, a return shall be processed under sub-section (1) of section 143.

Rationalization of time limit for assessment, reassessment and recompilation

Following changes are proposed u/s 153:

Section	Time limit of completion
143 or 144	Within 21 months from the end of the assessment year in which the income was first assessable
147	Within 9 months from the end of the financial year in which notice u/s 148 was served
Fresh assessment in pursuance of section 254, 263 or 264	Within 9 months from the end of the financial year in which the order under section 254 is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, or the order under section 263 or section 264 is passed by the Principal Commissioner or Commissioner
Period to giving effect to an order passed u/s 250, 254, 260, 262, 263, 264 or u/s 245D(4)	Within 3 months from the end of the month in which order is received or passed. If it is not possible for assessing officer to give effect to such order extension of 6 months may be allowed on receipt of such reasons in writing from the assessing officer

It is further proposed to make consequential amendments in section 153A or 153C to bring it in sync with the new time limits provided above.

This amendment will take effect from June 1, 2016

Rationalization of advance tax payment u/s 211 and 234C

The existing provisions provide different advance tax instalment for corporate and non-corporate assessee, it is proposed to amend this section to rationalize schedule for advance payment.

It is further proposed to amend this section so as to enable assessee's eligible u/s 44AD shall also be required to pay advance tax in one installment on or before March 15 of the financial year.

Consequential amendments are also proposed to be made to section 234C to bring it in sync with the amendments proposed under the said section.

This amendment will take effect from June 1, 2016

Section 244A: Payment of interest on refund

It is further proposed to provide that an assessee shall be eligible to interest on refund of self-assessment tax for the period beginning from the date of payment of tax or filing of return, whichever is later, to the date on which the refund is granted

It is also proposed to provide that where a refund arises out of appeal effect being delayed beyond the time prescribed under sub-section (5) of section 153, the assessee shall be entitled to receive, in addition to the interest payable under sub-section (1) of section 244A, an additional interest on such refund amount calculated at the rate of 3% per annum, for the period beginning from the date following the date of expiry of the time allowed under section 153(5) to the date on which the refund is granted, subject to some conditions as prescribed.

This amendment will take effect from June 1, 2016

PENALTY

Rationalization of penalty provisions

It is proposed to insert a new section 270A so that provisions of section 271 shall not apply to and in relation to any assessment for the assessment year commencing on or after the 1st day of April, 2017 and subsequent assessment years and penalty be levied under the newly inserted section 270A, penalty rates are as under:

- For under-reporting - 50% on under-reported income
- For mis-reporting - 200% of tax where there is mis-reporting of facts

This amendment will take effect from April 1, 2017

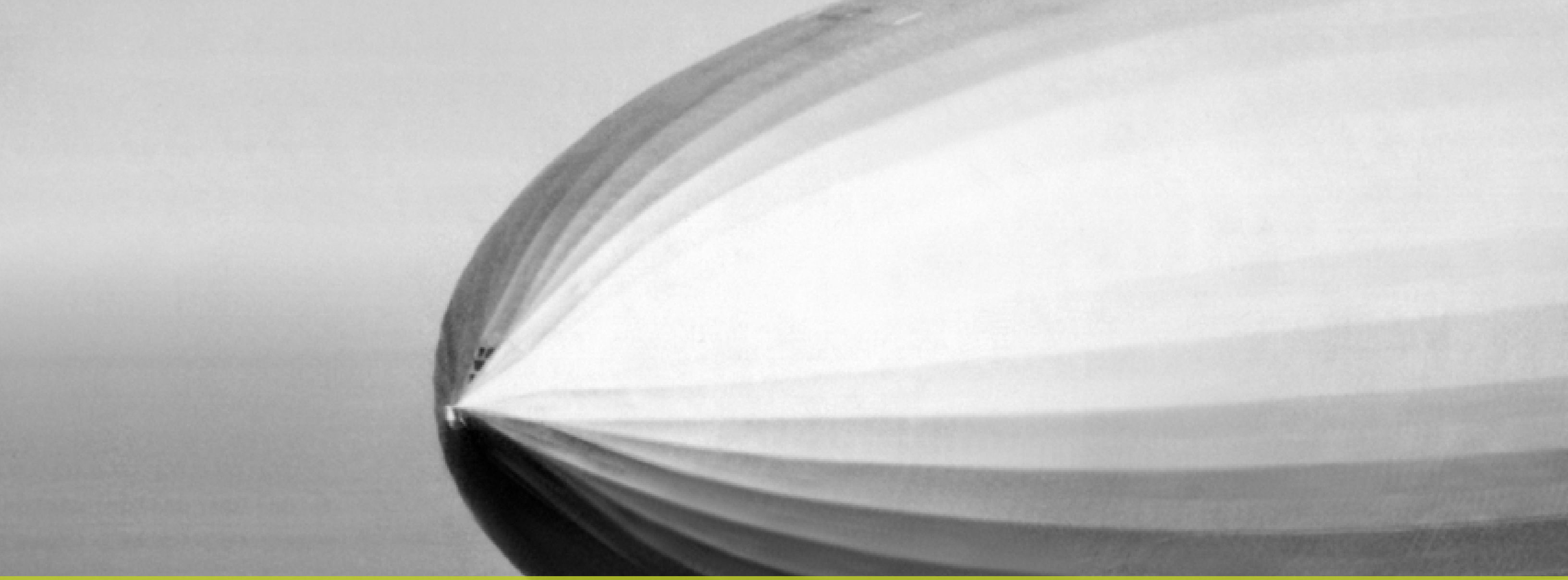
Amendments in section 271AAB

In order to rationalise the rate of penalty and to reduce discretion it is proposed to amend that clause (c) of sub-section (1)of section 271AAB to provide for levy of penalty on such undisclosed income at a flat rate of 60% of such income

Amendments in section 272A

It is proposed to amend section 272A(1) to further include levy of penalty of INR 10,000 for each default or failure to comply with a notice issued under section 142(1) or section 143(2) or failure to comply with a direction issued under section 142(2A).

It is further proposed to amend section 272(3) to provide that penalty



in case of failure referred above shall be levied by the income tax authority issuing such notice or direction.

It is also proposed to make consequential amendment in section 288 by insertion a new clause (d) in sub- section (1) of section 272A in the Income-tax Act relating to penalty for failure to comply with the notices and directions specified therein.

Provision for bank guarantee u/s 281B

It is proposed to amend that the AO shall revoke provisional attachment of property where the assessee furnished the bank guarantee from a scheduled bank.

It is further proposed that where a notice of demand specifying a sum payable is served upon the assessee and the assessee fails to pay such sum within the time specified in the notice, the Assessing Officer may invoke the bank guarantee, wholly or partly, to recover the said amount.

It is further proposed that in a case where the Assessing Officer is satisfied that the bank guarantee is no more required to protect the interests of the revenue, he shall release that guarantee forthwith.

This amendment will take effect from June 1, 2016

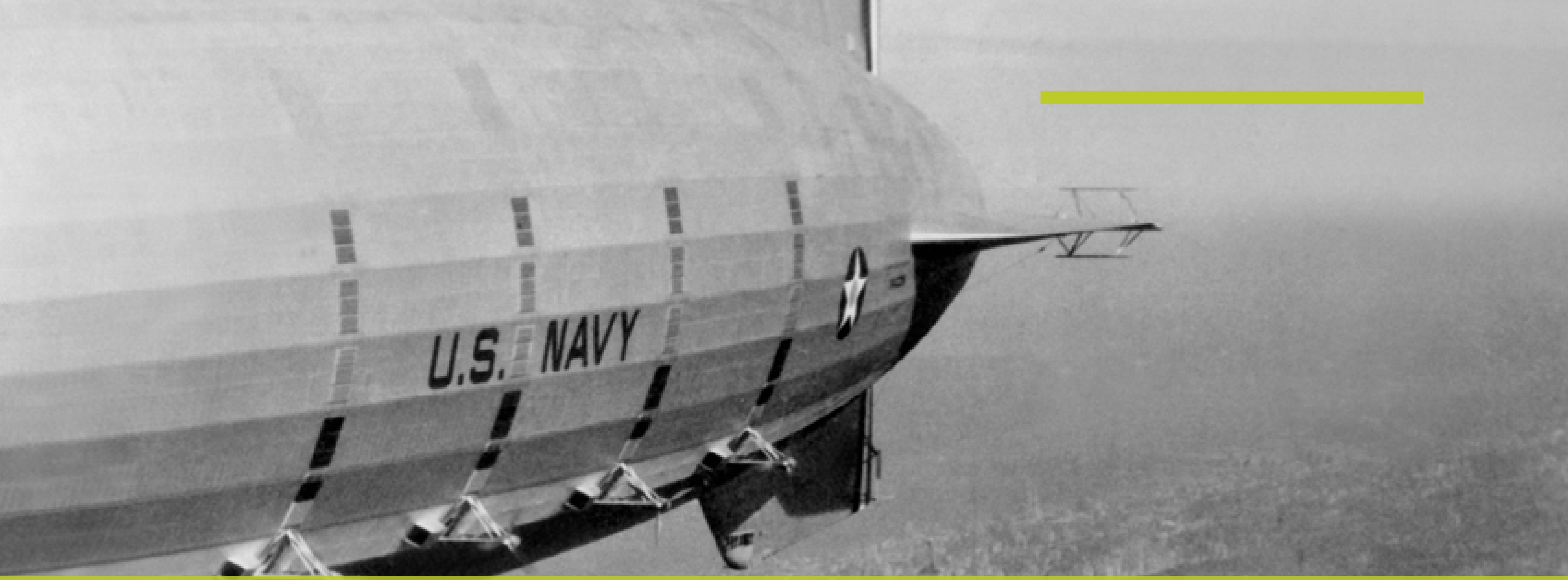
In order to bring certainty to the order of ITAT, it is proposed to amend section 254(2) to provide that the Appellate Tribunal may rectify any mistake apparent from the record in its order at any time within 6 months from the end of the month in which the order was passed.

It is further proposed to amend the sub-section (3) so as to provide that a single member bench may dispose of a case where the total income as computed by the Assessing Officer does not exceed INR 5 million.

These amendments will take effect from June 1, 2016

Extension of time limit to Transfer Pricing Officer (TPO)

The existing provision provides TPO to pass his order 60 days prior to the date on which the limitation for making assessment expires. An amendment has been proposed to amend where assessment proceedings are stayed by court or where reference for exchange of information has been made by the competent authority, the time available to the Transfer Pricing Officer for making an order after excluding the time for which assessment proceedings were stayed or the time taken for receipt of information, as the



case may be, is less than 60 days, then such remaining period shall be extended to 60 days.

This amendment will take effect from June 1, 2016

Jurisdiction of Assessing Officer

It is proposed to amend sub-section (3) of section 124 to specifically provide that cases where search is initiated under section 132 or books of accounts, other documents or any assets are requisitioned under section 132A, no person shall be entitled to call into question the jurisdiction of an Assessing Officer after the expiry of one month from the date on which he was served with a notice under sub-section (1) of section 153A or sub-section (2) of section 153C or after the completion of the assessment, whichever is earlier.

This amendment will take effect from June 1, 2016

Immunity from penalty and prosecution

It is proposed to provide that an assessee may make an application to the Assessing Officer for grant of immunity from imposition of penalty and prosecution u/s 270A and 276C respectively, provided he pays the tax and interest payable as per the order of assessment or reassessment within the period specified in such notice of demand and does not prefer an appeal against such assessment order. The assessee can make such application within one month from the end of the month in which the order of assessment or reassessment is received in the form and manner, as may be prescribed.

It is proposed that no appeal under section 246A or an application for revision under section 264 shall be admissible against the order of assessment or reassessment referred to in clause (a) of sub-section (1), in a case where an order under section 270AA has been made accepting the application.

AMENDMENTS IN TAX REGIME OF REIT and InvIT

Tax regime for Real Estate Investment Trusts (REIT) and Infrastructure Investment Trusts (InvIT)

In order to rationalize the taxation regime for business trusts (REITs and INVITs) and their investors, it is proposed that distribution made out of income of SPV to REITs and INVITs having specified shareholding will not be subjected to DDT, in respect of dividend distribution after the specified date.

This amendment will take effect from June 1, 2016.

New Taxation regime for securitisation trust and its investors

It is proposed to amend the provision of act to substitute the existing special regime for securitisation trusts by a new regime. It is also proposed to provide that the current regime of distribution tax shall cease to apply in case of distribution made by securitisation trusts.

These amendments will take effect from June 1, 2016.

CORPORATE TAXATION

Residency test for foreign companies

It is proposed that the determination of residency of foreign company on the basis of Place of effective Management (POEM) to be deferred by one year.

Section 36(1)(viia)(c): Deduction in respect of provision of bad and doubtful debts

Considering the fact that NBFC are also engaged in financial lending to different sectors of society, it is proposed to insert a new clause to the aforesaid section that NBFC shall also be eligible for deduction to the extent of 5% of its income (before making any deduction under this clause and chapter-VIA).

This amendment will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 32AC(1A): Investment allowance reserve

The existing Section provides investment allowance @ 15% if new plant and machinery is acquired and installed in the same previous year (this tax incentive is available up to March 3, 2017). An amendment has been proposed to provide that the installation may be made by March 31st, 2017, and as such the deduction under this section shall be allowed in the year in which the new asset is installed.

These amendments will take effect retrospectively from April 1, 2016 and will, accordingly, apply in relation to AY 2016-17 &2017-18

Section 115JB: Minimum alternative tax

The existing provisions of the aforesaid section apply to all company including foreign company, it is proposed to amend this section so as to provide that the provision of this section shall not be applicable to a foreign company subject to conditions prescribed therein.

Section 43B: to include certain payments made to railways

The existing Section provides that any sum payable by the assessee by way of tax, cess, duty or fee, employer contribution to Provident Fund, etc., is allowable as deduction of the previous year in which the liability to pay such sum was incurred (relevant previous year) if the same is actually paid on or before the due date of furnishing of the return of income. An amendment has been proposed so as to expand its scope to include payments made to Indian Railways for use of Railway assets within its ambit.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

Section 115BBE: Tax on undisclosed Income

The existing provisions of this section provide that the income relating to section 68, 69, 69A, 69B, 69C or 69D is taxable at 30% without providing deduction in respect of any expenditure or allowances. It is proposed to amend the provisions of this sub-section (2) of the said section that no set off of any loss shall be allowable in respect of income under the above sections.

This amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

TAX INCENTIVES TO INTERNATIONAL FINANCIAL SERVICES CENTRES

Section 10 (38): Income exempt from long term capital gain

The existing provision provides an exemption of income by way of long term capital gain arising from equity shares or units of an equity oriented fund or business trust. It is proposed to amend this section so as to provide for exemption from tax on capital gains to the income arising from transaction undertaken in foreign currency on a RSE located in an International Financial Services Centre.

It is further proposed to amend section 115JB so as to provide that in case of a company, being unit located in IFSC and deriving its income in foreign currency, MAT shall be chargeable at 9%.

Further, it is proposed to amend section 115-O so as to provide that no tax on distributed profits shall be chargeable in respect of the total income of the said company.

These amendments will take effect from April 1, 2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent assessment years.

A consequential amendment is also proposed to amend section 113A & 132A so as to provide that the STT and CDT shall not be application to the transaction entered into by any person on a RSE located in IFSC if consideration is paid or payable in foreign currency.

These amendments will take effect from June 1, 2016.

RATIONALISATION OF ASSESSMENTS AND APPEAL PROCEDURES

Income Declaration Scheme, 2016

It is proposed that the domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% (to be called the Krishi Kalyan cess) and penalty at 7.5%, which is a total of 45% of the undisclosed income. Declarants will have immunity from prosecution. It is also proposed to provide that declarations made under this scheme shall be exempt from wealth-tax in respect of assets specified in declaration.

The proposed scheme would not be applicable to cases as prescribed.

This amendment will take effect from June 1, 2016 and will remain open up to date to be notified by the Central Government in official gazette.

Direct Tax Dispute Resolution Scheme, 2016

It is proposed to introduce a new direct tax resolution scheme (i.e. for both income tax and wealth tax):

No penalty in respect of cases with disputed tax up to INR 1 million;

Cases with disputed tax exceeding INR I million to be subjected to 25% of the minimum of the imposable penalty;

Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty and tax interest on quantum addition.

The proposed scheme would not

be applicable to some cases as prescribed.

PENALTIES and INTEREST

Section 273A, 273AA and 220(2A)

The existing provision of the above sections deal with reduction or waiver of the amount of interest or penalty as the case may be, but do not provide any time limit regarding passing of orders. An amendment has been proposed to amend these sections so as to provide time limit in disposing the application within 12 months from the end of the month in which such application is received.

Section 282A(1) and 143(2)

The existing provision of the above sections deals with the issuances of notices by the income-tax authority. An amendment has been proposed to amend these sections so as to provide notices and documents required to be issued by income-tax authority under the Act shall be issued by such authority either in paper form or in electronic form in accordance with such procedure as may be prescribed.

It is also proposed to amend the existing provision of section 2 by inserting new clause (23C) to define the term "hearing" to include communication of data and documents through electronic mode.

All the above amendments will take effect from June 1, 2016.

Immunity from penalty and prosecution

It is proposed to insert a new section 270AA so as to provide/ grant immunity from penalty and prosecution u/s 270A and 276C respectively, provided the assessee pays the tax and interest payable as per the order of assessment or reassessment within the period specified in such notice of demand and does not prefer an appeal against such assessment order.

FOREIGN COMPANIES

Exemption of income of Foreign company from storage and sale of crude oil

It is proposed to amend the provisions of section 10 of the Act to provide that any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income, subject to certain conditions.

This amendment will take effect retrospectively from April 1, 2016

Tax Treatment in Special notified Zone

It is proposed to amend section 9 of the Act to provide that in the case of a foreign company engaged in the business of mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and unassorted diamonds in a Special Zone notified by the Central Government in the Official Gazette in this behalf.

Section 9A: Tax regime for offshore funds

It is proposed to amend the provision of this section so as to provide that the eligible investment fund shall also mean a fund established or incorporated or registered outside India in a country or a specified territory notified by the Central Government in this behalf

This amendment will take effect from April 1, 2017

OTHERS

'Equalisation Levy'

Equalization levy of 6% of gross amount of consideration for specified services received or receivable by a non-resident not having PE in India, from a resident who carries out business or profession in India, or from a non-resident having PE in India, exceeding INR 1,00,000 a year in case of B2B transactions.

Indirect Taxes

SERVICE TAX

Change in rate of tax:

The FM has proposed to increase the rate of Service tax from the present 14.5% to 15% by introducing "Krishi Kalyan Cess" (KKC) at 0.5% on the value of all services. However, unlike the Swachh Bharat Cess which is non CENVAT-able, KKC would be aligned with the CENVAT credit rules 2004. This cess would be applicable from June 1, 2016.

Negative list pruned

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

- Specified educational services, although the exemption shall continue by incorporating them in the mega exemption notification.
- Service of transport of passengers by stage carriage. However, such services by a non-air conditioned contract carriage shall remain exempt under the mega exemption notification.
- Service by way of transport of goods by a vessel or an aircraft from a place outside India to the customs station of clearance. However, such services by an aircraft will continue to be exempted by way of exemption notification.

Mega exemption list pruned

The Mega Exemption Notification has been cut short as mentioned below. These changes shall be effective from April 1, 2016

- Services provided by a senior advocate to an advocate or partnership firm of advocates.
- A person represented on an arbitral tribunal by an arbitral tribunal.
- Transport of passengers, with or without accompanied belongings, by ropeway.

The fourth (last) exemption shall however stand withdrawn w.e.f. March 1, 2016.

- Exemption to construction, erection, commissioning or installation of original works pertaining to monorail or metro is being withdrawn, in respect of contracts entered into on or after March 1, 2016.

New Exemptions introduced

Following new exemptions have been introduced in the Mega Exemption Notification w.e.f. April 1,2016

(in cases where dates are specifically mentioned below, they shall be effective from the dates so mentioned)

- The services of life insurance business provided by way of annuity under the National Pension System (NPS) regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India.

- Services provided by Securities and Exchange Board of India (SEBI) set up under SEBI Act, 1992, by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.
- Services provided by Employees Provident Fund Organization (EPFO) to employees.
- Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubate.
- Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination.
- Services provided by Insurance Regulatory and Development Authority (IRDA) of India.
- Services of general insurance business provided under "Niramaya" Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies.
- The threshold exemption limit of consideration charged for services provided by a performing artist in folk or classical art forms of music, dance or theatre, is being increased from INR 1 lakh to INR 1.5 lakh per performance.
- Services provided by way of skill/vocational training by Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners.
- Services of assessing bodies empaneled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship.
- Services by way of construction, erection etc. of a civil structure or any other original works pertaining to the "In-situ Rehabilitation of existing slum dwellers using land as a resource through private participation" component of Housing for All (HFA) (Urban) Mission / Pradhan Mantri Awas Yojana (PMAY), except in respect of such dwelling units of the projects which are not constructed for existing slum dwellers.
- Services by way of construction, erection etc., of a civil structure or any other original works pertaining to the "Beneficiary-led individual house construction / enhancement" component of Housing for All (HFA) (Urban) Mission/ Pradhan Mantri Awas Yojana (PMAY) w.e.f. March 1, 2016.
- Services by way of construction, erection, etc., of original works pertaining to low cost houses up to a carpet area of 60 sq.m per house in a housing project approved by the competent authority under the "Affordable housing in partnership" component of PMAY or any housing scheme of a State Government w.e.f. March 1, 2016.
- Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in

Management (PGPM) (other than executive development programme), admissions to which are made through Common Admission Test conducted by IIMs, 5 year Integrated Programme in Management and Fellowship Programme in Management w.e.f. March 1, 2016.

¤ IIMs conducting Post Graduate Programmes in Management and Fellowship Programmes which are equivalent to MBA and Ph.D degrees, respectively.

¤ Services by way of transportation of goods by an aircraft from a place outside India up to the custom station of clearance in India effective from June 1, 2016.

¤ Services by a stage carriage other than air conditioned stage carriage effective from June 1, 2016.

Exemptions Restored

Restoration of exemptions for services provided to the Government, a local authority or a governmental authority for public welfare projects such as construction of educational establishments, ports, airports up to March 31, 2020, where the contracts were entered prior to March 1, 2015. This shall be applicable w.e.f. the date the Finance Bill receives presidential assent.

Declared Services

Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is proposed to be declared as a service under section 66E of the Finance Act, 1994 so as to make it clear that assignment by Government of the right to use the spectrum as well as subsequent transfers of assignment of such right to use is a service leviable to Service tax and not sale of intangible goods. The changes shall come into effect from the date Finance Bill receives the presidential assent.

Abatements revised

The abatements provided to taxable services have been streamlined to the following extent w.e.f April 1, 2015.

¤ In cases where the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour, abatement of 90% is available with specified conditions. However, this abatement of 90% cannot be claimed in such ` where the invoice, bill or challan issued by the tour operator, in relation to a tour, only includes the service charges for arranging or booking accommodation for any person and does not include the cost of such accommodation.

¤ Abatement rates in respect of services by a tour operator in relation to a tour other than in para above, is being rationalized from 75% and 60% to 70%.

¤ Services provided by foreman to a chit fund under the Chit Funds Act, 1982 are proposed to be taxed at an abated value of 70%.

¤ Cost of fuel should be included in the consideration charged for providing renting of motor-cab services for availing the abatement in rent a cab service.

¤ A uniform abatement at the rate of 70% is now being prescribed for services of construction of complex, building, civil structure, or a part there of in all cases.

¤ CENVAT credit of input services now made available to service of transport of passengers by rail, however the rate of abatement to remain unchanged.

¤ CENVAT credit of input services now made available to service of transport of goods by rail, however the rate of abatement to remain unchanged.

¤ Abatement of 60% with CENVAT credit of input services introduced for services of transport of goods in containers by rail by any person other than Indian Railway.

¤ CENVAT credit of input services now available to services of transport of goods by vessel.

¤ Abatement on GTA rationalized at 60% without any CENVAT credit.

Reverse charge mechanism for certain services modified

The reverse charge mechanism provided as specified have been modified to the following extent w.e.f April 1, 2015.

¤ Services provided by mutual fund agents/distributor to a mutual fund or an asset management company erstwhile taxable under reverse charge mechanism shall now be taxable under the normal regime and the agents shall be eligible for INR 1 million exemption.

¤ The liability to pay Service tax on any service provided by Government or a local authority to business entities shall be on the service recipient.

Clarifications

¤ Information technology software liable to duty under RSP rules under Excise to remain out of Service tax ambit w.e.f. December 21, 2010.

¤ In cases of customized information technology software not required to bear RSP, Service tax will be payable on value of software and Excise will be payable on the value of media. Thus Service tax and Excise to be mutually exclusive.

Changes in Service Tax Rules

¤ Compliance burden of One Person Company (OPC) in Service Tax law reduced. The compliance benefits which are available to an individual/ partnership now extended to OPC w.e.f April 1, 2016.

¤ The Service tax liability on single premium annuity (insurance) policies is being rationalised and the effective alternate Service tax rate (composition rate) is being prescribed at 1.4% of the total premium charged w.e.f April 1, 2016.

¤ Recipient of services availed from foreign shipping line by a business entity located in India will get taxed under reverse charge at the hands of the business entity applicable w.e.f. June 1, 2016.

Penal provisions

¤ The limitation period for recovery of Service tax not levied or paid or short levied or short paid or erroneously refunded, for cases not involving fraud, collusion, suppression etc. is proposed to be enhanced by one year, that is, from eighteen months to thirty months w.e.f Finance Bill receives the presidential assent.

Regulatory and Compliance facilitation

¤ Interest rates on delayed payment of duty/tax across all indirect taxes is proposed to be made uniform at 15%, except in case of Service tax collected but not deposited with the Central Government, in which case the rate of interest will be 24% from the date on which the Service tax payment became due .w.e.f the date the Finance Bill receives the presidential assent.

¤ In case of assessees, whose value of taxable services in the preceding year/years covered by the notice is less than INR 6 million, the rate of interest on delayed payment of Service tax will be 12%.w.e.f the date the Finance Bill receives the presidential assent.

¤ Indirect tax Dispute Resolution Scheme, 2016 is being introduced. The scheme envisages that in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of duty, can file a declaration. In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in certain specified type of cases. This shall be applicable w.e.f. the date the Finance Bill receives presidential assent.

¤ Service tax assessees above a certain threshold will also be required to file an annual return. This change shall come into effect from April 1, 2016.

CENTRAL EXCISE

Rate of Duty

Central Excise Duty rates remains unchanged.

Policy Changes

Following proposed changes shall be applicable w.e.f. March 1, 2016

¤ Two or more premises of the same factory located within jurisdiction of a range, can operate under single registration subject to certain conditions.

¤ Interest under provisional assessment to be levied on unpaid amount from the due date till the date of actual payment.

Following proposed changes shall

be applicable w.e.f. April 1, 2016

¤ **Interest rate on delayed payment of duty reduced from 18% to 15%.**

¤ **EOUs would now be required to submit annual return.**

The following changes will be effective from June 1, 2016

¤ **Introduction of Indirect tax Dispute Resolution Scheme, 2016 to bring down litigations pending before Commissioner (Appeals).**

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

¤ **Period of limitation increased from 1 year to 2 years in cases not involving fraud, suppression of facts, willful misstatement etc.**

The following changes will be effective from a date to be notified:

¤ **Monthly excise returns can be revised before end of the month in which the original was submitted by the due date.**

Changes in Central Excise Tariff (applicable from March 1, 2016)

Provisions of deemed manufacture and MRP valuation extended to the following goods:

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

¤ **Changes in the additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 on non-filter and filter cigarettes as follows:**

Description	AED (in INR) per 1,000 sticks (From)	AED (in INR) per 1,000 sticks (To)	Change (INR)
Non filter not exceeding 65 mm	70	215	145
Non-filter exceeding 65 but not exceeding 70 mm	110	370	260
Filter not exceeding 65 mm	70	215	145
Filter exceeding 65 mm but not exceeding 70 mm	70	260	190
Filter exceeding 70 mm but not exceeding 75 mm	110	370	260

¤ Infrastructure cess imposed on motor vehicles under heading 8703 as follows:

Items	Infrastructure cess (%)
Three wheeled vehicles, electrically operated vehicles, hybrid vehicles, hydrogen vehicles based on fuel cell technology, motor vehicles which after clearance have been registered for use solely as taxi (subject to prescribed conditions), cars for physically handicapped persons(subject to prescribed conditions), and motor vehicles cleared as ambulances or registered for use solely as ambulance(subject to prescribed conditions)	NIL
Petrol / LPG / CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc	1
Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc	2.5
Other higher engine capacity motor vehicles and special utility vehicles and bigger sedans	4

¤ Basic excise duty of 1% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on articles of jewelry (excluding silver jewelry, other than studded with diamonds and other precious stones) subject to specified threshold.

¤ Basic excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on branded readymade garments and made-up articles of textiles with an MRP of INR 1,000 or above.

¤ Basic excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on charger, battery, wired headsets/speakers, for use in manufacture of mobile handsets.

¤ Basic excise duty of 4% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on routers, broadband modems, set-top boxes, digital video recorder, close circuit camera, etc.

¤ Other Changes in the basic excise duty rates on some other key items are set out below:

Items	Existing rates (%)	New rates (%)	Increase/Decrease (%)
Aviation turbine fuel other than for supply to scheduled commuter airlines from the regional connectivity schemes airports	8	14	6
Gold bars manufactured from gold ore or concentrate; gold dore bar and silver dore bar	9	9.5	0.5
Gold bars and gold coins of purity not below 99.5%, produced during the process of copper smelting	9	9.5	0.5
Water, including mineral waters and aerated waters, containing added sugar or other sweetened matter or flavoured	18	21	3
Certain parts of railway, tramway locomotives or rolling stock	12.5	6	(6.5)
Engine for hybrid electric vehicles	12.5	6	(6.5)

¤ Abatement rate from MRP for footwear increased from 25% to 30%.

¤ Tariff value on readymade garments increased from 30% to 60%.

¤ Oil Industries Development cess reduced from INR 4,500 per metric tonne to 20% ad valorem on domestically produced crude oil.

¤ Increase in clean energy cess from INR 200 to INR 400 per ton on coal, lignite and peat

Exemptions introduced/extended w.e.f March 1, 2016

¤ Ready mix concrete manufactured at the site of construction.

¤ Tools and tools kits procured by MRO entities for maintenance, repair of aircraft subject to certifications by Director General of Civil Aviation.

¤ Inputs, parts and components, subparts for manufacture of charger/ adapter, battery and wired headsets/ speakers of mobile phone, subject to actual user condition.

¤ Parts, components, accessories and subparts for manufacture of routers, broadband modems, set-top boxes, digital video recorder, close circuit camera, etc.

¤ Exemption to canned software and packaged software extended to media with recorded information technology software on which MRP is not required to be declared where Service tax is leviable.

¤ Disposable sterilized dialyzer and micro barrier of artificial kidney.

CENVAT CREDIT RULES 2004

The following changes are effective from March 1, 2016

¤ The time limit for filing refund claim in respect of export of services shall be before the expiry of one year from the date of:

- ж receipt of payment in convertible foreign exchange, where provision of service has been completed before such receipt; or
- ж Issue of invoice, where payment for the service had been received prior to the date of issue of the invoice

The following changes are effective from April 1, 2016

¤ Definition of capital goods expanded to include:

- ж Wagons of sub heading 8606 92 of the First Schedule to the CETA
- ж Capital goods used as equipment and appliance used in an office in the factory are now creditable

¤ CENVAT credit on inputs and capital goods used for pumping of water, for captive use in the factory, will be allowed even when such capital goods are installed outside the factory.

¤ All capital goods having value up to INR 10,000 per piece are being included in the definition of inputs.

¤ Rule 6 of CCR, dealing with CENVAT credit on exempted goods/ services has been rationalized as following

- ж Full CENVAT Credit of Service tax paid on input services exclusively used for manufacturing non-exempted goods and provision of non-exempted services will be allowed
- ж Definition of exempted services widened for the purpose of Rule 6. Reversals to include an activity which is not a service.
- ж Increased disclosures to be done to avoid subsequent disputes with the revenue authorities.
- ж Banking and financial institutions including a NBFC will be allowed to either opt for payment of 7% of value of exempted services or pro-rata reversal or reversal of 50% of the CENVAT credit availed.

¤ CENVAT credit of Service tax paid on upfront charges for assignment of natural resources such as spectrum, mining rights will be allowed over a period of right to use such assigned resources.

¤ Rule 7 of the CCR, dealing with distribution of CENVAT credit on input services revamped to allow distribution of the credit to an outsourced manufacturing unit. Further, it is now clearly prescribed that Rule 6 reversals will not be applicable at Input Service Distributor stage.

¤ Service by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India is specifically excluded from the definition of "exempted service".

¤ Manufacturer of final products will be allowed to take CENVAT credit on tools sent to a job worker.

¤ Permission given to a manufacturer to send inputs/ partially processed inputs to a job-worker and clearance of final products therefrom extended from one financial year to three financial years.

¤ Rule 7B is inserted in CCR to enable manufacturers for maintaining a common warehouse for inputs and distribute credits to the individual manufacturing units by following the 'dealer registration' compliances prescribed under the Central Excise laws.

¤ Invoice issued by a Service provider for clearance of inputs and capital goods will be considered as a valid document for claiming CENVAT credit.

¤ Rules amended to restrict the credit of duties/taxes, except credit of NCCD, for payment of NCCD.

¤ CENVAT credit will not be available for payment of Infrastructure cess levied on motor vehicles.

¤ CENVAT credit of Capital goods used for manufacture of exempted goods/services for a period of first two years shall not be available.

CST

The following key changes will be effective from a date to be notified:

¤ Co-mingled and fungible gas transported through a common carrier pipeline or any other transportation medium which moves from one state to another shall be deemed to be movement of goods from one state to another.

CUSTOMS

Changes in rates of Customs Duty

Following are the changes in rates if custom duties w.e.f April 1, 2016.

BCD has been reduced on the following goods.

Items	Existing Rates (%)	New Rates (%)	Increase/ Decrease (%)
Denatured ethyl alcohol (ethanol) for use in manufacture of excisable goods	5	2.5	(2.5)
Silica Sand	5	2.5	(2.5)
Lignite, whether or not agglomerated, excluding jet	10	2.5	(7.5)
Peat (including peat litter), whether or not agglomerated	10	2.5	(7.5)
Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon (metallurgical coke already taxable @ 5%)	10	5	(5)
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	5	(5)
Aluminium oxide for use in manufacture of wash coat, for catalytic converters (actual user condition)	7.5	5	(2.5)
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	5	(5)
Aluminium oxide for use in manufacture of wash coat, for catalytic converters (actual user condition)	7.5	5	(2.5)
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	5	(5)
Aluminium oxide for use in manufacture of wash coat, for catalytic converters (actual user condition)	7.5	5	(2.5)
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	5	(5)

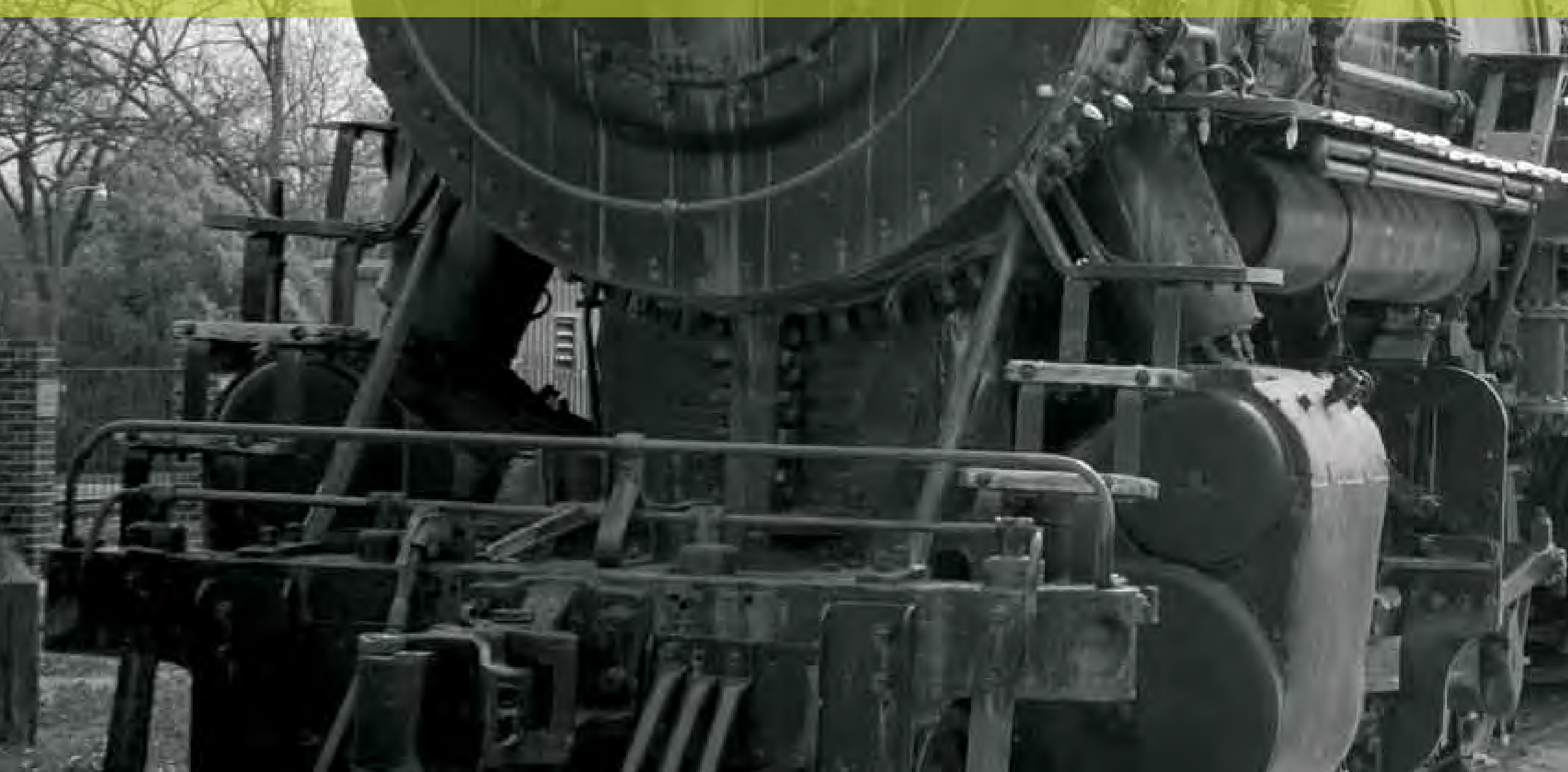
Aluminium oxide for use in manufacture of wash coat, for catalytic converters (actual user condition)	7.5	5	(2.5)
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	5	(5)
Parts and raw material for manufacture of E readers	10	5	(5)
Refrigerated containers (8609 00 00)	10	5	(5)
Parts and components, including subparts, for manufacture of digital video recorder, network video recorder, close circuit camera/ internet protocol camera, lithium ion battery (other than those for mobile handsets)	7.5/ 10	NIL	(7.5/10)
E readers	NIL	7.5	7.5
Golf cars (depending on condition of import)	10	10-60	0-50
Natural latex rubber made balloons (9503 00 90, 9505 10 00, 9505 90 90)	10	20	10
Imitation jewellery	10	15	5
Imitation jewellery	10	15	5
Primary aluminum products (7601, 7603, 7604, 7605, 7606, 7607)	5	7.5	2.5
Other aluminum products (7608 and 7609 00 00)	7.5	10	2.5
Zinc alloys (7901 20)	5	7.5	2.5
Industrial solar water heater	7.5	10	2.5

Changes in Customs law

The following changes will be effective from April 1, 2016.

- The existing Baggage Rules 1998 are being substituted with the Baggage Rules 2016 so as to simplify and rationalize multiple slabs of duty free allowance for various categories of passengers. Some of the key changes are as below:
    - Duty free baggage allowance permitted worth INR 50,000 (to an Indian person) and INR 15,000 (to a tourist of foreign origin) arriving in India from a country other than Nepal, Bhutan or Mayanmar irrespective of the duration of stay of such person abroad.
    - Duty free baggage allowance permitted worth INR 15,000 to a person arriving in India from Nepal, Bhutan or Mayanmar, irrespective of the duration of stay of such person abroad.
- Corresponding changes have also been done in the Customs Baggage Declaration Regulations 2013 so as to prescribe filing of Customs declarations only for those passengers who carry dutiable or prohibited goods.
- Interest rate on delayed payment of Customs duty under Section 28AA has been reduced to 15% from the current 18%.
- The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 with a view to simplify the rules, including allowing duty exemptions to importer/ manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities. Need for additional registration is also being done away with.

The following changes will be



effective from the date Finance Bill receives the presidential assent

¤ Normal period of limitation for issuance of the show cause notice increased from 1 year to 2 years.

¤ Provisions inserted to enable government to notify certain category of importers and exporters who shall be eligible for making deferred payment of customs duties.

¤ Enabling provisions inserted to allow Board to prescribe conditions for permitting transit of goods without payment of Customs duty.

¤ Concept of appointing warehousing stations under the Customs Act has been done away with.

¤ New class of special warehouses has been introduced for specific category of products, which require stringent physical control and monitoring by the customs officer.

¤ Importers clearing imported goods to warehouses shall now be required to submit bonds for an amount equal to thrice the duty amount involved as compared to current requirement of bond for twice the duty amount involved.

¤ Warehousing period permitted to 100% EOUs, EHTPs and STPs having permission to carry manufacturing or other operations under Section 65 of the Customs Act for inputs and capital goods has now been extended from 3 and 5 years respectively till their clearance from warehouse.

¤ Indirect Tax Dispute Resolution Scheme 2016 to be introduced from June 1, 2016 to bring down litigations pending at Commissioner (Appeal) level.

SECTOR WISE IMPACT

AGRICULTURE SECTOR

- Total allocation for Agriculture and Farmers' welfare is INR 359.84 billion with target to double the income of the farmers by 2022.
- 2.85 million hectares to be brought under irrigation under PMKSY.
- A dedicated Long Term Irrigation Fund to be created in NABARD with an initial corpus of about INR 200 billion.
- Government has launched two important schemes to increase crop yields through organic farming in rain fed areas. First the, PKVY which will bring 0.5 million acres under organic farming over a 3 year period. Second, the Government has launched a value chain based organic farming scheme called "Organic Value Chain Development in North East Region".A total provision of INR 4.12 billion has been made for these schemes.
- The Government is implementing the Unified Agriculture Marketing Scheme which envisages a common e-market platform that will be deployed in selected 585 regulated wholesale markets.
- For effective implementation of Crop Insurance Scheme namely, PMFBY a sum of INR 55 billion has been allocated.

INFRASTRUCTURE SECTOR

- Allocation of INR 550 billion for Roads and Highways in the budget will be further topped up by additional INR 150 billion to be raised by NHAI through bonds. Nearly 10,000 km. of National Highways are expected to be approved in 2016-17.
- The total outlay for infrastructure in BE 2016-17 stands at INR 2,212.46 billion
- Development of new greenfield ports to be expedited with INR 8 billion allocated for these initiatives.
- Revival of unserved and underserved airports with an indicative cost of INR 0.5 billion to INR 1 billion each
- In achieve self-sufficiency in discovery and exploitation of natural resources including oil and gas, government is considering incentivizing gas production from deep-water, ultra deep-water and high pressure-high temperature areas through calibrated marketing freedom at a pre-determined ceiling price to be discovered on the principle of landed price of alternative fuels.
- Budgetary allocation up to INR 30 billion per annum, together with public sector investments, will be leveraged to facilitate the required investment for nuclear power generation.
- 100% FDI to be allowed in marketing of food products produced and manufactured in India.
- A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved.

FINANCIAL SECTOR

- A comprehensive Code on Resolution of Financial Firms to be introduced to deal with bankruptcy situations in banks, insurance companies and financial sector entities.
- Allocation of INR 250 billion in BE 2016-17 towards recapitalization of Public Sector Banks.
- Target of disbursement under PMMY increased to INR 1,800 billion

- To promote this higher levels of transparency and accountability, the general insurance companies owned by the Government to be listed in the stock exchanges.
- Massive nationwide rollout of ATMs and Micro ATMs in Post Offices over the next three years
- Process of transfer of government stake in IDBI Bank below 50% started.

RURAL SECTOR

- For rural development as a whole, INR 8,776.5 billion has been allocated in the Budget for 2016-17
- A sum of INR 2,870 billion to be given as Grant in Aid to Gram Panchayats and Municipalities, a quantum jump 228% compared to the previous five year period.
- A sum of INR 3,850 billion has been allocated for MGNREGS in 2016-17.
- 100% village electrification targeted to be achieved by 1st May, 2018. INR 85 billion has been provided for Deendayal Upadhayaya Gram Jyoti Yojna and Integrated Power Development Schemes
- INR 90 crore has been provided for Swachh Bharat Abhiyan.
- A new Digital Literacy Mission Scheme for rural India to cover around 60 million additional households within the next 3 years to spread digital literacy in rural india.
- The National Land Record Modernisation Programme has been revamped to build an integrated land information management system. INR 1.5 billion has been provided for this purpose.

SOCIAL SECTOR

- Provision of LPG connection in the name of women members of poor households with a fund allocation of INR 20 billion for this purpose.
- A new health protection scheme which will provide health cover up to INR 0.1 million per family. For senior citizens of age 60 years and above belonging to this category, an additional top-up package up to INR 0.03 million will be provided.
- 3,000 Stores under PMJAY to be opened during 2016-17.
- 'National Dialysis Services Programme' to be operated through PPP mode under the National Health Mission.
- INR 5 billion has been approved for the "Stand Up India Scheme" to promote entrepreneurship among SC/ST and women.

¤ Under PMKVY, 1500 Multi Skill Training Institutes across the country to be set up with allocation of INR 17 billion crore for these initiatives.

¤ In order to incentivize creation of new jobs in the formal sector, Government of India to pay the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFS for the first three years of their employment.

¤ Employment generation incentive to be made available under Section 80JJAA of the Income Tax Act, 1961

¤ Small and Medium shops to be given the choice to remain open on all seven days of the week on voluntary basis.

EDUCATION SECTOR

¤ 62 new Navodaya Vidyalayas to be opened in the remaining uncovered districts over the next two years

¤ An enabling regulatory architecture will be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions.

¤ HEFA with an initial capital base of INR 10 billion to be set up.

¤ It is proposed to establish a Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets, on the pattern of a Securities Depository

GLOSSARY

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

design and print: ajaxmehta@gmail.com

VERENDRA KALRA & CO

CHARTERED ACCOUNTANTS

- 75/7 Rajpur Road, Dehra Dun - 248001,
  Uttarakhand, INDIA
  T +91.135.2743283, 2747084, 2742026
  F +91.135.2740186
  W www.vkalra.com E info@vkalra.com

- 80/28, Malviya Nagar,
  New Delhi, 110017 INDIA
  W www.vkalra.com
  E info@vkalra.com